

City of Fort Collins, Colorado

Comprehensive Annual Financial Report For the fiscal year ended December 31, 2004

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About our cover and section tabs...

During the past year, the City of Fort Collins has completed and participated in several significant projects to address the needs of our vibrant growing community.

The cover shows two photos. The top left photo is the latest addition of open space acquired in early May, 2004. It consists of over 12,000 acres located in the Laramie Foothills. The Natural Areas Program expects to open the area to the public in 2009. Recreational opportunities will include hiking, biking, horseback riding, wildlife watching, picnicking and relaxing while taking in the spectacular scenic beauty.

The bottom right photo displays the completed North College and Jefferson/Riverside Improvement Project. The project was safely constructed under traffic of nearly 30,000 vehicles a day on the primary truck route through the City. The project added sidewalks, bike lanes, storm drainage, landscaping, pedestrian lights, concrete pavement, and access control to the section of North College on Riverside/Jefferson and the Poudre River.

The “Introductory Section” tab displays the Rock Climbing Wall located at the Youth Activity Center. In use since 2001, it is open to kids of all ages.

The “Financial Section” tab displays a tag representing “Shop Fort Collins First”. This program is a partnership between the City of Fort Collins, Downtown Business Association, Fort Collins Chamber of Commerce, the Convention and Visitors Bureau and the Foothills Mall. The program is designed to educate the residents of Fort Collins on how shopping in Fort Collins supports local jobs, city services, the quality of life in Fort Collins and the variety of shopping choices.

The “Statistical Section” tab displays a laptop used in the emergency services vehicles (Police, Fire, and Ambulance). It is a part of the Tiburon Computer Aided Dispatch (CAD) system used to dispatch first responders to calls, allow car to car messaging, mobile mapping, Automatic Vehicle Location (AVL) as well as completion of reports from the field. Officers are also able to get a listing for license plates and drivers licenses and check for active warrants from their vehicles.

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For the fiscal year ended December 31, 2004

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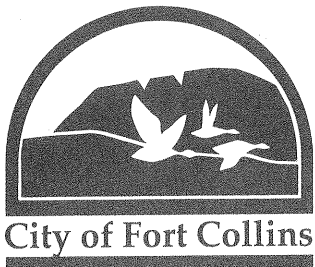
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INTRODUCTORY SECTION

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May 27, 2005

**Honorable Mayor and Members of Council and
Residents and Customers of the City of Fort Collins:**

The City faced many challenges in 2004. While the national economy continued its recovery from the recent recession, Colorado and the Fort Collins regional economies are slowly responding to their worst slump in many years. Other communities in the region are competing for retail sales, which fuel the City's major revenue source – the sales tax. Investment rates, although starting to climb in the fourth quarter of 2004, were at their lowest level in 40 years. This resulted in investment earnings of less than half of their historical amounts. Despite these factors, the City was able to maintain its strong financial position in 2004. The City maintained its financial position with over \$230 million of unrestricted fund balances overall and \$18 million in the General Fund. In this context, we transmit the Comprehensive Annual Financial Report.

Legal Requirements. The Charter of the City of Fort Collins and State law require the City to publish the results of its annual audit and a comprehensive report of financial statements. The City's Finance Department completed this report following generally accepted accounting principles (GAAP). The external auditor, a firm of licensed certified public accountants, audited the financial records in accordance with generally accepted auditing standards. To meet the requirements and to provide a clear summary of the City's financial activities we present this comprehensive annual financial report of the City of Fort Collins, Colorado for the fiscal year ended December 31, 2004.

Responsibility and Internal Control. This report consists of management's representations concerning the finances of the City of Fort Collins. As management, we retain full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Fort Collins financial statements in conformity with generally accepted accounting principles. The cost of internal controls should not outweigh their benefits. Management has designed the City of Fort Collins framework of internal controls to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Independent Audit. The City Council selected *BONDI & Co. LLC*, a firm of licensed certified public accountants, to audit the financial statements. As the independent auditor, *BONDI's* goal was to provide reasonable assurance that the financial statements for the fiscal year ended December 31, 2004, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year 2004, are fairly presented in conformity with generally accepted accounting principles.

The independent audit of the financial statements of the City of Fort Collins was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not

only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of federal awards. The reports are available in the separately issued Single Audit Report of the City of Fort Collins.

Management's Discussion & Analysis Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). Management has designed this transmittal letter to coordinate with the MD&A. Users of this report should read this letter and the MD&A. The MD&A begins on page 19, immediately following *BOND*'s independent audit report.

Profile of the City of Fort Collins

The City of Fort Collins, incorporated in 1873, is located in north central Colorado, east of the continental divide. It is the fifth largest city in Colorado in terms of population. The City's corporate limits encompass 51 square miles of land. It has been growing rapidly over the last 20 years and traditionally possessed one of the strongest local economies in the nation. The City is the county seat of Larimer County. It is also home to Colorado State University with an enrollment of over 25,000 students and many Federal and state agencies. Public entities own about 30% of the land within the City's corporate limits.

The City is a home rule city, organized under provisions of the Colorado Constitution. The City Charter, adopted in 1954, provides for the council-manager form of local government. The voters directly elect the mayor to serve a two-year term. Within districts, voters elect six Council members on a non-partisan basis, to staggered four-year terms. The financial statements, schedules, and statistical tables contained in this report include all funds and account groups under the control of City Council. The Council is responsible for passing ordinances, adopting the two-year budget and annual appropriations ordinance, appointing advisory board and commission members, and hiring the city manager, city attorney, and municipal judge. The city manager is responsible for implementing the policies and ordinances of Council, overseeing the day-to-day operations, and for appointing service area directors and other staff members.

The City provides a full range of municipal government services to approximately 135,500 residents. These services include all general purpose municipal services authorized by its Charter, including general government, public safety, streets and highways, health and welfare, culture and recreation, transportation, public works, development, and public utilities. The City's utilities include electric distribution, water treatment, wastewater treatment, and storm drainage.

Management includes component units in the reporting entity to conform to Governmental Accounting Standards Board Statement No. 14. The financial statements include all funds, capital assets and long-term obligations that make up the legal entity of the "primary government", namely the City, as well as organizations for which the City is financially accountable. The City's reporting entity includes the Downtown Development Authority, General Improvement District No. 1, and the Fort Collins Capital Leasing Corporation. Management has designed the financial statements to allow financial statement users to distinguish between the primary government and its component units.

The Poudre Fire Authority provides fire protection services to the region around and including the City and its residents. The City and Poudre Valley Fire Protection District created the Authority in 1982 to provide consolidated fire and emergency services within the territorial limits of both

entities. The Authority was created as an independent governmental authority under Colorado law and is governed by its own board. The City accounts for the Authority as a joint venture. This organizational arrangement has improved insurance ratings, lowered costs to taxpayers, enhanced ability to respond to major fires, and eliminated duplicate support services. In addition to fire protection, the Authority provides emergency medical services, hazardous materials response, inspection, public education, and investigation services. The Finance Department prepares separate financial statements for the Poudre Fire Authority.

The City's annual appropriations ordinance, adopted before the end of November of each year, sets the foundation for the financial planning and control. Council adopts the budget every two years, following a multi-month process of revenue estimation, spending requests from service areas, study sessions, and internal meetings. The city manager provides the two-year budget to Council in September of odd-numbered years. The Council is required to hold public hearings on the budget and adopt it by the end of November. The appropriations ordinance is prepared and adopted by fund and in the case of capital projects and grants, by project and grant.

The Charter requires balanced annual appropriations in which expenditures may not exceed revenues and fund balances, with some exceptions for emergencies. During a fiscal year, the Council, by recommendation from the City Manager, may approve supplemental budget appropriations. Within a fund, the City Manager may transfer appropriations between programs. Between funds and capital projects, the Council may make transfers based on City Manager recommendations.

In this report, management has provided budget to actual comparisons for each individual governmental fund for which the Council has made appropriations. For the General Fund, this comparison is presented on page 44 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, this comparison is presented in the governmental fund section of this report, which starts on page 45. Also included in the governmental fund section are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted.

Factors Affecting Economic and Financial Condition

For additional context to readers of the Comprehensive Annual Financial Report, management provides the following comments about the economy and financial status.

Local economy From the early 1990s to the middle of 2001, the City experienced a period of extremely strong economic growth. Many of the local technology firms expanded, which led to more jobs and higher incomes. Due to the structure of the local economy, particularly the many companies that export nationally and globally, the 2001 recession has proven to be a severe setback. For the City, the recession has manifested itself as numerous layoffs, reduced hours, and diminishing payrolls. This in turn leads to households lowering their spending and this directly affects the City's major revenue source for governmental services, the sales and use tax. Unlike the previous two fiscal years, total sales and use tax collections in 2004 finally exceeded the budget projection for the year. Although use tax collections have exceeded budget projections, sales tax collections were below budget projections during four of the first five months of 2004.

In the following table, management displays a table of important indicators of the City's local economy. Employment growth in the county stalled in the last half of 2001 and did not regain momentum until midway through 2004. In the third-quarter of 2004 (the latest data available), total

jobs in Larimer County increased by 2,663 or 2.17%. Total wages were up 5.4% and average wages up 3.1%.

Manufacturing jobs, a primary driver of personal income, increased by 0.8%. Total wages in the manufacturing category were down 1.1%. For workers still employed in manufacturing, average wages fell by 1.8%. Government jobs increased by 1.4%; total wages and average wages increased by 6.7 % and 5.2%, respectively.

The unemployment rate in the table is an annual average. Unemployment in Colorado is high but appears to have stabilized. At the end of 2001 it was 5.2%, by the end of 2002 it reached 5.7%, during 2003 it reached a high of 6.5% (March 2003) and by the end of 2003 the rate fell back to 5.6%. As of the end of 2004, the rate is at 5.5%. This likely understates the level of unemployment because, following a recession, many people become discouraged and stop trying to find work.

The essential economic indicators for the City were mixed in 2004. Even though population grew at 3.76%, single family housing permits declined. Use tax from business fell even with an increase in the valuation of the new construction sector. Sales tax collections were up after being down for two years in a row. Growth in inflation, as measured by the Denver-Boulder-Greeley Consumer Price Index was about 0.86% lower than 2003, and one of the lowest readings in the last six years.

Key Economic Indicators for Fort Collins 2000-2004					
	2000	2001	Actual 2002	2003	2004
County Employment Data					
Annual Unemployment Rate in Percentage	2.96	3.53	5.15	5.69	5.16
Actual Change	(0.12)	0.57	1.62	0.54	(0.53)
Total Employment (ES202) 3-Quarter Average	122,179	122,048	121,546	119,720	125,100
Percentage Change	4.75%	-0.11%	-0.41%	-1.50%	4.49%
City Building and Construction					
Residential Building Permits	1,582	1,899	1,540	1,398	1,295
Percentage Change	-16.38%	20.04%	-18.90%	-9.22%	-7.36%
New Construction Valuation – Total	\$310,921,759	\$347,620,126	\$280,630,125	\$292,412,644	\$450,351,863
Percentage Change	-22.44%	11.80%	-19.27%	4.20%	54.01%
City Sales & Use Tax Collections					
City Sales and Use Tax Collections	\$65,273,761	\$71,168,086	\$68,200,543	\$67,694,302	\$70,724,861
Percentage Change	2.18%	9.03%	-4.17%	-0.74%	4.48%
Sales Tax Collections	53,642,527	56,857,422	56,564,972	56,313,789	58,185,755
Percentage Change	9.10%	5.99%	-0.51%	-0.44%	3.32%
Use Tax Collections	11,631,254	14,310,664	11,635,571	11,380,513	12,539,106
Percentage Change	-20.94%	23.04%	-18.69%	-2.19%	10.18%
Use Tax from Business	5,323,400	7,526,050	5,286,393	4,762,606	4,704,865
Percentage Change	-32.37%	41.38%	-29.76%	-9.91%	-1.21%
City Population					
Population	118,652	122,377	126,848	130,566	135,478
Percentage Change	5.09%	3.14%	3.65%	2.93%	3.76%
Regional Consumer Price Index					
Denver-Boulder-Greeley CPI-U (1982-84=100)	173.20	181.30	184.80	186.75	187.00
Percentage Change	3.96%	4.68%	1.93%	1.06%	.20%

In conjunction with the improving economy, the City's financial health remained strong through 2004. At year-end, the City held \$234 million in unrestricted fund balances, approximately \$33.4 million more than 2003. Please see page 22 for more information about the City's total assets.

Outlook for 2005-2006 Management remains concerned about the viability of the local economy and how slow the recovery from the recession will be. Historically, Colorado State University has been a stable employer that has buffered the City from severe economic downturns. Due to the severe cutbacks in the State of Colorado budget, the University will not likely play as strong a role to offset the impacts of the downturn. In addition, several regional manufacturing and high-tech firms have reduced staffing levels and frozen wage levels over the last four years. The outlook is for a long slow recovery.

While some of the foundation for a national economic recovery is in place, labor markets are still weak and consumer confidence is still low. The City faces more competition for retail sales in northern Colorado. Historically, Fort Collins has been a regional shopping magnet. However, other cities (Loveland and Greeley) in northern Colorado have also expanded their retail bases.

The City's economy and corresponding revenue structure faces several risks. The first is the extension of the recession or weakened economy. Colorado and other western states have been hit especially hard by the downturn. Forecasters say that the Colorado economy is likely to experience a gradual turnaround. The next major risk is the erosion of the sales tax base due to transactions that occur over the Internet. As this method of commerce continues to grow and if it retains preferential tax treatment, states and cities will lose more and more sales taxes. Fort Collins will also face increased competition for retail sales as Loveland and Windsor shopping venues are developed. The City will remain in its role as the primary city in northern Colorado, but its economic base will face much stiffer competition from other regional cities. The City will need to persevere in its diligent efforts to manage its resources while responding to demand for services.

Long-term financial planning Council and management are working on several long-term plans that will affect the City's financial position. Through financial management policies, Council has set priorities among the services it provides. For the past few years and into the immediate future these policies put the highest priority on basic services. Below, management has highlighted a few of the services for which long-term planning is underway.

Transportation Transportation programs are supported primarily by two funds: Transportation Fund and General Fund. Revenues from non-General Fund sources are projected to remain relatively stable. Revenues from the General Fund are expected to be reduced which translates into some service reductions. The community does appear to recognize the need for ongoing funding for street infrastructure. In April 2005, voters passed a City sponsored ballot initiative that extended the City's existing dedicated .25% sales & use tax levy for streets maintenance for an additional 10 years beyond the expiration date of December 31, 2005.

Police In the 2002 budget, the City began to set aside money in an account for a new police services building. During 2004, the City completed a certificate of participation financing that provided \$32 million for the construction of a new police services building. Construction is scheduled for 2006. In addition, the long-term planning budget calls for the addition of more police officers in each of the next ten years to improve upon the current service standard.

Storm Drainage Due to the 1997 flood, the Council has embarked on a master plan to improve significantly the drainage flows in the City. In accordance with the approved storm drainage capital improvements and financing plan, the service-based fees for the storm drainage utility have been

broadened and increased significantly in the last several years. Improvements to the City's basins and levees are scheduled to be completed within the next two years.

Open Space and Natural Area Preservation In 2002, Council completed a review and adopted a funding strategy for acquisition and maintenance of natural areas, community separators, and open space. Proceeds from Larimer County's sales tax for open space will provide the City with over \$100 million through 2018. City voters extended the City's dedicated sales tax levy for open space and natural areas to 2030.

Capital Projects Finally, management has begun the process for the renewal of the Building Community Choices taxes that will expire at the end of 2005. Through planning and preparation, the City has been able to present a slate of needed capital projects to voters. The list of projects to be presented to the voters later this year will emphasize basic services that the City provides to the community. The City has successfully used this strategy to fund tax-supported capital needs since the 1970s.

Pension Fund Summary In 2004, the City maintained one defined benefit pension trust fund to account for the General Employees' Retirement Plan. During 2004, the Plan produced a 9.1% rate of total return compared to the actuarial investment assumption of 7.5%. At year-end, the Plan held assets with a market value of \$36.7 million, an increase of \$2.6 million from the prior year. The increase in assets is due to good investment results. The assets of the Plan cover 83% of the projected benefits. The City will need to increase the rate at which it is contributing to the Plan.

Credit Ratings To attain the lowest possible interest rates and to be sure it has the widest markets for its bonds, the City obtains credit ratings from the major rating services. Stronger ratings lower interest rates and the cost to taxpayers and users of City services. In some cases, the City may also purchase insurance when the economic analysis shows more benefit than cost. Bond insurance provides additional support for the creditworthiness of the bonds and improves (lowers) the interest costs. The City's most recent bond ratings are as follow:

Fort Collins Bond Issue Credit Ratings		
<u>Issue</u>	Ratings	
	<u>Moody's</u>	<u>Standard & Poor's</u>
Sales & Use Tax Revenue*	Aa2	No rating
Highway Users Tax Revenue	Aa2	No rating
Sewer Revenue*	A1	No rating
General Obligation Water	Aa1	AA
Water Revenue	A2	AA-
Storm Drainage Revenue	A1	AA-
Lease Certificates of Participation	Aa2	No rating
*Fitch has rated the City's Sales & Use Tax Revenue Bonds "AA" and the City's Sewer Revenue Bonds "AA-".		

Credit rating agencies base their ratings of the City's general government debt on a combination of factors. These key factors include debt burden, economic characteristics, government organization, and financial performance. The agencies do not view any one factor as most important. They weigh strengths and weaknesses in each area within the context of potential impact on issuer's ability and willingness to repay the debt. The statements below summarize the City's general obligation credit position and upgrades the City achieved on the water and storm drainage utilities.

In affirming the City's general obligation rating, Standard & Poor's stated:

"Fort Collins' financial operation will continue to be characterized by a trend of ample reserves and a strong cash position given the city's prudent fiscal management and continued revenue growth. Moody's expects reserve levels to remain strong mitigating concerns associated with the city's large dependence on sales and use taxes. Moody's expects that the city's conservative budgeting and spending practices, which have sustained a sound financial position, will continue, and that satisfactory financial operations will be maintained." [2003 Sales and Use Tax Bond Rating]

In upgrading the City's Water and Stormwater ratings, Standard & Poor's stated:

"The upgrade to 'AA-' rating from 'A+' on Fort Collins' water utility and stormwater utility revenue bonds reflects the ongoing expansion of each system's customer and revenue bases, along with greater diversification among their leading customers. The 'AA-' rating also reflects the systems' strong and diverse service area economy, good long-term water supply and diversity of supply sources, sound financial performance with adequate debt service coverage levels and excellent liquidity, and manageable future capital improvement programs for both the water and storm water utilities. The Rating Outlook is stable." [Water and Storm Water Revenue Bonds Ratings Upgrade Summary April, 2005]

2004 Bond Issues and Capital Leases In managing its long-term financial obligations, the City considers the principles of economic efficiency and equity. In 2004, the City completed the following two transactions to provide resources for the acquisition of capital needs:

Downtown Development Authority Subordinate Tax Increment Revenue Bonds, Series 2004, June 14, 2004, \$6,235,000 This issue will provide funding for the redevelopment of buildings within the boundaries of the Downtown Development Authority.

Lease Certificates of Participation, Series 2004, June 1, 2004, \$48,650,000 This financing will provide funding for a new police services building, the reconstruction of a transportation facility, and the acquisition of open space in the region under the City's natural areas program.

Cash Management Through a treasury and investment management program, the Finance Department maximizes investment earnings on temporarily idle cash while ensuring that adequate moneys are available to make full and timely payments to vendors. The Department invests for periods ranging from overnight to several years, based on need. In making investment decisions, staff considers the legality, security, and yield of the investment. In 2004, the City earned approximately \$6.7 million on its fixed income investments. The yield on the City's fixed income investments (excluding the General Employees' Retirement Plan) was 2.4%.

Risk Management During the mid-1980s, the City instituted a risk management program. The activities of the program are accounted for in the Self-Insurance Fund. The purpose of the program is to analyze and provide for the City's insurance needs and accumulate adequate reserves for self-insurance. The City began self-insuring for workers compensation in 1989. The annual actuarial study performed in early 2005 shows that the recorded liability for workers compensation and liability claims payable is reasonably adequate to cover all known claims and incurred-but-not-reported claims as of December 31, 2004. The City also has a large retention (deductible) for all liability claims.

State Constitutional Growth Limit In 1992, the voters of the State approved an amendment to the Colorado State Constitution. Now codified as Section 20 of Article X (the "Section"), the amendment imposes annual revenue and spending growth limitations on all governments in the State. In addition to the revenue and spending growth limitations, the Section requires voter approval before the imposition of new taxes, tax rate increases, mill levy increases, or other changes in policy that increases tax revenues. In the absence of voter approval, the Section prohibits the creation of any multiple fiscal year debt or other financial obligation (except refinancing

at a lower rate). The Section requires that revenues that exceed the limit be returned to taxpayers during the next calendar year. If revenues decrease in any fiscal year, the lower amount becomes the new base for computing the next year's limits.

The Section provides for two components in setting the revenue and expenditure growth limits. The first is the percentage change in the annual Denver-Boulder-Greeley Consumer Price Index for Urban Consumers. The second component is percentage change in the actual value of all real property within the City, due to construction of taxable improvements and annexation. For the 2004 fiscal year, the Consumer Price Index component was 1.1% and the local-growth component rose by 3.9%. When the combination of these two factors are applied to the 2003 revenue base, the revenue limit for 2004 was approximately \$130.6 million. The revenue subject to the limit in 2004 totaled approximately \$124.5 million. This amount is below the limit by \$6.1 million. The Section has a separate, but overlapping, revenue limit for property tax. The City exceeded the property tax limit by about \$2.1 million. The City will use revenue over the limit for transportation and public safety projects. For projection purposes, the City anticipates that both the Consumer Price Index and the local growth component will trend slightly higher in 2005.

In 1993, the City's voters approved an amendment to the City Charter to classify the utilities as enterprises. Therefore, they are not subject to the provisions of the Section. All other funds of the City are subject to the Section. Certain revenue, for example, proceeds from property sales and federal grants, is exempt from the limit. In 1997, voters approved multi-year retention and use of revenue over the growth limit. The City may use the retained revenue only for spending in four categories: public health and safety (including environmental monitoring and mitigation), growth management, transportation services, and maintaining and repairing public facilities.

In accordance with the Section, the City has established an emergency reserve equal to three percent of governmental revenue to use for declared emergencies. In the opinion of the City's management, the City complies with all provisions of the Section. In the 2004 Report, both the required emergency reserve and the amount in excess of the revenue limit are included in the reserved fund balance of the General Fund on page 40.

Awards and Acknowledgements

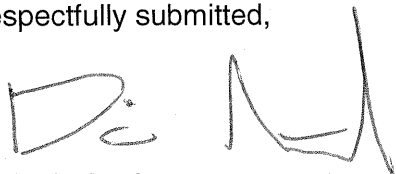
Independent Audit Colorado law and the City Charter require the City to have its financial statements audited by an independent firm of certified public accountants. The Council selected *BONDI & Co. LLC* to fulfill the requirement. *BONDI* provided an unqualified opinion on the 2004 financial statements.

Certificate of Achievement for Excellence in Financial Reporting The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Collins for its comprehensive annual financial report for the year ended December 31, 2003. This was the eighteenth consecutive year that the City has achieved this prestigious award. In order to earn a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. We have included a reproduction of the Certificate of Achievement at the end of the introductory section of the comprehensive annual financial report. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the requirements of the Certificate of Achievement Program and we will submit it to the GFOA to determine its eligibility for another certificate.

Award for Distinguished Budget Presentation The GFOA recognized the City with an award for Distinguished Budget Presentation for its two-year budget for fiscal years 2004-2005. This marked the eighteenth consecutive time the City received the Award. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and as a communications device.

Acknowledgments We recognize the dedicated efforts of all officials and staff involved in managing and accounting for the City's financial operations. The process of financial planning, management, and accounting requires a team effort by City Council and City staff to be successful. The preparation of this 2004 Comprehensive Annual Financial Report was made possible by the dedicated service of the entire Finance Department. We would like to recognize the members of the Accounting Division who worked many extra hours to ensure the completion of this document and fulfill other financial responsibilities over the past few months. We also thank *BONDI & Co. LLC*, the firm that serves as the City's external auditor. Through the challenges, we are resolved to deliver the best possible services to the Fort Collins community.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'D. Atteberry', with a stylized, elongated flourish extending to the right.

Darin A. Atteberry
City Manager

A handwritten signature in dark ink, appearing to read 'Charles M. Seest', with a long, sweeping horizontal line extending to the right.

Charles M. Seest, CPA
Acting Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fort Collins,
Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



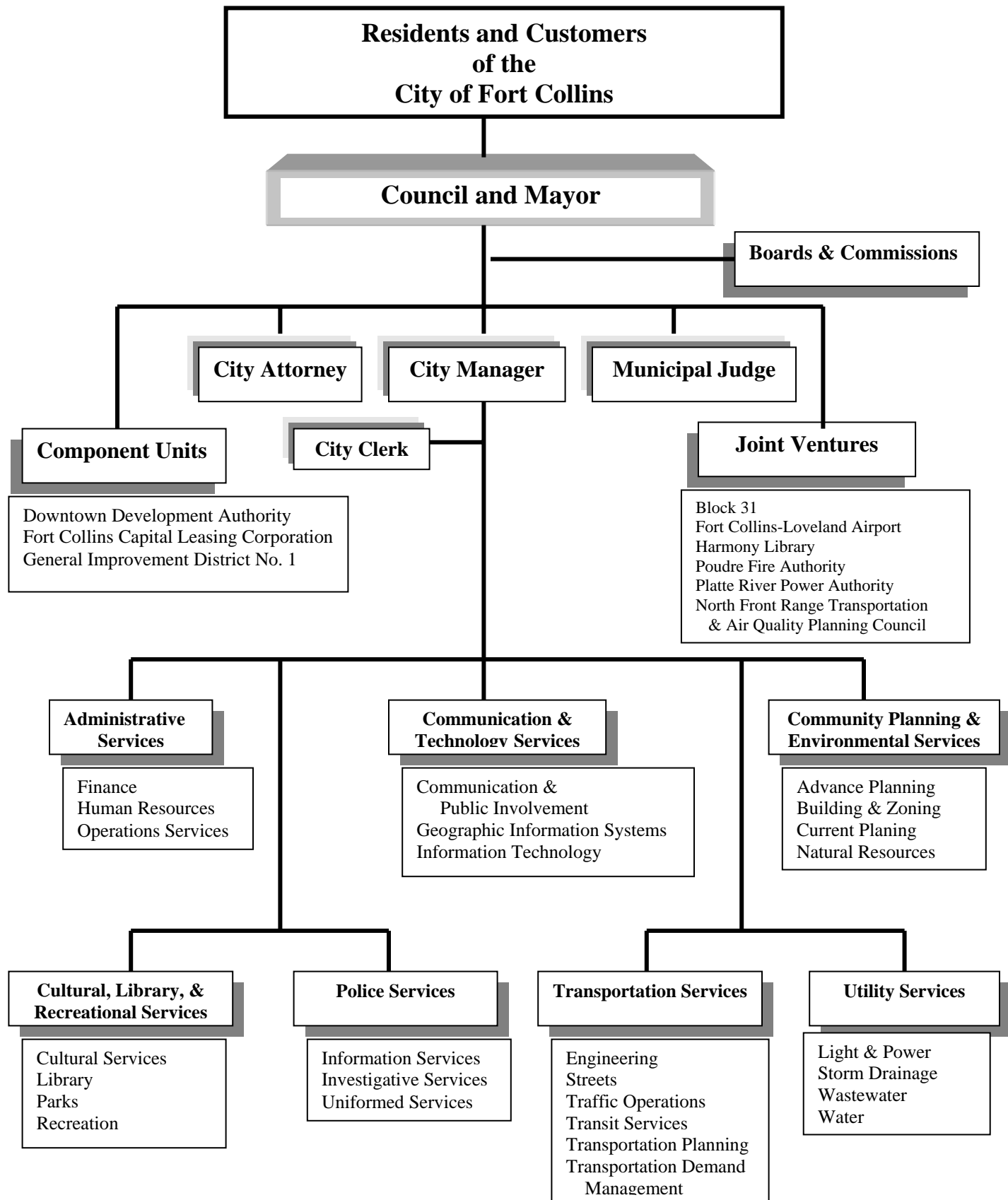
Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

City of Fort Collins 2004 Organization Chart



City of Fort Collins, Colorado

List of Elected and Appointed Officials

Elected Officials: Mayor and City Council

Randolph R. Martinez Mayor
William J. Bertschy Mayor Pro Tem, District 1 Council Member
Eric C. Hamrick..... District 3 Council Member
Kurt Kastein..... District 4 Council Member
David Roy..... District 6 Council Member
Marty Tharp..... District 5 Council Member
Karen Weitkunat..... District 2 Council Member

Council Appointed Officials

Darin Atteberry..... City Manager
Wanda Krajicek City Clerk*
Stephen J. Roy City Attorney
Kathleen Lane..... Municipal Judge

* City Manager appointed, City Council approved.

Executive Lead Team

Darin Atteberry..... City Manager
Diane Jones..... Deputy City Manager
Tom Vosburg..... Assistant City Manager/Communication & Tech. Services Director
Wendy Williams..... Acting Administrative Services Director
Martin J. Heffernan Director of Cultural, Library and Recreational Services
Greg Byrne Director of Community Planning and Environmental Services
Ron Phillips Director of Transportation Services
Mike Smith Director of Utility Services
Dennis Harrison..... Police Chief
John Mulligan..... Poudre Fire Authority Chief
Stephen J. Roy City Attorney
Wanda Krajicek City Clerk

Finance Department

Charles M. Seest, CPA Acting Financial Officer
James B.O'Neill II, CPPO..... Director of Purchasing and Risk Management

FINANCIAL SECTION

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BONDI & Co. LLC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

44 INVERNESS DRIVE EAST
ENGLEWOOD, COLORADO 80112

www.bondico.com

(303) 799-6826 PHONE
(800) 250-9083 TOLL-FREE

(303) 799-6926 FAX

Honorable Mayor and Members
of the City Council and City Manager
City of Fort Collins
Fort Collins, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fort Collins, Colorado, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fort Collins, Colorado's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fort Collins, Colorado, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General, Sales and Use Tax, Transportation Services and Natural Areas funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Affiliate Offices Worldwide

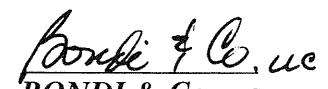
Honorable Mayor and Members
of the City Council and City Manager
City of Fort Collins
Fort Collins, Colorado

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2005 on our consideration of the City of Fort Collins, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 19 through 33, the Schedule of Net Pension Obligation, Net Pension Cost and Employer Contributions on page 83, and the Modified Approach for City Streets Infrastructure Capital Assets on pages 84 through 85, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Collins, Colorado's basic financial statements. The introductory section, combining and individual nonmajor fund financial schedules and statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial schedules and statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

May 27, 2005


BONDI & Co. LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Fort Collins (the City) offers the readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2004. In addition to this overview and analysis based on currently known facts, decisions and conditions, the City would encourage readers to consider the information presented in the City's letter of transmittal and the City's financial statements, which begin on pages 3 and 35 of this report, respectively.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year ended December 31, 2004 by \$1.04 billion (net assets). Of the net asset balance, \$234 million is unrestricted and is available to meet the government's ongoing obligations in accordance with the City's fund designations and fiscal policies.
- The City's net assets increased by \$47.8 million (4.8%). The governmental net assets increased by \$22.7 million (4.1%) and the business-type assets increased by \$25.1 million (5.7%).
- The General Fund, the City's primary operating fund, reported a decrease of \$2.6 million (7.2%) on a current financial resource basis.
- As of December 31, 2004, unreserved fund balance for the General Fund was \$18.0 million or 24.0% of total General Fund expenditures of \$74.6 million.
- The City's total long-term debt increased by approximately \$39.6 million during the current fiscal year. Within that activity, the City's governmental debt increased by \$46.4 million and business-type debt decreased by \$6.8 million. The City issued \$48.7 million in certificates of participation during the year to finance construction of a new police station, reconstruction of a transportation facility and the acquisition of land for the City's Open Space program.
- The City's revenues from local sources, primarily sales and use taxes, displayed modest growth in 2004 compared to 2003. An increase in business and construction activity also impacted other fees and charges collected by the City. City management continues to evaluate primary revenue sources and expenditures. City management also continued a wage freeze that began in 2003 and has been extended to 2005 in an attempt to restrain the growth of expenditures.
- The City has also been impacted by the five year drought in the western United States that recently subsided. As a result of both the water conservation by residents and other customers over the last few years and increased rainfall during the summer months of 2004, the City's Water Utility was able to avoid watering restrictions. City management will continue to monitor the potential of future droughts and their long-term effects on the both the City's ability to provide water at current service levels and also meet the demand levels of projected growth and development.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of the following three components:

- 1) Government-Wide Financial Statements,
- 2) Fund Financial Statements and
- 3) Notes to the Financial Statements.

Other supplementary information is also included at the end of the report.

Government-Wide Financial Statements. The government-wide statements are designed to provide readers with a broad overview of the City's finances using the accrual basis of accounting, the basis of accounting used by most private-sector businesses.

The statement of net assets presents information on all of the City's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, increases and decreases in net assets may provide an indication of whether the City's financial position is improving or deteriorating.

The statement of activities presents information reflecting how the City's net assets have changed during the fiscal year just ended. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety - police and judicial, public safety - fire service provided under an intergovernmental agreement, cultural, library and recreational services, community planning and environmental services, and transportation. The business-type activities of the City include light and power, water, wastewater, storm drainage, and golf.

The government-wide financial statements also include the City of Fort Collins' Downtown Development Authority (DDA) as a discretely presented component unit of the City. See Note 1 in the notes to the City's financial statements (page 60) for more details regarding the DDA and its relationship to the City.

Fund Financial Statements. Traditional users of the City's financial statements will find the fund financial statement presentation more familiar. The focus is now on major funds rather than fund types.

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. A major fund should generally meet both of the following criteria: 1) total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities, etc.) for that fund type (i.e., governmental or enterprise funds) and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to report those same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the fund financial statements are prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and similar long-term items which are recorded when due. Therefore, the focus of the governmental fund financial statements is on near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year.

Since the focus of the governmental funds is on near-term resources, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. To facilitate this comparison, reconciliations are provided for both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Sales & Use Tax Special Revenue Fund, the

Transportation Special Revenue Fund, the Natural Areas Special Revenue Fund, and the Capital Projects Fund. These five funds are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

The City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 40-47 of this report.

Proprietary funds. The City maintains two different types of proprietary funds, enterprise and internal service funds. The proprietary fund financial statements are prepared on the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its light & power, water, wastewater, storm drainage and golf operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for employee benefits provided by the City, its communications system, its fleet of vehicles and its self-insurance programs. Aside from the fleet of vehicles, these services predominantly benefit the governmental rather than business-type functions. As such, they have been included within the governmental activities in the government-wide financial statements. The activity in the Equipment Fund used for monitoring the fleet of vehicles is allocated between the governmental and business-type activities based upon actual usage. In addition, the utilities use an internal service fund to account for customer and administrative services. Because this fund is used solely by the utilities, it is included within the business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Light & Power, Water, Wastewater and Storm Drainage enterprise funds are considered to be major funds and are therefore presented separately within the proprietary fund financial statements. The Golf Fund is presented as a non-major enterprise fund. All internal service funds are considered to be non-major funds and therefore are combined into a single, aggregated presentation in the proprietary fund statements. Individual fund data for each of the non-major proprietary funds is provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

The City adopts an annual appropriated budget for all of its proprietary funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic proprietary fund financial statements can be found on pages 48-53 of this report.

Fiduciary funds. The City maintains two different types of fiduciary funds, trust and agency funds. The fiduciary fund financial statements are prepared on the accrual basis of accounting. The fiduciary funds are used to account for resources held by the City in a trustee capacity or as an agent for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The funds underlying each of the fiduciary fund types are combined into a single, aggregated presentation in the fiduciary fund statements. Individual fund data for each of the fiduciary funds is provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

Aside from the General Employees' Retirement Plan Trust fund, the City does not adopt an annual appropriated budget for its fiduciary funds. A budgetary comparison statement for the General Employees' Retirement Plan Trust fund has been provided to demonstrate compliance with the budget.

The basic fiduciary fund financial statements can be found on pages 56-57 of this report.

Notes to the Financial Statements. The notes to the financial statements are considered an integral part of the basic financial statements since they provide additional information needed to gain a full understanding of the data

provided in both the government-wide and fund financial statements. The notes to the financial statements can be found on pages 59-82 of this report.

Required Supplementary Information. In addition to the basic financial statements, which include the accompanying notes, this report also presents required supplementary information regarding the City's net pension (obligation)/asset and the annual pension cost to provide pension benefits to the employees covered by its retirement plan. The City has also elected to use the modified approach to account for and report its street infrastructure capital assets. The City has included required supplementary information that explains the modified approach and recent assessments that have been performed using the related asset management system. These schedules can be found on pages 83-85 of this report.

Combining Statements. The combining statements referred to earlier in connection with the non-major governmental funds, non-major enterprise fund, internal service funds, fiduciary funds, and the component unit funds are presented following the required supplementary information. In addition, budget statements for the Capital Projects Fund and the major enterprise funds are also presented following the required supplementary information.

Government-wide Financial Analysis

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets.

Statement of Net Assets as of December 31 (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 288,050	\$ 179,591	\$ 141,098	\$ 127,752	\$ 429,148	\$ 307,343
Capital assets	469,596	448,385	470,408	463,768	940,004	912,153
Total assets	<u>757,646</u>	<u>627,976</u>	<u>611,506</u>	<u>591,520</u>	<u>1,369,152</u>	<u>1,219,496</u>
Other liabilities	102,885	42,665	21,747	18,491	124,632	61,156
Long-term liabilities	78,701	31,989	120,935	128,835	199,636	160,824
Total liabilities	<u>181,586</u>	<u>74,654</u>	<u>142,682</u>	<u>147,326</u>	<u>324,268</u>	<u>221,980</u>
Net assets:						
Invested in capital assets,						
net of related debt	393,407	419,281	340,554	327,793	733,961	747,074
Restricted	72,289	42,593	4,546	7,117	76,835	49,710
Unrestricted	110,364	91,448	123,724	109,284	234,088	200,732
Total net assets	<u>\$ 576,060</u>	<u>\$ 553,322</u>	<u>\$ 468,824</u>	<u>\$ 444,194</u>	<u>\$ 1,044,884</u>	<u>\$ 997,516</u>

For more detailed information see the Statement of Net Assets on page 37 of this report.

By far the largest portion of the City's net assets (70.2%) reflect its investment in capital assets (e.g., land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these

capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (7.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$234,088,000, may be used to meet the City's ongoing obligations to its citizens and creditors.

The government's total net assets increased by \$47,855,000 during the current fiscal year. This is due to growth in the governmental and business type activities of \$22,738,000 and \$25,117,000, respectively. This is primarily due to expansion of both the City's streets' and utilities' infrastructure, which are funded by dedicated revenue sources as well as contributed capital. During 2004, street infrastructure capital assets increased by \$3.2 million and utilities' infrastructure increased by \$21.3 million. In addition, the City's capital land, water rights and other balance used in governmental operations increased by \$22.9 million primarily due to significant acquisition of open space by the Natural Areas Fund (\$14.5 million). Due to the completion of the traffic signal system and other capital projects that had significant prior year expenses, construction in progress experienced a net decline of \$3.8 million.

Changes in Net Assets

The following table reflects a condensed summary of activities and changes in net assets

Statement of Activities & Changes in Net Assets as of December 31 (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:						
Program revenues:						
Charges for services	\$ 33,902	\$ 31,462	\$ 126,234	\$ 121,798	\$ 160,136	\$ 153,260
Operating grants & contributions	5,647	5,716	52	182	5,699	5,898
Capital grants and contributions	18,566	16,215	12,984	12,696	31,550	28,911
General revenues:						
Sales & use taxes	72,057	68,376	-	-	72,057	68,376
Property taxes	14,444	13,903	-	-	14,444	13,903
Other taxes and fees	16,137	15,708	-	-	16,137	15,708
Investment earnings	2,955	2,820	2,434	3,041	5,389	5,861
Other	278	512	2,637	164	2,915	676
Total Revenues	163,986	154,712	144,341	137,881	308,327	292,593
Expenses:						
General government	12,809	22,443	-	-	12,809	22,443
Public safety- police & judicial	23,690	22,480	-	-	23,690	22,480
Public safety- fire service under IGA	12,625	12,682	-	-	12,625	12,682
Cultural, library & recreational svcs	26,271	24,777	-	-	26,271	24,777
Community planning & environmental services	20,516	11,428	-	-	20,516	11,428
Transportation	43,124	35,261	-	-	43,124	35,261
Interest on long-term debt	2,091	1,237	-	-	2,091	1,237
Light & power	-	-	73,160	71,007	73,160	71,007
Water	-	-	20,842	20,235	20,842	20,235
Wastewater	-	-	14,810	13,759	14,810	13,759
Storm drainage	-	-	8,237	6,826	8,237	6,826
Golf	-	-	2,297	2,349	2,297	2,349
Total expenses	141,126	130,308	119,346	114,176	260,472	244,484
Increase in net assets before transfers	22,860	24,404	24,995	23,705	47,855	48,109
Transfers	(122)	(946)	122	946	-	-
Increase in net assets	22,738	23,458	25,117	24,651	47,855	48,109
Net assets - beginning restated	553,322	529,864	443,707	419,543	997,029	949,407
Net assets - ending	\$ 576,060	\$ 553,322	\$ 468,824	\$ 444,194	\$ 1,044,884	\$ 997,516

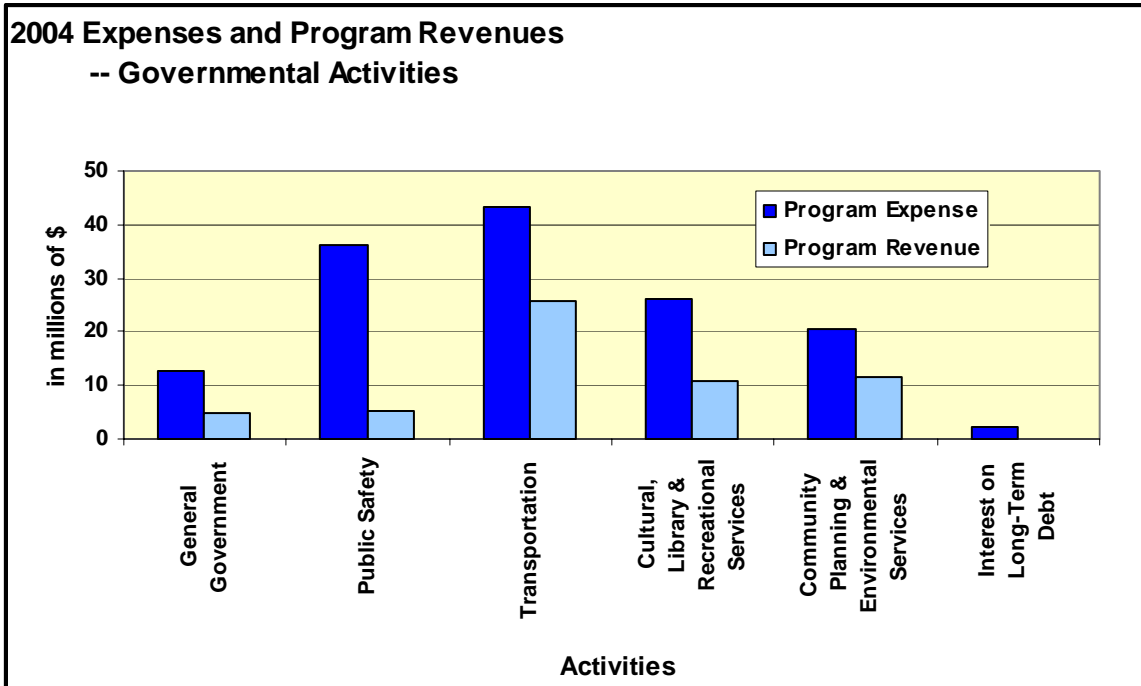
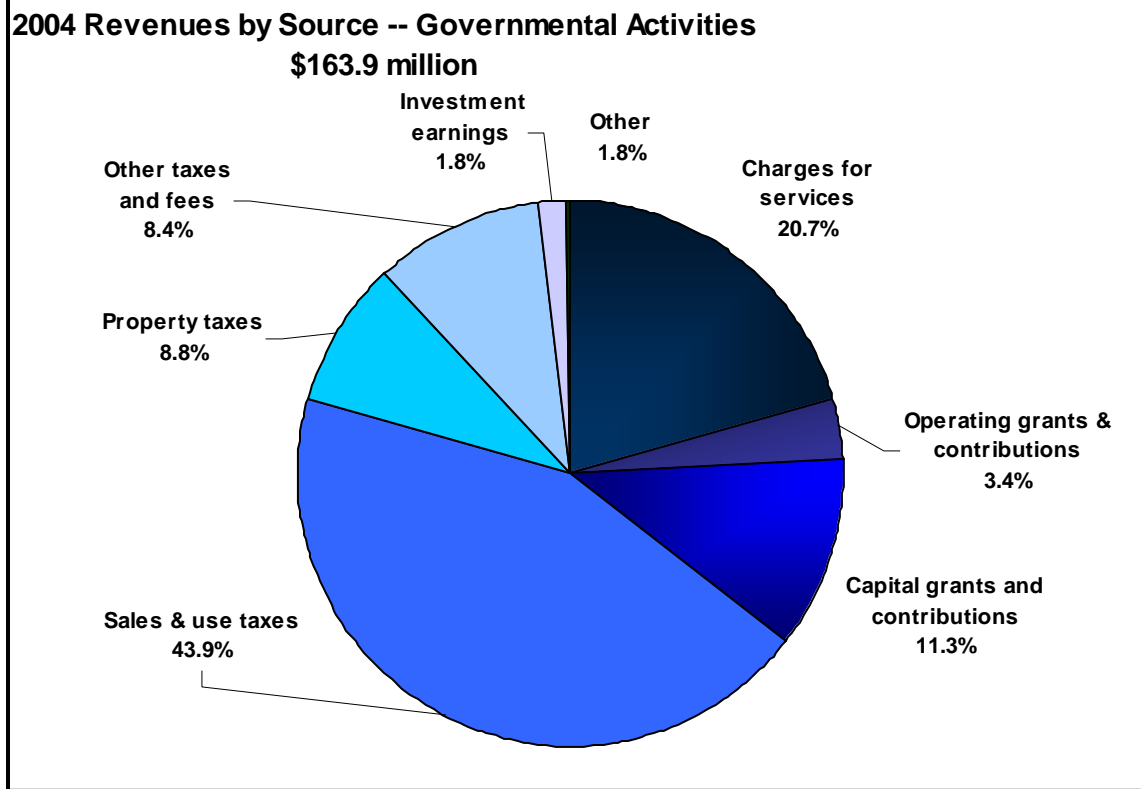
For more detailed information see the Statement of Activities on pages 38-39 of this report.

The above condensed summary of the City's governmental and business type activities for the period ended December 31, 2004 reflects net assets increasing by \$47,855,000. The prior period is also included for comparative purposes. In addition, revenue and expense graphs have been presented on pages 26-27 to enhance the reader's understanding of the current year activities.

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Governmental Activities

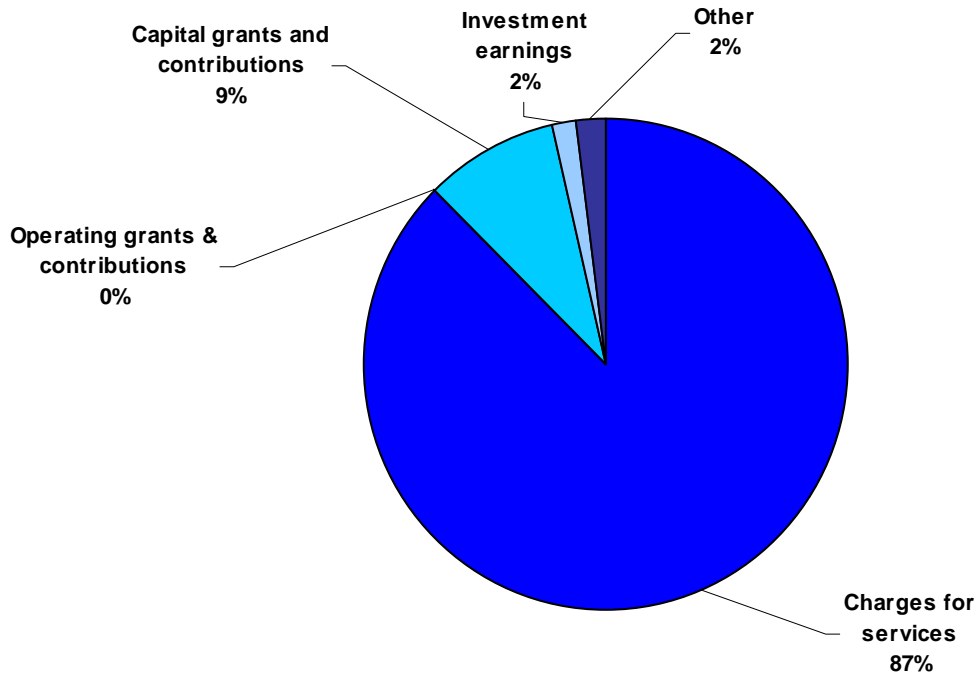
Governmental Activities increased the City's Net Assets by \$22,738,000.



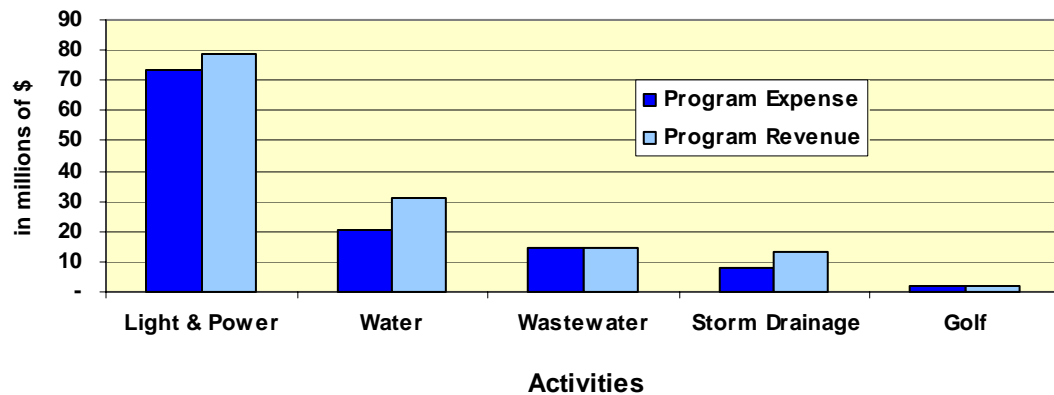
Business-type Activities

Business-type Activities increased the City's Net Assets by \$25,117,000

2004 Revenues by Source -- Business-type Activities \$144.4 million



2004 Expenses and Program Revenues -- Business-type Activities



Governmental activities. Governmental activities increased the City's net assets by \$22,738,000, accounting for 47.5% of the City's overall increase in net assets. Key elements of this change are due to the following:

- Sales & use tax revenue increased by \$3,681,000, (5.4%) during the year.
- Property tax revenue increased by \$541,000 (3.9%) during the year. This growth is attributable to new construction.
- Intergovernmental revenues increased by \$3,757,000 (21.4%) during the year due to Federal grants totaling \$1,550,000 for a new traffic signal timing system and Federal and State grants totaling \$2,017,000 for the North College Corridor Improvements Project.
- Investment earnings increased by \$135,000 (4.8%) during the year.
- Franchise fees for telephone, gas and cable services increased by \$85,000 (8.3%) during the year.
- In conjunction with reporting the street system infrastructure, capital contributions of \$3.2 million were recorded. These contributions represent streets in new subdivisions that were deeded to the City.
- Of the remaining change in revenues (a decrease of \$2.1 million) resulting from governmental activities, approximately \$700,000 related to a one-time receipt in 2003 from the Larimer Emergency Telephone Authority for their contribution to the City's new public safety dispatch system.
- Of the overall increase in governmental expenses \$10,818,000, police services experienced an increase of \$1,210,000 and fire services experienced a decrease of \$57,000.
- Community planning and environmental services experienced an increase of \$9,088,000 as a result of approximately \$4.3 million of contributions from the City's Natural Areas program to Larimer County Open Space for land acquisitions and related improvements. In addition, the City's Natural Areas program experienced an increase of approximately \$1.0 million for maintenance costs related to new properties acquired in 2003 & 2004.

Business-type activities. Business-type activities increased the City's net assets by \$25,117,000, accounting for 52.5% of the City's overall increase in net assets. Key elements of this increase are due to the following:

- Charges for services increased by \$4,436,000 (3.6%) during the year. This growth is primarily due to an increase in Light and Power charges of \$4,021,000 that resulted from a 2004 rate increase of 5.3% to cover the increase in wholesale rates charged by Platte River Power Authority and fund the City's Energy Supply Policy that encourages demand reduction and development of renewable sources.
- Capital contributions increased by \$288,000 (2.3%) during the year.
- Investment earnings decreased by \$607,000 (2.0%) during the year. This was primarily due to the City drawing down the construction escrow related to the 2002 Storm Drainage Bonds.

Financial Analysis of the City's Funds

As noted previously, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. 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.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$175,816,000, an increase of \$48,825,000 in comparison with the prior year. Approximately \$137,960,000 (78.5% of that amount) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$13,382,000), 2) to pay debt service (\$919,000), 3) to fund a state constitution mandated emergency reserve (\$3,649,000), 4) to utilize excess revenues as defined by the state constitution for purposes approved by the electorate (\$2,108,000), 5) to pay for the underlying specific programs, the undesignated balance of the non-major special revenue funds (\$11,784,000), and 6) for a variety of other restricted purposes (\$6,014,000).

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$13,441,000, while the total fund balance equaled \$34,155,000.

The fund balance of the City's General Fund experienced a decrease of \$2,642,000. While expenditures were well within budget, they were approximately 3% more than revenues. The most significant variance occurred in Police Services, which spent \$2,194,000 on the new public safety dispatch system.

The **Sales & Use Tax Special Revenue Fund** tracks the primary revenue source for the City. At the end of the current fiscal year, unreserved fund balance of the Sales and Use Tax Special Revenue Fund was \$3,793,000, while the total fund balance equaled \$12,949,000.

The fund balance of the Sales & Use Tax Special Revenue Fund experienced an increase of \$1,989,000. This was primarily due to an increase in sales tax revenue from 2003 to 2004 of \$3,681,000.

The **Transportation Services Special Revenue Fund** is another major governmental fund of the City. At the end of the current fiscal year, unreserved fund balance of the Transportation Services Special Revenue Fund was \$2,760,000, while the total fund balance equaled \$5,982,000.

The fund balance of the Transportation Services Special Revenue Fund experienced an increase of \$672,000. This was due to construction inspection fees being \$258,000 higher than anticipated and the South College bike lanes project being delayed until 2005.

The **Natural Areas Special Revenue Fund** is another major governmental fund of the City. At the end of the current fiscal year, unreserved fund balance of the Natural Areas Special Revenue Fund was \$14,880,000, while the total fund balance equaled \$15,396,000.

The fund balance of the Natural Areas Special Revenue Fund experienced an increase of \$13,991,000. This was primarily due to the receipt of proceeds from the issuance of \$14,735,000 of certificates of participation to be utilized for land acquisition within the City's Natural Areas program.

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

The unrestricted net asset balances and the growth in net assets of the City's proprietary funds (including the major enterprise funds) are reflected in the following table.

Change in Net Assets - Proprietary Funds (amounts expressed in thousands)		
	Unrestricted Net Assets at 12/31/04	Change in Net Assets for Yr Ended 12/31/04
<u>Major Enterprise Funds</u>		
Light & Power	\$ 41,472	\$ 6,250
Water	39,509	11,101
Wastewater	23,301	2,070
Storm Drainage	17,399	5,496
Total of Major Enterprise Funds	121,681	24,917
Other Enterprise Fund	379	(63)
Total Enterprise Funds	122,060	24,854
Internal Service Funds	11,811	1,802
Total Proprietary Funds	\$ 133,871	\$ 26,656

Component Unit. The DDA uses governmental fund accounting. The DDA receives tax increment to service bonds issued for improvements within the downtown area. A majority of these improvements relate to building facades in the downtown area; however, no assets are recorded on behalf of the DDA. As a result, the DDA has a deficit (\$7,485,000) in unrestricted net assets. The total change in net assets for the DDA was an increase of \$1,107,000. See the component unit columns on the government-wide financial statements on pages 37-39, or for more detail see pages 54-55.

Budgetary Highlights

Governmental Funds

General Fund. The increase from the original budgeted expenditures to the final budget amounted to \$6,680,000 and can be summarized as follows:

- Police department additional appropriations of \$1,628,000, which were primarily for implementation of a computer aided dispatch system (\$563,000) and the lease purchase of vehicles and equipment (\$889,000).
- Reappropriation of \$2,614,000 for the completion of projects not completed during fiscal year 2003.
- Other appropriations of \$2,438,000 for new grants and other various programs.

General Fund. The variance between actual expenditures and the final budget amounted to \$12,267,000 and can be summarized as follows:

- Police department had unspent appropriations of \$1,428,000, which were primarily for the computer aided dispatch system replacement (\$1.2 million) that remains to be completed as well as unexpended grant awards (\$228,000).
- Community planning and environmental service had unspent appropriations of \$3,268,000, which were primarily a result of land purchases not completed under the City's competitive process (\$2.2 million), consultants not used on City planning projects (\$879,000) and unexpended grant awards (\$188,000).
- Appropriations totaling \$1.5 million that were intended for equipment purchases were also delayed.

- The remaining \$6,071,000 of unspent appropriations can be attributed to the wage freeze and other cost saving measures that were implemented throughout the City.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2004 amounted to \$940,004,000 (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings and improvements, machinery, equipment, and light & power, water, wastewater and storm drainage infrastructure as well as street system infrastructure.

The City has elected to use the modified approach for infrastructure reporting of its street system infrastructure. The City completes assessments of its entire street system on a 3 year cycle. The most recent 3 year assessment was completed as of December 31, 2003. It resulted in a rating of 75.5 and also met the City's policy of achieving an average rating of 75, which is a fair rating. For 2004, the City spent \$7,529,000 on its street maintenance program as compared to \$7,557,000, the estimate provided by the asset management system. For more detailed information see the Required Supplementary Information on pages 84-85 of this report

Net of Depreciation as of December 31 (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land, water rights, intangibles	\$ 85,045	\$ 62,112	\$ 48,649	\$ 46,053	\$ 133,694	\$ 108,165
Street system infrastructure	248,751	245,595	-	-	248,751	245,595
Construction in progress	13,860	17,688	22,410	19,501	36,270	37,189
Buildings and improvements	63,170	64,029	164,433	164,041	227,603	228,070
Improvements other than buildings	36,388	38,524	222,279	217,800	258,667	256,324
Machinery and equipment	22,382	20,437	12,637	16,373	35,019	36,810
Total capital assets	<u>\$ 469,596</u>	<u>\$ 448,385</u>	<u>\$ 470,408</u>	<u>\$ 463,768</u>	<u>\$ 940,004</u>	<u>\$ 912,153</u>

Major capital improvements during this fiscal year included the following:

Governmental Activities

- Additions to Traffic Signal System (\$5.7 million)
- Soapstone – 12,579 acres of Open Space (\$7.3 million)
- Red Mountain Conservation Easement (\$2 million)
- Police Facility - Land – 7.9 acres – (\$1.8 million)
- Pulliam Ranch – Land – (\$1.6 million)
- Andrisjeski Property – 158 acres (\$1.8 million)
- Roman Property – 1,960 acres (\$1.2 million)
- Water Rights – Various Parks – (\$1.4 million)

Proprietary Activities

- Dedicated Water Rights (\$2.6 million)
- Storm Drainage – Basin Improvement Projects – (\$3.4 million)

Additional information on the City's capital assets can be found in Note III.C. on pages 69-70 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$208,719,000 (bonds, certificates of participation, capital leases, etc.). Of this amount, \$121,915,000 represents bonds secured by specified revenue sources (i.e., revenue bonds). In addition, there is \$13,455,000 of general obligation water bonds, which historically have been supported by water revenue and not property taxes. The remaining \$73,349,000 represents debt

primarily secured by the new facilities or equipment being financed by certificates of participation, assignment of lease payments or capital leases.

**City of Fort Collins
Outstanding Debt
as of December 31
(amounts expressed in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue bonds	\$ 6,879	\$ 7,989	\$ 115,037	\$ 118,475	\$ 121,916	\$ 126,464
General obligation bonds (water)	-	-	13,455	16,410	13,455	16,410
Certificates of participation	63,220	15,370	1,890	1,970	65,110	17,340
Assignment of lease payments	803	833	2,552	2,649	3,355	3,482
Capital leases	4,603	4,921	280	466	4,883	5,387
Total outstanding debt	<u>\$ 75,505</u>	<u>\$ 29,113</u>	<u>\$ 133,214</u>	<u>\$ 139,970</u>	<u>\$ 208,719</u>	<u>\$ 169,083</u>

Aside from capital leases, the two new borrowing during the year were \$48.6 million of Certificates of Participation and \$2.5 million Subordinate Water Revenue Bonds.

While the City currently has no outstanding general obligation (G.O.) debt that isn't being serviced by enterprise revenue, the City has obtained a comparable rating for the City's G.O. pledge in the **Aa1/AA** category, the second highest rating available. For a complete discussion of the City's most recent bond ratings, please see the Schedule on page 8 of the transmittal letter.

Additional information on the City's long-term obligations can be found in Note III.E on pages 71-78 of this report.

Economic Factors

- At the end of 2004, the unemployment rate in the City of Fort Collins was 5.3% of the labor force. This figure is higher than the Larimer County unemployment rate of 5.2%, but lower than the State of Colorado unemployment rate of 5.5%. At the national level, unemployment was 5.5% at year-end.
- Combined sales and use tax collections did exceed the prior year collections after falling below those levels over the previous two years. However, as neighboring communities experience significant growth in population, regional competition will increase for new retail outlets seeking to serve the residents of Northern Colorado.
- In April 2005, the voters of the City of Fort Collins passed a City sponsored ballot initiative that extended the City's existing dedicated .25% sales & use tax levy for streets maintenance for 10 years beyond the scheduled expiration date of December 31, 2005.
- The City's actual number of building permits was slightly higher than the average activity over the last five years; however, the value of the permits was the highest of the 5 year period. A total of 7,380 building permits were issued (a decrease of 5.4%) with a construction value of \$450,351,863 (an increase of 54.0%).
- These and other factors were considered when the City prepared the annual appropriation for 2005. The City Council appropriated \$12.7 million from reserves at the beginning of 2005 to fund the operations of the City.

- The most significant risk to the City is the extent and timing of the recovery of the Colorado economy. The economic recovery drives the State of Colorado budget and a significant portion of the City of Fort Collins economy correlates to expenditures by the State.

See also the schedule of key economic indicators on page 6 of the transmittal letter.

Financial Contact

The City's financial statements are designed to provide users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information presented in this report or requesting additional information should be sent to the City Financial Officer's attention at the following address:

City Financial Officer
215 North Mason Street 2nd Floor
PO Box 580
Fort Collins, CO 80522-0580.

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BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Primary Government -- City of Fort Collins			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 50,057,139	\$ 49,018,684	\$ 99,075,823	\$ 5,481,227
Investments	90,845,148	69,764,247	160,609,395	2,951,298
Cash held by fiscal agent	42,887,219	358,884	43,246,103	-
Securities lending collateral	71,823,923	-	71,823,923	-
Receivables:				
Property taxes	13,505,962	-	13,505,962	3,113,852
Sales and use taxes	7,977,942	-	7,977,942	-
Accounts	4,305,137	15,830,164	20,135,301	-
Special assessments	16,057	-	16,057	-
Notes and loans	1,400,496	-	1,400,496	-
Accrued interest	643,815	686,454	1,330,269	3,272
Due from other governments	157,574	-	157,574	3,019
Inventories of materials and supplies	490,896	2,976,896	3,467,792	-
Restricted assets:				
Cash and cash equivalents	362,217	1,115,238	1,477,455	-
Inventory of real property held for resale	1,684,163	-	1,684,163	135,464
Total Current Assets	286,157,688	139,750,567	425,908,255	11,688,132
Non-Current Assets				
Net pension (obligation) asset	959,840	-	959,840	-
Capital assets (non-depreciable):	347,655,732	71,060,143	418,715,875	801,547
Capital assets (net of accumulated depreciation):	121,940,785	399,347,982	521,288,767	1,517,782
Unamortized bond issuance costs	931,733	1,347,079	2,278,812	89,474
Total Non-Current Assets	471,488,090	471,755,204	943,243,294	2,408,803
Total Assets	757,645,778	611,505,771	1,369,151,549	14,096,935
LIABILITIES				
Current Liabilities				
Accounts payable	4,948,739	8,886,067	13,834,806	(78,116)
Accrued interest payable	1,171,067	586,984	1,758,051	40,249
Accrued wages payable	1,945,276	785,953	2,731,229	5,019
Unearned revenue	14,223,932	-	14,223,932	3,113,852
Obligations under securities lending	71,823,923	-	71,823,923	-
Accrued compensated absences	2,682,205	1,154,164	3,836,369	6,330
Bonds payable	2,594,292	10,230,161	12,824,453	1,871,660
Claims payable	2,242,875	-	2,242,875	-
Capital lease obligations	1,252,998	103,479	1,356,477	-
Non-current liabilities				
Accrued compensated absences	650,421	66,665	717,086	384
Bonds payable	69,923,890	120,691,128	190,615,018	7,603,330
Claims payable	4,776,227	-	4,776,227	-
Capital lease obligations	3,350,378	176,720	3,527,098	-
Total Liabilities	181,586,223	142,681,321	324,267,544	12,562,708
NET ASSETS				
Invested in capital assets, net of related debt	393,406,692	340,553,716	733,960,408	744,167
Restricted for:				
Debt service	918,800	1,115,238	2,034,038	1,740,974
Capital projects	62,284,549	3,431,130	65,715,679	6,533,485
Other purposes	9,085,851	-	9,085,851	-
Unrestricted (deficit)	110,363,663	123,724,366	234,088,029	(7,484,399)
Total Net Assets	\$ 576,059,555	\$ 468,824,450	\$ 1,044,884,005	\$ 1,534,227

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

		Program Revenues			
		Charges for	Operating	Capital	Total
	Expenses	Services	Grants and	Grants and	
			Contributions	Contributions	
<u>FUNCTIONS/ PROGRAM ACTIVITIES:</u>					
Primary Government:					
Governmental Activities:					
General government	\$ 12,809,657	\$ 4,721,112	\$ 70,284	\$ 90,400	\$ 4,881,796
Public safety - police & judicial	23,689,655	3,009,401	1,794,662	-	4,804,063
Public safety - fire service under IGA	12,625,297	349,578	-	-	349,578
Cultural, library & recreational services	26,270,763	8,921,464	448,831	1,611,003	10,981,298
Community planning & environmental services	20,516,094	3,588,457	1,589,380	6,248,823	11,426,660
Transportation	43,124,513	13,312,453	1,743,618	10,615,568	25,671,639
Interest on long-term debt	2,091,589	-	-	-	-
Total Governmental Activities	141,127,569	33,902,465	5,646,775	18,565,794	58,115,034
Business-type Activities:					
Light & Power	73,160,310	74,571,140	49,998	3,830,771	78,451,909
Water	20,841,688	22,798,497	2,300	8,244,451	31,045,248
Wastewater	14,809,641	13,414,864	-	898,108	14,312,972
Storm Drainage	8,237,107	13,234,248	-	10,487	13,244,735
Golf	2,297,149	2,215,351	60	-	2,215,411
Total Business-type Activities	119,345,895	126,234,100	52,358	12,983,817	139,270,275
Total Primary Government	\$260,473,463	\$160,136,565	\$ 5,699,133	\$ 31,549,611	\$ 197,385,309
Component Unit:					
Downtown Development Authority	\$ 2,139,637	\$ 22,300	\$ 2,418	\$ -	\$ 24,718

General Revenues

Taxes:

Sales & use taxes
General purpose
Voter approved specific purpose
Lodging tax
Occupational privilege taxes
Property taxes
Franchise taxes
Transportation taxes
Other taxes

Fees:

Franchise fees
Payments in lieu of services
Investment earnings
Sale of land & equipment
Other miscellaneous
Transfers

Total General Revenues

Changes in Net Assets

Net Assets--January 1 as Restated

Net Assets--December 31

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government -- City of Fort Collins			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (7,927,861)	\$ -	\$ (7,927,861)	\$ -
(18,885,592)	-	(18,885,592)	-
(12,275,719)	-	(12,275,719)	-
(15,289,465)	-	(15,289,465)	-
(9,089,434)	-	(9,089,434)	-
(17,452,874)	-	(17,452,874)	-
(2,091,589)	-	(2,091,589)	-
(83,012,535)	-	(83,012,535)	-
-	5,291,599	5,291,599	-
-	10,203,560	10,203,560	-
-	(496,669)	(496,669)	-
-	5,007,628	5,007,628	-
-	(81,738)	(81,738)	-
-	19,924,380	19,924,380	-
(83,012,535)	19,924,380	(63,088,154)	-
-	-	-	(2,114,919)
55,296,292	-	55,296,292	-
16,761,202	-	16,761,202	-
601,144	-	601,144	-
445,000	-	445,000	-
14,443,612	-	14,443,612	3,125,764
411,063	-	411,063	-
4,806,963	-	4,806,963	-
814,236	-	814,236	-
1,109,393	-	1,109,393	-
7,949,678	-	7,949,678	-
2,955,230	2,434,292	5,389,522	96,588
209,797	1,534,885	1,744,682	-
68,253	1,102,334	1,170,587	-
(121,700)	121,700	-	-
105,750,162	5,193,211	110,943,373	3,222,352
22,737,627	25,117,591	47,855,219	1,107,433
553,321,928	443,706,859	997,028,787	426,794
\$ 576,059,555	\$ 468,824,450	\$ 1,044,884,005	\$ 1,534,227

**GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2004**

	Primary Government						
	General	Sales and Use Tax	Trans- portation Services	Natural Areas	Capital Projects	Total Other Governmental	Total Governmental
ASSETS							
Cash and cash equivalents	\$ 4,777,692	\$ 3,444,667	\$ 2,165,250	\$ 3,670,582	\$ 5,773,760	\$ 23,665,640	\$ 43,497,591
Investments	29,409,465	1,516,297	3,240,718	2,984,430	21,815,678	21,607,351	80,573,939
Cash held by fiscal agent	-	-	-	8,818,254	34,068,965	-	42,887,219
Securities lending collateral	71,823,923	-	-	-	-	-	71,823,923
Receivables							
Property taxes	13,327,746	-	-	-	-	178,216	13,505,962
Sales and use taxes	-	7,977,942	-	-	-	-	7,977,942
Accounts	769,124	701	1,002,963	40,000	1,905,649	433,617	4,152,054
Special assessments	-	-	-	-	-	16,057	16,057
Notes and loans	125,000	-	-	-	-	1,275,496	1,400,496
Accrued interest	145,906	11,074	12,489	26,670	181,827	189,961	567,927
Due from other governments	5,322	-	149,927	-	-	2,325	157,574
Inventory of materials and supplies	3,603	-	-	-	-	-	3,603
Inventory of real property held for resale	1,655,979	-	-	-	-	28,184	1,684,163
Total Assets	\$ 122,043,760	\$ 12,950,681	\$ 6,571,347	\$ 15,539,936	\$ 63,745,879	\$ 47,396,847	\$ 268,248,450
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable, accruals, and other	\$ 1,561,608	\$ 2,050	\$ 342,547	\$ 102,260	\$ 1,449,705	\$ 1,097,979	\$ 4,556,149
Accrued wages payable	1,164,882	-	247,054	42,011	11,625	362,444	1,828,016
Unearned revenue	13,338,355	-	-	-	-	885,577	14,223,932
Obligations under securities lending	71,823,923	-	-	-	-	-	71,823,923
Total Liabilities	87,888,768	2,050	589,601	144,271	1,461,330	2,346,000	92,432,020
Fund Balances							
Reserved for:							
Encumbrances	6,503,428	-	2,155,521	515,899	3,140,748	1,066,307	13,381,903
Long-term notes receivable	125,000	-	-	-	-	1,271,099	1,396,099
Inventory of real property held for resale	1,655,979	-	-	-	-	28,184	1,684,163
Debt service	-	202,776	29,193	-	-	686,831	918,800
Emergency reserve	3,649,198	-	-	-	-	-	3,649,198
Revenues in excess of state constitutional limit	2,108,048	-	-	-	-	-	2,108,048
Contractual and other	2,099,117	425	-	-	-	834,485	2,934,027
Unreserved, designated for:							
Capital projects	4,373,680	974,435	1,037,230	-	59,143,801	-	65,529,146
Non-Major Special Revenue Funds - capital projects	-	-	-	-	-	28,416,830	28,416,830
Sales and use tax accrual	-	7,977,942	-	-	-	-	7,977,942
Equipment replacement	200,000	-	-	-	-	-	200,000
Non-Major Special Revenue Recreation Fund - equipment replacement	-	-	-	-	-	962,640	962,640
Unreserved, reported in:							
General Fund	13,440,542	-	-	-	-	-	13,440,542
Sales and Use Tax Fund	-	3,793,053	-	-	-	-	3,793,053
Transportation Services Fund	-	-	2,759,802	-	-	-	2,759,802
Natural Areas Fund	-	-	-	14,879,766	-	-	14,879,766
Non-Major Special Revenue Funds	-	-	-	-	-	11,784,471	11,784,471
Total Fund Balances	34,154,992	12,948,631	5,981,746	15,395,665	62,284,549	45,050,847	175,816,430
Total Liabilities and Fund Balances	\$ 122,043,760	\$ 12,950,681	\$ 6,571,347	\$ 15,539,936	\$ 63,745,879	\$ 47,396,847	\$ 268,248,450

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

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Amounts reported for governmental activities in the statement of net assets (page 37) are different because:

Total fund balances - governmental funds (page 40)	\$ 175,816,430
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Capital assets net of accumulated depreciation used in governmental activities are not current financial resources. Therefore they are not reported in the funds.

Primary governmental capital assets	526,572,064	
Less accumulated depreciation	(63,008,914)	
City joint venture equity interest in capital assets of Fort Collins/Loveland Airport (net of depreciation)	<u>3,542,993</u>	467,106,143

City's joint venture equity interest in non-capital assets of Fort Collins/Loveland Airport	118,130
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Other long-term assets/ (obligations) resulting from actuarial calculations and related to the payment of benefits outside of the current period are not included in the funds.	959,840
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Other assets in governmental activities are not financial resources and therefore not reported in the governmental fund

Bond costs	972,384	
Less current year amortization	<u>(40,651)</u>	931,733

Long-term liabilities, including bonds payable, the related unamortized issuance costs and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.

Governmental bonds payable	(6,879,464)	
Governmental certificates of participation	(63,220,000)	
Governmental assignment of lease payments	(802,675)	
Discount/(premium) & deferral amount	(1,538,571)	
Current year amortization	(77,472)	
Compensated absences	(3,218,427)	
Governmental capital leases payable	(4,466,661)	
Accrued interest since last debt service payment	<u>(1,170,464)</u>	(81,373,734)

Internal service funds are used by management to charge the costs of certain activities to individual funds. Except for the utility customer service and administrative fund, the assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	<u>12,501,013</u>
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Net assets of governmental activities (page 37)	<u><u>\$ 576,059,555</u></u>
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The notes to the financial statements are an integral part of this statement.

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Primary Government						Total Governmental	Total Governmental
	General	Sales and Use Tax	Trans- portation Services	Natural Areas	Capital Projects	Other Governmental		
REVENUES								
Taxes	\$ 15,118,822	\$ 72,057,494	\$ 1,476,922	\$ -	\$ -	\$ 213,176	\$	88,866,414
Licenses and permits	1,947,923	-	-	-	-	-		1,947,923
Intergovernmental	1,658,140	-	5,766,743	3,558,441	4,567,852	5,751,189		21,302,365
Fees and charges for services	13,869,920	-	3,008,422	545,267	36,601	16,514,939		33,975,149
Fines and forfeitures	2,287,262	-	-	-	-	-		2,287,262
Earnings on investments	696,802	76,699	103,809	215,246	1,233,230	870,876		3,196,662
Net increase (decrease) in the fair value of investments	(263,487)	29,644	(16,325)	(28,409)	(276,786)	(219,753)		(775,116)
Securities lending income	274,776	-	-	-	-	-		274,776
Miscellaneous revenue	1,977,705	2,366,665	4,617,670	2,444,739	400,842	2,367,752		14,175,373
Total Revenues	37,567,863	74,530,502	14,957,241	6,735,284	5,961,739	25,498,179		165,250,808
EXPENDITURES								
Current operating								
Executive, legislative, and judicial	5,335,248	-	-	-	-	-		5,335,248
Administrative	8,090,302	-	-	-	-	-		8,090,302
Cultural, library, and recreation	10,753,324	-	-	-	-	11,276,219		22,029,543
Communications & technology	3,572,708	-	-	-	-	-		3,572,708
Community planning and environmental	4,832,125	-	-	22,366,056	-	-		27,198,181
Police protection	27,239,644	-	-	-	-	-		27,239,644
Transportation	-	-	24,387,029	-	-	9,001,319		33,388,348
Other	1,909,502	977,140	-	-	-	1,788,997		4,675,639
Securities lending								
Interest	254,967	-	-	-	-	-		254,967
Agent fees	19,809	-	-	-	-	-		19,809
Intergovernmental								
Fire protection	12,625,297	-	-	-	-	-		12,625,297
Capital outlay	-	-	-	-	16,260,416	2,661,930		18,922,346
Debt service								
Principal	-	-	-	-	-	3,090,384		3,090,384
Interest	-	-	-	-	-	1,273,528		1,273,528
Total Expenditures	74,632,926	977,140	24,387,029	22,366,056	16,260,416	29,092,377		167,715,944
Excess of Revenues Over (Under) Expenditures	(37,065,063)	73,553,362	(9,429,788)	(15,630,772)	(10,298,677)	(3,594,198)		(2,465,136)
OTHER FINANCING SOURCES (USES)								
Transfers in	52,712,577	-	10,419,282	14,377,593	12,392,272	13,913,634		103,815,358
Transfers out	(19,204,639)	(71,564,201)	(382,756)	-	(9,848,013)	(2,927,550)		(103,927,159)
Certificates of Participation (COPS) issued	-	-	-	14,735,000	33,915,000	-		48,650,000
Premium on COPS	-	-	-	509,641	1,206,091	-		1,715,732
Capital leases	915,409	-	65,208	-	-	55,700		1,036,317
Total Other Financing Sources (Uses)	34,423,347	(71,564,201)	10,101,734	29,622,234	37,665,350	11,041,784		51,290,248
Net Change in Fund Balances	(2,641,716)	1,989,161	671,946	13,991,462	27,366,673	7,447,586		48,825,112
Fund Balances-January 1	36,796,708	10,959,470	5,309,800	1,404,203	34,917,876	37,603,261		126,991,318
Fund Balances-December 31	\$ 34,154,992	\$ 12,948,631	\$ 5,981,746	\$ 15,395,665	\$ 62,284,549	\$ 45,050,847		\$ 175,816,430

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

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Amounts reported for governmental activities in the statement of activities (pages 38-39) are different because:

Net change in fund balances - total governmental funds (page 42) **\$ 48,825,112**

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 outlays exceeded depreciation in the current period.

Expenditures for capital assets	30,236,459	
Less current year depreciation	(8,257,156)	
Less current year dispositions, net accumulated depreciation	<u>(1,125,871)</u>	20,853,432

Repayment of bond and lease principal is reported as an expenditure in the governmental funds. However, the repayment reduces long-term liabilities on the statement of net assets, so this transaction has no effect on net assets.

Repayment of bond and lease principal	1,940,384	
Repayment of capital lease principal	<u>1,301,680</u>	3,242,064

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds. However, issuing debt increases long-term liabilities on the statement of net assets, so this transaction has no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items as expenditures in the period when the debt is created. However, these amounts are deferred and amortized in the statement of activities.

Issuance of capital leases	(1,036,317)	
Issuance of certificates of participation	(48,650,000)	
Cost of issuance, premium & deferred amount on refunding	<u>(882,061)</u>	(50,568,378)

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

Change in net pension asset/(obligation)	(102,062)	
Current year amortization of bond cost	(40,651)	
Current year amortization of premium/(discount) & deferred amount	25,028	
Change in accrued interest related to last debt service payments	(967,991)	
Increase in compensated absences	<u>(80,821)</u>	(1,166,497)

Expenses in Statement of Activities related to City's Equity in Joint Venture

Change in Non-Capital Equity position in Fort Collins/Loveland Airport		13,116
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Internal service funds are used by management to charge the costs of certain activities to individual funds. Except for the utility customer service and administrative fund, the net revenue of the internal service funds is reported with the governmental activities.

1,538,778

Change in net assets of governmental activities (pages 38-39)

\$ 22,737,627

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

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance With Actual Positive (Negative)</u>
REVENUES				
Taxes	\$ 15,118,822	\$ 15,531,389	\$ 15,502,389	\$ (383,567)
Licenses and permits	1,947,923	1,609,979	1,805,360	142,563
Intergovernmental	1,658,140	1,703,569	2,631,240	(973,100)
Fees and charges for services	13,869,920	12,853,414	13,410,809	459,111
Fines and forfeitures	2,287,262	1,583,000	2,011,500	275,762
Earnings on investments	696,802	264,590	550,000	146,802
Net decrease in the fair value of investments	(263,487)	-	-	(263,487)
Securities lending income	274,776	-	-	274,776
Miscellaneous revenue	1,977,705	1,180,545	1,560,904	416,801
	<u>37,567,863</u>	<u>34,726,486</u>	<u>37,472,202</u>	<u>95,661</u>
EXPENDITURES				
Current operating				
Executive, legislative, and judicial	5,335,248	5,411,299	6,800,774	1,465,526
Administrative	8,090,302	9,131,334	9,818,386	1,728,084
Cultural, library, and recreation	10,753,324	11,119,482	11,562,998	809,674
Communications technology	3,572,708	3,585,059	3,927,290	354,582
Community planning and environmental	4,832,125	7,233,904	8,951,668	4,119,543
Police protection	27,239,644	27,404,461	29,401,898	2,162,254
Other	1,909,502	3,708,612	3,811,636	1,902,134
Securities lending				
Interest	254,967	-	-	(254,967)
Agent fees	19,809	-	-	(19,809)
Intergovernmental				
Fire protection	12,625,297	12,625,297	12,625,297	-
	<u>74,632,926</u>	<u>80,219,448</u>	<u>86,899,947</u>	<u>12,267,021</u>
Deficiency of Revenues				
Over Expenditures	<u>(37,065,063)</u>	<u>(45,492,962)</u>	<u>(49,427,745)</u>	<u>12,362,682</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of general long-term debt	915,409	-	915,409	-
Transfers in	52,712,577	52,821,990	53,220,503	(507,926)
Transfers out	<u>(19,204,639)</u>	<u>(22,636,544)</u>	<u>(23,634,868)</u>	<u>4,430,229</u>
	<u>34,423,347</u>	<u>30,185,446</u>	<u>30,501,044</u>	<u>3,922,303</u>
Net Change in Fund Balances	(2,641,716)	<u>\$ (15,307,516)</u>	<u>\$ (18,926,701)</u>	<u>\$ 16,284,985</u>
Fund Balances-January 1	<u>36,796,708</u>			
Fund Balances-December 31	<u>\$ 34,154,992</u>			

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

**SALES AND USE TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Original Budget	Final Budget	Variance With Actual Positive (Negative)
REVENUES				
Taxes	\$ 72,057,494	\$ 70,152,602	\$ 71,846,441	\$ 211,053
Earnings on investments	76,699	37,088	55,000	21,699
Net increase in the fair value of investments	29,644	-	-	29,644
Miscellaneous revenue	2,366,665	2,366,522	2,366,522	143
Total Revenues	74,530,502	72,556,212	74,267,963	262,539
EXPENDITURES				
Current operating				
Other	977,140	1,161,766	1,278,253	301,113
Total Expenditures	977,140	1,161,766	1,278,253	301,113
Excess of Revenues Over Expenditures	73,553,362	71,394,446	72,989,710	563,652
OTHER FINANCING SOURCES (USES)				
Transfers out				
Transportation Services Fund	(4,028,142)	(4,028,142)	(4,028,142)	-
Debt Service Fund	(2,366,522)	(2,366,522)	(2,366,522)	-
Capital Projects Fund	(7,370,609)	(7,180,442)	(8,134,657)	764,048
Natural Areas Fund	(5,342,229)	(5,248,486)	(5,248,486)	(93,743)
General -Economic Vitality Fee	(230,094)	-	(250,000)	19,906
General Fund	(52,226,605)	(52,566,112)	(52,714,625)	488,020
Total Other Financing Sources and Uses	(71,564,201)	(71,389,704)	(72,742,432)	1,178,231
Net Change in Fund Balances	1,989,161	\$ 4,742	\$ 247,278	\$ 1,741,883
Fund Balances--January 1	10,959,470			
Fund Balances--December 31	\$ 12,948,631			

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

**TRANSPORTATION SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Original Budget	Final Budget	Variance With Actual On Budgetary Basis Positive (Negative)
REVENUES						
Taxes	\$ 1,476,922	\$ -	\$ 1,476,922	\$ 1,469,157	\$ 1,474,557	\$ 2,365
Intergovernmental	5,766,743	-	5,766,743	6,094,349	6,642,378	(875,635)
Fees and charges for services	3,008,422	-	3,008,422	2,411,443	2,565,861	442,561
Earnings on investments	103,809	-	103,809	70,000	70,000	33,809
Net decrease in the fair value of investments	(16,325)	-	(16,325)	-	-	(16,325)
Miscellaneous revenue	4,617,670	-	4,617,670	4,917,787	4,529,579	88,091
Total Revenues	<u>14,957,241</u>	<u>-</u>	<u>14,957,241</u>	<u>14,962,736</u>	<u>15,282,375</u>	<u>(325,134)</u>
EXPENDITURES						
Programs (fund level of budgetary control)						
Transportation services administration	298,845	-	298,845	358,036	358,036	59,191
Pavement Management	-	-	-	1,976,743	-	-
Street Maint-Construction	3,331,256	-	3,331,256	4,452,966	3,446,966	115,710
Street Maint-Streets	3,265,002	-	3,265,002	202,721	3,612,721	347,719
Street Maint-Fixed Expenses	547,292	-	547,292	726,621	593,621	46,329
Street Maint-Miscellaneous Expenses	38,441	-	38,441	50,312	50,572	12,131
Street Maint-Permits	116,032	-	116,032	119,528	119,528	3,496
Administrative support	1,764,866	-	1,764,866	2,246,021	2,394,430	629,564
Health and safety	410,301	-	410,301	359,350	359,350	(50,951)
Snow removal	832,418	-	832,418	763,509	763,509	(68,909)
Street patching	684,163	-	684,163	922,842	922,842	238,679
Sweeping	494,344	-	494,344	591,335	591,335	96,991
Unpaved roads and alleys	191,703	-	191,703	251,115	251,115	59,412
Work for others	4,284,647	-	4,284,647	4,422,439	4,422,439	137,792
Administrative support service	322,348	-	322,348	521,012	521,012	198,664
Engineering management and design	326,415	-	326,415	336,637	336,637	10,222
Technical services	103,724	-	103,724	131,004	131,004	27,280
Construction inspection	519,353	-	519,353	542,793	558,453	39,100
Surveying	335,732	-	335,732	394,174	394,174	58,442
Development review	360,490	-	360,490	409,434	409,434	48,944
Technology and equipment	223,505	-	223,505	299,720	299,720	76,215
Signal maintenance	668,644	-	668,644	652,923	669,923	1,279
Signs and pavement markings	756,861	-	756,861	806,458	789,458	32,597
System design and monitoring	176,192	-	176,192	171,227	171,227	(4,965)
Traffic engineering	579,484	-	579,484	574,011	639,219	59,735
Traffic construction	696,506	-	696,506	665,888	765,888	69,382
Parking	1,792,119	-	1,792,119	2,321,824	2,469,671	677,552
Planning	599,612	-	599,612	1,054,363	998,916	399,304
Total Programs	<u>23,720,295</u>	<u>-</u>	<u>23,720,295</u>	<u>26,325,006</u>	<u>27,041,200</u>	<u>3,320,905</u>
Federal Grants (grant level of budgetary control)						
West Elizabeth Bikelane	495,979	624	496,603	307,000	526,000	29,397
South College Bikelanes	64,337	-	64,337	285,000	750,000	685,663
College/Lake Medians	106,418	-	106,418	186,000	186,000	79,582
Total Grants	<u>666,734</u>	<u>624</u>	<u>667,358</u>	<u>778,000</u>	<u>1,462,000</u>	<u>794,642</u>
Total Expenditures	<u>24,387,029</u>	<u>624</u>	<u>24,387,653</u>	<u>27,103,006</u>	<u>28,503,200</u>	<u>4,115,547</u>
Deficiency of Revenues Over Expenditures	<u>(9,429,788)</u>	<u>(624)</u>	<u>(9,430,412)</u>	<u>(12,140,270)</u>	<u>(13,220,825)</u>	<u>3,790,413</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of long-term debt	65,208	-	65,208	-	213,617	(148,409)
Transfers in						
Sales and Use Tax Fund	4,028,142	-	4,028,142	4,028,142	4,028,142	-
General Fund	6,072,734	-	6,072,734	6,131,620	6,131,620	(58,886)
Capital Projects Fund	318,406	-	318,406	-	318,406	-
Transfers out						
Debt Service Fund	(355,263)	-	(355,263)	(355,263)	(355,263)	-
Capital Projects Fund	(27,493)	-	(27,493)	(1,064,724)	(1,064,724)	1,037,231
Total Other Financing Sources and Uses	<u>10,101,734</u>	<u>-</u>	<u>10,101,734</u>	<u>8,739,775</u>	<u>9,271,798</u>	<u>829,936</u>
Net Change in Fund Balances	671,946	<u>\$(624)</u>	671,322	<u>\$(3,400,495)</u>	<u>\$(3,949,027)</u>	<u>\$ 4,620,349</u>
Fund Balances--January 1	5,309,800		5,309,800			
Plus Prior Years' Grant Expenditures	-		624			
Fund Balances--December 31	<u>\$ 5,981,746</u>		<u>\$ 5,981,746</u>			

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

**NATURAL AREAS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance With Actual Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 3,558,441	\$ 3,200,000	\$ 3,403,000	\$ 155,441
Fees and charges for services	545,267	-	-	545,267
Earnings on investments	215,246	5,101	5,101	210,145
Net decrease in the fair value of investments	(28,409)	-	-	(28,409)
Miscellaneous revenue	2,444,739	-	2,073,396	371,343
Total Revenues	<u>6,735,284</u>	<u>3,205,101</u>	<u>5,481,497</u>	<u>1,253,787</u>
EXPENDITURES				
Open Lands Conservation	3,403,748	2,668,739	3,403,748	-
Open Lands Program Management	16,123	-	16,123	-
BCC Land Conservation	6,104,379	5,700,000	12,567,583	6,463,204
BCC Maintenance	810,655	-	927,374	116,719
BCC Enforcement	285,249	-	314,188	28,939
BCC Education	154,681	-	215,460	60,779
BCC Program Management	390,276	-	390,276	-
BCC Restoration	486,867	-	783,758	296,891
BCC Public Improvements	1,283,975	-	2,140,501	856,526
BCC Nix Operations	40,404	-	165,600	125,196
Open Space Yes -2004 COP's	9,389,699	-	15,244,641	5,854,942
Total Expenditures	<u>22,366,056</u>	<u>8,368,739</u>	<u>36,169,252</u>	<u>13,803,196</u>
Deficiency of Revenues				
Over Expenditures	<u>(15,630,772)</u>	<u>(5,163,638)</u>	<u>(30,687,755)</u>	<u>15,056,983</u>
OTHER FINANCING SOURCES				
Proceeds from issuance of general long-term debt	15,244,641	-	15,244,641	-
Transfers in				
Sales and Use Tax Fund	5,342,229	5,248,486	5,248,486	93,743
Capital Projects Fund	9,035,364	-	9,035,364	-
Total Other Financing Sources	<u>29,622,234</u>	<u>5,248,486</u>	<u>29,528,491</u>	<u>93,743</u>
Net Change in Fund Balances	13,991,462	<u>\$ 84,848</u>	<u>\$ (1,159,264)</u>	<u>\$ 15,150,726</u>
Fund Balances--January 1	<u>1,404,203</u>			
Fund Balances--December 31	<u><u>\$ 15,395,665</u></u>			

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

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Light and Power	Water	Wastewater	Storm Drainage
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 15,091,692	\$ 15,614,472	\$ 8,359,054	\$ 7,113,222
Investments	19,612,762	22,969,940	13,986,175	13,195,370
Cash held by fiscal agent	-	-	358,884	-
Receivables				
Accounts	9,625,478	2,837,256	1,701,089	1,665,196
Accrued interest	175,566	198,377	280,957	31,554
Inventories of materials and supplies	2,976,896	-	-	-
Restricted assets:				
Revenue bond current debt service account	-	298,680	446,568	369,990
Total Current Assets	47,482,394	41,918,725	25,132,727	22,375,332
Non-Current Assets				
Land, water rights, other	1,518,940	38,431,084	960,199	5,219,482
Buildings, improvements and equipment	174,035,947	211,932,387	140,599,610	78,004,838
Accumulated depreciation	(85,443,925)	(67,093,784)	(47,683,997)	(12,347,827)
Construction in progress	4,447,651	10,037,110	7,925,279	-
Unamortized bond issuance costs	-	331,624	489,665	471,245
Total Non-Current Assets	94,558,613	193,638,421	102,290,756	71,347,738
Total Assets	142,041,007	235,557,146	127,423,483	93,723,070
LIABILITIES				
Current Liabilities				
Accounts payable	5,551,270	1,459,472	891,605	854,236
Accrued interest payable	-	166,449	157,506	176,658
Accrued wages payable	200,657	163,986	129,348	63,690
Accrued compensated absences	245,809	305,066	196,261	76,634
Bonds payable	-	5,080,222	2,685,043	2,278,716
Claims payable	-	-	-	-
Capital lease obligations	-	-	-	-
Total Current Liabilities	5,997,736	7,175,195	4,059,763	3,449,934
Non-Current Liabilities				
Accrued compensated absences	12,937	16,056	10,330	4,033
Bonds payable	-	45,626,174	27,253,214	43,563,787
Claims payable	-	-	-	-
Capital lease obligations	-	-	-	-
Total Non-Current Liabilities	12,937	45,642,230	27,263,544	43,567,820
Total Liabilities	6,010,673	52,817,425	31,323,307	47,017,754
NET ASSETS				
Invested in Capital Assets, net of related debt	94,558,613	142,932,025	72,352,499	25,505,235
Restricted: Debt service	-	298,680	446,568	369,990
Restricted: Capital projects	-	-	-	3,431,130
Unrestricted	41,471,721	39,509,016	23,301,109	17,398,961
Total Net Assets	\$ 136,030,334	\$ 182,739,721	\$ 96,100,176	\$ 46,705,316

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities (page 37).

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

Other Enterprise Fund- Golf	Total Enterprise Funds	Total Internal Service Funds
\$ 542,565	\$ 46,721,005	\$ 9,101,314
-	69,764,247	10,271,209
-	358,884	-
1,145	15,830,164	153,083
-	686,454	75,888
-	2,976,896	487,293
-	1,115,238	-
543,710	137,452,888	20,088,787
2,519,721	48,649,426	54,078
7,929,695	612,502,477	5,339,086
(1,842,048)	(214,411,581)	(2,054,819)
-	22,410,040	409,792
54,545	1,347,079	-
8,661,913	470,497,441	3,748,137
9,205,623	607,950,329	23,836,924
6,689	8,763,272	515,385
86,371	586,984	603
24,733	582,414	320,801
38,508	862,278	390,070
186,180	10,230,161	-
-	-	2,242,875
103,479	103,479	68,031
445,960	21,128,588	3,537,765
7,947	51,303	31,375
4,247,953	120,691,128	-
-	-	4,776,227
176,720	176,720	68,684
4,432,620	120,919,151	4,876,286
4,878,580	142,047,739	8,414,051
3,947,581	339,295,953	3,611,422
-	1,115,238	-
-	3,431,130	-
379,462	122,060,269	11,811,451
\$ 4,327,043	465,902,590	\$ 15,422,873
	2,921,860	
	\$ 468,824,450	

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Light and Power	Water	Wastewater	Storm Drainage
OPERATING REVENUES				
Charges for services	\$ 73,255,892	\$ -	\$ -	\$ -
Charges for services pledged for debt service	-	21,525,416	12,638,568	12,534,750
Total Operating Revenues	<u>73,255,892</u>	<u>21,525,416</u>	<u>12,638,568</u>	<u>12,534,750</u>
OPERATING EXPENSES				
Personal services	3,494,482	5,047,626	4,395,401	1,775,207
Contractual services	1,004,662	2,376,937	1,451,335	443,323
Commodities	51,710,858	968,092	722,160	65,378
Customer service and administrative charges	4,204,613	2,478,211	1,560,904	1,211,509
Other	5,476,820	2,091,188	1,331,690	286,512
Depreciation	6,963,150	5,374,100	3,034,841	2,089,391
Total Operating Expenses	<u>72,854,585</u>	<u>18,336,154</u>	<u>12,496,331</u>	<u>5,871,320</u>
Operating Income	<u>401,307</u>	<u>3,189,262</u>	<u>142,237</u>	<u>6,663,430</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	737,124	869,287	1,175,278	509,975
Net decrease in the fair value of investments	(270,097)	(309,008)	(266,013)	(62,152)
Intergovernmental				
Other revenue	1,374,490	597,024	748,556	1,940
Gain (loss) on sale of capital assets	15,753	8,177	1,489,319	5,994
Interest expense	-	(2,277,744)	(2,102,697)	(2,223,165)
Other nonoperating expenses	-	(46,751)	(96,131)	(52,103)
Total Nonoperating Revenues (Expenses)	<u>1,857,270</u>	<u>(1,159,015)</u>	<u>948,312</u>	<u>(1,819,511)</u>
Income (Loss) Before Contributions and Transfers	<u>2,258,577</u>	<u>2,030,247</u>	<u>1,090,549</u>	<u>4,843,919</u>
Capital contributions	3,830,771	9,139,982	926,865	709,420
Transfers in	195,500	-	121,700	-
Transfers out	(35,000)	(69,000)	(69,000)	(57,500)
	<u>3,991,271</u>	<u>9,070,982</u>	<u>979,565</u>	<u>651,920</u>
Change in Net Assets	6,249,848	11,101,229	2,070,114	5,495,839
Net Assets--January 1 as Restated	<u>129,780,486</u>	<u>171,638,492</u>	<u>94,030,062</u>	<u>41,209,477</u>
Net Assets--December 31	<u>\$ 136,030,334</u>	<u>\$ 182,739,721</u>	<u>\$ 96,100,176</u>	<u>\$ 46,705,316</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities (pages 38-39)

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

Other Enterprise Fund- Golf	Total Enterprise Funds	Total Internal Service Funds
\$ -	\$ 73,255,892	\$ 33,661,920
2,212,651	48,911,385	-
2,212,651	122,167,277	33,661,920
1,039,276	15,751,992	10,370,405
481,946	5,758,203	19,173,951
221,577	53,688,065	3,108,355
-	9,455,237	-
119,350	9,305,560	375,902
267,300	17,728,782	434,067
2,129,449	111,687,839	33,462,680
83,202	10,479,438	199,240
6,604	3,298,268	452,514
-	(907,270)	(148,769)
		255,800
3,832	2,725,842	1,122,493
14,216	1,533,459	(96,489)
(166,465)	(6,770,071)	(7,898)
(4,044)	(199,029)	-
(145,857)	(318,801)	1,577,651
(62,655)	10,160,637	1,776,891
-	14,607,038	-
-	317,200	35,000
-	(230,500)	(9,897)
-	14,693,738	25,103
(62,655)	24,854,375	1,801,994
4,389,698		13,620,879
<u>\$ 4,327,043</u>		<u>\$ 15,422,873</u>
	263,216	
	<u>\$ 25,117,591</u>	

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Light and Power	Water	Wastewater	Storm Drainage
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 72,516,027	\$ 21,022,963	\$ 12,426,737	\$ 12,377,596
Receipts from interfund services provided	-	-	-	-
Cash paid to employees for services	(3,459,357)	(5,008,583)	(4,373,502)	(1,747,666)
Cash paid to other suppliers of goods & services	(57,584,714)	(4,965,645)	(2,632,879)	(342,257)
Payments for interfund services used	(4,559,617)	(2,692,378)	(1,790,096)	(1,326,635)
Other receipts	1,374,490	597,024	748,556	1,940
Net cash provided by operating activities	<u>8,286,829</u>	<u>8,953,381</u>	<u>4,378,816</u>	<u>8,962,978</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	195,500	-	121,700	-
Transfers to other funds	(35,000)	(69,000)	(69,000)	(57,500)
Net cash provided (used) by noncapital financing activities	<u>160,500</u>	<u>(69,000)</u>	<u>52,700</u>	<u>(57,500)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	-	2,476,446	1,240,000	-
Capital contributions	3,830,771	6,875,538	926,865	709,420
Purchases of capital assets	(233,688)	(773,627)	(146,878)	(77,436)
Acquisition and construction of capital assets	(8,353,235)	(7,697,731)	(2,380,193)	(3,376,380)
Principal paid on capital debt	-	(5,190,859)	(1,505,051)	(2,247,500)
Interest paid on capital debt	-	(2,133,974)	(1,854,994)	(2,194,154)
Proceeds from sales of capital assets	35,700	8,177	1,928,560	5,994
Net cash used by capital and related financing activities	<u>(4,720,452)</u>	<u>(6,436,030)</u>	<u>(1,791,691)</u>	<u>(7,180,056)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	9,651,458	6,949,526	6,293,855	6,338,043
Purchase of investments	(8,623,070)	(7,046,740)	(8,063,489)	(10,233,238)
Earnings received on investments	759,181	883,278	1,163,197	490,315
Net cash provided (used) by investing activities	<u>1,787,569</u>	<u>786,064</u>	<u>(606,437)</u>	<u>(3,404,880)</u>
Net increase (decrease) in cash and cash equivalents	5,514,446	3,234,415	2,033,388	(1,679,458)
Cash and cash equivalents, January 1 (including \$151,661 and \$6,158,675, for the wastewater and stormwater funds, respectively, reported in cash with fiscal agent and \$298,774, \$289,276 and \$369,974 for the water, wastewater and stormwater funds, respectively, reported in the restricted assets of cash & cash equivalents)	<u>9,577,246</u>	<u>12,678,737</u>	<u>7,131,118</u>	<u>9,162,670</u>
Cash and cash equivalents, December 31 (including \$358,884 for the wastewater fund reported in cash with fiscal agent and \$298,680, \$446,568 and \$369,990 for the water, wastewater and stormwater funds, respectively, reported in the restricted assets of cash & cash equivalents)	<u>\$ 15,091,692</u>	<u>\$ 15,913,152</u>	<u>\$ 9,164,506</u>	<u>\$ 7,483,212</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 401,307	\$ 3,189,262	\$ 142,237	\$ 6,663,430
Other receipts	1,374,490	597,024	748,556	1,940
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	6,963,150	5,374,100	3,034,841	2,089,391
(Increase) decrease in accounts receivable	(739,865)	(502,454)	(211,831)	(157,154)
(Increase) decrease in inventories	10,119	-	-	-
Increase (decrease) in accounts payable	242,503	256,403	643,114	337,830
Increase (decrease) in accrued compensated absences payable	(1,003)	960	2,742	12,106
Increase in accrued wages	36,128	38,086	19,157	15,435
Increase in claims payable	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 8,286,829</u>	<u>\$ 8,953,381</u>	<u>\$ 4,378,816</u>	<u>\$ 8,962,978</u>
Noncash investing, capital, and financing activities:				
Decrease in fair value of investments	(270,097)	(309,008)	(266,013)	(62,152)
Borrowing under capital lease	-	-	-	-
Capital contributions	-	2,264,444	-	-

Other Enterprise Fund- Golf	Total Enterprise Funds	Total Internal Service Funds
\$ 2,212,834	\$ 120,556,157	\$ 508,151
-	-	33,052,056
(1,036,908)	(15,626,016)	(10,317,752)
(806,234)	(66,331,729)	(24,175,397)
(30,678)	(10,399,404)	(75,420)
3,832	2,725,842	1,122,493
342,846	30,924,850	114,131
-	317,200	35,000
-	(230,500)	(9,897)
-	86,700	25,103
37,690	3,754,136	68,716
-	12,342,594	255,800
(38,550)	(1,270,179)	(799,309)
-	(21,807,539)	(98,461)
(326,097)	(9,269,507)	(120,898)
(170,357)	(6,353,479)	(8,353)
14,216	1,992,647	36,225
(483,098)	(20,611,327)	(666,280)
-	29,232,882	6,029,428
-	(33,966,537)	(4,652,770)
6,604	3,302,575	501,712
6,604	(1,431,080)	1,878,370
(133,648)	8,969,143	1,351,324
676,213	39,225,984	7,749,990
\$ 542,565	\$ 48,195,127	\$ 9,101,314
\$ 83,202	\$ 10,479,438	\$ 199,240
3,832	2,725,842	1,122,493
267,300	17,728,782	434,067
183	(1,611,121)	(131,068)
-	10,119	(7,190)
(14,039)	1,465,811	241,522
(1,425)	13,380	(8,992)
3,793	112,599	61,645
-	-	(1,797,586)
\$ 342,846	\$ 30,924,850	\$ 114,131
-	(907,270)	(148,769)
37,690	37,690	-
-	2,264,444	-

**COMPONENT UNIT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Total	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 5,481,227	\$ -	\$ 5,481,227
Investments	2,951,298	-	2,951,298
Property taxes	3,113,852	-	3,113,852
Accrued interest	3,272	-	3,272
Due from other governments	3,019	-	3,019
Inventory of real property held for resale	135,464	-	135,464
Capital assets (non-depreciable)	-	801,547	1 801,547
Capital assets (net of accumulated depreciation)	-	1,517,782	1 1,517,782
Unamortized bond issuance costs	-	89,474	2 89,474
Total Assets	<u>\$ 11,688,132</u>	<u>\$ 2,408,803</u>	<u>\$ 14,096,935</u>
LIABILITIES			
Accounts payable	(78,116)	-	(78,116)
Accrued wages payable	5,019	-	5,019
Accrued interest payable	-	40,249	3 40,249
Unearned revenue	3,113,852	-	3,113,852
Long-term liabilities			
Due within one year	-	1,877,990	3 1,877,990
Due after one year	-	7,603,714	3 7,603,714
Total Liabilities	<u>3,040,755</u>	<u>9,521,953</u>	<u>12,562,708</u>
FUND BALANCES/NET ASSETS			
Fund balances			
Reserved for inventory of real property held for resale	135,464	(135,464)	-
Reserved for debt service	1,740,974	(1,740,974)	-
Reserved for encumbrances	156,803	(156,803)	-
Unreserved, reported in:			
Designated for capital projects	914,143	(914,143)	-
Undesignated	5,699,993	(5,699,993)	-
Total Fund Balances	<u>8,647,377</u>	<u>(8,647,377)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 11,688,132</u>		
Net Assets:			
Invested in capital assets, net of related debt		744,167	744,167
Reserved for debt service		1,740,974	1,740,974
Reserved for capital projects		6,533,485	6,533,485
Unrestricted (deficit)		(7,484,399)	4 (7,484,399)
Total Net Assets of Component Unit (page 37)		<u>\$ 1,534,227</u>	<u>\$ 1,534,227</u>

- 1 Capital assets net of accumulated depreciation used in governmental activities are not current financial resources. Therefore they are not reported in the funds.
- 2 Bond issuance costs are not financial resources and therefore not reported in the funds.
- 3 Long-term liabilities, including bonds payable, related accrued interest, and accrued compensated absences, are not due and payable in the current period and therefore not reported in the funds.
- 4 The component unit receives tax increment to service the bonds issued for improvements made within the downtown area. A majority of these improvements relate to building facades intended to preserve the historical architecture in the Old Town area of the City's downtown. Although the component unit may benefit over time from any increase in the assessed value of these properties related to these improvements, no assets are recorded in relation to these activities. As a result, the statement of net assets for the component unit reflects a deficit balance for unrestricted net assets.

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

**COMPONENT UNIT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses (including transfers):			
Expenditures/expenses	\$ 2,077,160	\$ 62,477 ¹	\$ 2,139,637
Elimination of transfers between component unit and primary government	<u>1,150,000</u>	<u>(1,150,000)</u>	<u>-</u>
	3,227,160	(1,087,523)	2,139,637
Program Revenues			
Charges for services	22,300	-	22,300
Operating grants and contributions	<u>2,418</u>	<u>-</u>	<u>2,418</u>
Net Program Revenues	<u>24,718</u>	<u>-</u>	<u>24,718</u>
Net Program Expense	<u>3,202,442</u>	<u>(1,087,523)</u>	<u>2,114,919</u>
General Revenues			
Property taxes	3,125,764	-	3,125,764
Investment earnings	96,588	-	96,588
Miscellaneous	<u>6,235,000</u>	<u>(6,235,000) ²</u>	<u>-</u>
Total General Revenues	<u>9,457,352</u>	<u>(6,235,000)</u>	<u>3,222,352</u>
Change in Net Assets (pages 38-39)	6,254,910	(5,147,477)	1,107,433
Fund Balance/Net Assets			
Beginning of the year, as restated	2,392,467	(1,965,673)	426,794
End of the year	<u>\$ 8,647,377</u>	<u>\$ (7,113,150)</u>	<u>\$ 1,534,227</u>

- ¹ Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

Net increase in accrued interest related to last debt service payment	16,785
Net increase in compensated absences	2,283
Net decrease in current year amortization of bond cost	(5,546)
Current year depreciation	48,955
	<u>\$ 62,477</u>

- ² Proceeds from issuance of long term debt are not reported as revenues

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 5,876,764	\$ 3,123,306
Receivables		
Interest	94,993	11,932
Notes and loans	1,813,512	-
Other	2,637	-
Total Receivables	1,911,142	11,932
Investments, at fair value		
U S Government securities	5,873,882	2,994,063
Corporate bonds	1,712,719	-
Mutual funds	103,932,382	-
Total Investments, at fair value	111,518,983	2,994,063
Total Assets	119,306,889	6,129,301
LIABILITIES		
Amounts held for other governments	-	6,129,301
Accrued expenses	1,075	-
Total Liabilities	1,075	\$ 6,129,301
NET ASSETS		
Held in trust for pension benefits	119,305,814	
Total Plan Net Assets	\$ 119,305,814	

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Pension Trust Funds
ADDITIONS	
Contributions	
Employer contributions	\$ 4,762,377
Employee contributions	2,330,470
Pension conversion & roll-overs	<u>724,687</u>
Total Contributions	<u>7,817,534</u>
Investment income	
Interest	1,740,574
Interest related to employee loans	431,269
Net change in fair value of investments	<u>7,750,864</u>
Total Investment Income	<u>9,922,707</u>
Total Additions	<u>17,740,241</u>
DEDUCTIONS	
Benefit payments	4,308,637
Administration expense	<u>322,512</u>
Total Deductions	<u>4,631,149</u>
Net Increase in Plan Assets	13,109,092
Net Assets	
Beginning of year	<u>106,196,722</u>
End of year	<u><u>\$ 119,305,814</u></u>

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

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NOTES TO THE FINANCIAL STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fort Collins, Colorado (the City) was incorporated in 1873 and adopted its Home Rule charter in 1913. In 1954, the citizens adopted the Council-Manager form of government. The more significant accounting policies reflected in the financial statements are summarized as follows:

A. Reporting Entity

These financial statements include those of the City (primary government) and organizations for which the City is financially accountable (component units). Together, these organizations comprise the City's reporting entity. The following component units are included in the reporting entity: City of Fort Collins Downtown Development Authority (DDA), City of Fort Collins General Improvement District No. 1 (GID No. 1), and the Fort Collins Capital Leasing Corporation.

The DDA was created in 1981 by City Council and the electorate. The purpose of the DDA is to promote the public health, safety, prosperity, security, and welfare of its inhabitants. The City appoints and removes all members of the DDA's governing board in addition to issuing debt, adopting budgets, and levying taxes on its behalf. The financial statements of the Downtown Development Authority are included in the reporting entity by discrete presentation. Discrete presentation entails reporting component unit financial data in a column separate from the financial data of the City.

GID No. 1 was created in 1976 for the construction and installation of parking facilities and street and sidewalk beautification improvements. GID No. 1 is, in substance, the same as the primary government since the City Council serves as the board of directors. As such, it levies all taxes, approves all budgets, and issues all debt on behalf of GID No. 1. Accordingly, its transactions and balances are blended with those of the City. GID No. 1 is presented as a special revenue fund.

Fort Collins Capital Leasing Corporation (Corporation) was created in June 1998 and operates under the provisions of the Nonprofit Corporation Law of the State of Colorado. The Corporation's primary purpose is to provide financing assistance by obtaining land, property and equipment on behalf of the City. The directors are appointed by the City Council and receive no compensation. Its transactions and balances are blended with those of the City. The Corporation is presented as a debt service fund.

None of the component units included in the reporting entity issues its own financial statements.

B. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an on-going financial interest or an on-going financial responsibility. The City has joined with other governmental units to form the following joint ventures:

Block 31 Joint Venture was created by the City and Larimer County for the purpose of acquiring and managing parking space and government facilities on Block 31. The City issued sales and use tax bonds to finance the acquisition of the property and is responsible for the debt service on the bonds.

Larimer County reimburses the City for its half of the debt service on a semi-annual basis. The City is responsible for providing half of the on-going upkeep and maintenance of the property. The City and the County each retain a 50% ownership interest in the property. Separate financial statements are not issued for this joint venture.

Fort Collins-Loveland Airport was created for the purpose of operating a municipal airport for the benefit of the citizens of Loveland and Fort Collins. The City provides a small amount of funding for on-going airport construction projects. The City and Loveland each retain a 50% ownership interest in the airport. Separately issued financial statements are available upon request from the Airport Manager.

North Front Range Transportation and Air Quality Planning Council (NFRTAQPC) is an association of local governments that was formed in 1987 in response to local needs and federal transportation and air quality planning requirements. Local government membership consists of elected officials representing Fort Collins, Greeley, Loveland, Evans, Berthoud, Windsor, Timnath, Garden City, LaSalle, Johnstown, and Weld and Larimer Counties. Membership is also extended to the Colorado Transportation Commission and the Colorado Air Quality Control Commission. The NFRTAQPC Board appoints its own management and approves its own budget. The City has an agreement with the NFRTAQPC that allows for NFRTAQPC to participate in the City's benefit plans and other City services on a reimbursable basis. Separately issued financial statements are available upon request from the Planning Council.

Harmony Library was created for the purpose of operating a joint library for the benefit of the citizens of Fort Collins and the students, faculty and staff of Front Range Community College. The City and the College paid 40% and 60% of construction costs, respectively. However, the City is responsible for 60% of the ongoing maintenance and operational costs. Although the College retains sole interest in the building, which is located on their campus, the City is responsible for the personal property within the library. Separate financial statements are not issued for this joint venture.

Poudre Fire Authority (PFA) was created by an intergovernmental agreement between the City of Fort Collins and the Poudre Valley Fire Protection District. The PFA Board consists of five members--two appointed by City Council, two appointed by the District's Board of Directors and a fifth member appointed by the other four members. The PFA Board appoints its own management and approves its own budget. PFA's continuing existence depends, in part, on funding provided by the City. Separately issued financial statements for PFA are available from its administrative office.

Platte River Power Authority (PRPA) was created by an intergovernmental agreement between the Cities of Fort Collins, Estes Park, Loveland, and Longmont to supply their wholesale electric power and energy requirements. The governing Board of PRPA consists of two members from each municipality. Under Colorado law, PRPA's Board of Directors has the exclusive authority to establish electric rates. The City has contracted for its total electric energy supply from PRPA through December 31, 2040. Separately issued financial statements for PRPA are available from its corporate headquarters.

Aside from the Fort Collins-Loveland Airport, the City does not have an equity interest in any of the joint ventures in which it participates. None of the joint ventures are accumulating

financial resources or are experiencing fiscal stress that are expected to create a significant financial benefit or burden on the City in the foreseeable future.

C. Jointly Governed Organization

The City and various governmental entities throughout Larimer County have jointly agreed to establish the Larimer Emergency Telephone Authority (LETA). LETA is a separate legal entity established to provide E-911 telephone service to the citizens of Larimer County. The City does not retain an on-going financial interest or responsibility in LETA.

D. Related Organizations

The City has an agreement with the Fort Collins Housing Authority (FCHA) that allows for FCHA to participate in the City's benefit plans and other City services on a reimbursable basis. FCHA is a separate legal entity with its own board that operates independent of the City. Separately issued financial statements are available from FCHA.

E. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for support. Also, the primary government is reported separately from the DDA, a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

F. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and become an enforceable lien on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility receivables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. As under accrual accounting, expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as those related to compensated absences and incurred claims and judgments, are recorded only when payment is due. With regard to self-insurance claims and judgments, an additional expenditure may be recorded based on actuarial information.

Property taxes, special assessments, sales taxes, franchise taxes, charges for services, amounts due from other governments and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other revenue items such as licenses, fines and permits are considered to be measurable and available only when the cash is received by the government, as a result they are not susceptible to accrual.

G. Financial Statement Presentation

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. The various funds are summarized by type within the financial statements.

Governmental Accounting Standards Board Statement No. 34 has established a minimum criteria (percentage of the assets, liabilities, revenues or expenditures/ expenses of either fund category or the governmental and enterprise combined) for determining major funds. The non-major funds are combined in a column in the fund financial statements.

The City reports the following major governmental funds:

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

The Sales & Use Tax special revenue fund is used to account for collections of the City's 3.0% sales and use tax which is used to provide reserves and fund payments for sales and use tax revenue debt and is transferred to other funds of the City in accordance with the sales and use tax distribution policy.

The Transportation Services special revenue fund is used to account for taxes, federal and state grants and other revenues utilized to operate and maintain the City's transportation system.

The Natural Areas special revenue fund is used to account for dedicated financial resources to be used for the acquisition of natural areas and trails. In addition, some of the fund is used for long-term management of existing natural areas and trails.

The Capital Projects fund is used to account for financial resources to be used for the acquisition or construction of

major capital facilities. Revenues and other financing sources are derived primarily from issuance of debt or transfers from other funds.

The City reports the following major proprietary funds:

The Light and Power fund is used to account for the operations of the City's electric utility.

The Water fund is used to account for the operation of the City's water utility.

The Wastewater fund is used to account for the operation of the City's wastewater utility.

The Storm Drainage fund is used to account for the operations of the City's storm water utility.

Governmental and enterprise fund types that do not meet the criteria of major funds have been summarized and presented as other governmental funds and other enterprise funds, respectively within the fund financial statements.

Additionally, the City reports the following fund types:

Internal Service funds are used to account for the City's fleet maintenance services, phone equipment and services, self-insurance of employee health care and other employee benefits, and a risk management insurance program. These services are provided by certain departments of the City to other departments, usually on a cost reimbursement basis. There is also an internal service fund to account for the customer and administrative services provided exclusively to the City's utility enterprise funds.

Fiduciary Fund Types

Pension Trust funds are used to account for the City's defined benefit and defined contribution pension trusts to provide retirement benefits for its employees/retirees.

Agency funds are used to account for cash and investments held by the City on behalf of Poudre Fire Authority, Poudre Fire Authority's pension fund and the Fort Collins-Loveland Airport.

Although GASB Statement No. 34 eliminates the presentation of Account Groups, it does provide for the maintenance of the underlying records. The non-current governmental assets/liabilities are presented within the governmental column in the government-wide Statement of Net Assets.

All Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure issued on or before November 30, 1989 generally are followed in both the government-wide and proprietary fund financial statements, unless those pronouncements conflict with or contradict GASB pronouncements. Governments have the option of following private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are the charges between the City's utility functions and various other functions. Elimination of these

charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The water and sewer funds also recognize as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

H. Budgetary Data

Budgetary Accounting and Control

Appropriated budgets are established for all funds of the City except agency funds, which do not measure results of operations.

General, Special Revenue, Debt Service and Trust Funds

Budgets for general, special revenue, debt service and trust funds are adopted on a basis which is consistent with generally accepted accounting principles (GAAP) except that appropriations for certain special revenue funds do not lapse on an annual basis as further explained below.

Capital Projects Fund

The Capital Projects Fund budget is not consistent with GAAP because appropriations do not lapse at year end.

Proprietary Funds

Proprietary funds are budgeted on a basis that includes capital items such as amounts for capital outlay and principal reduction of debt. Such budgets exclude depreciation. Proprietary Funds recognize gain on inter-fund sales of capital assets for budgetary purposes only. Capital project budgets for certain enterprise funds are nonlapsing.

Legal Level of Control

The legal level of budgetary control is at the individual fund level, except for capital projects and federal and state grants for which the legal level of control is at the project or grant level. For budgetary purposes, operating transfers are considered expenditures.

Lapsing Appropriations

All appropriations unexpended or unencumbered lapse at the end of the year to the applicable fund, except capital project and federal and state grant appropriations which lapse when the project or grant activity is completed. Appropriations which are encumbered at year end are carried over to the ensuing year at which time they are matched with their corresponding expenditures.

Budgets for the Capital Projects Fund, special revenue funds with expenditures of a capital or project nature and special revenue funds where the primary source of revenue is project-length federal or state grants are nonlapsing. Included are the Capital Projects Fund, Capital Expansion Fund, Parkland Fund, Conservation Trust Fund, Community Development Block Grant Fund, Home Investment Partnership Grant Fund, Transit Services Fund, and the grant portion of Transportation Services. Budgets for capital projects of the Light & Power Water, Storm Drainage, Wastewater, and Golf enterprise funds are also nonlapsing.

Budgetary Procedures

The following is a summary of the procedures used in establishing budgetary data reflected in the financial statements:

1. Council work sessions are held throughout the budget process to provide direction for the development of the budget.
2. In March of each year, departments develop projections of their revenue sources. Information about providing the costs of services is also collected.
3. In April and May, departmental budgets are prepared. Budget issues are reviewed in June and July.
4. On or before the first Monday in September, the City Manager submits to the City Council a proposed budget for the next year.
5. Public hearings are conducted to obtain taxpayer comments.
6. Prior to November 30, the City Council adopts the budget and passes the appropriation ordinance.
7. After commencement of the fiscal year, the appropriation ordinance is irrevocable. However, the City Council may, by ordinance, make the following changes:
 - a. Provide payment of any expenditure, the necessity of which is caused by any casualty, accident or unforeseen emergency;
 - b. Appropriate any expenditure from reserves or fund equity accumulated in prior years;
 - c. Appropriate proceeds of bonded indebtedness;
 - d. Appropriate revenues which were not anticipated at the time of adoption of the annual budget and which are a result of rate or fee increases or new revenues;
 - e. Appropriate at the expiration of eight months of the fiscal year the excess of actual revenues over the budgeted estimates;

- f. Transfer any unexpended appropriated amount or portion thereof from one fund to another, upon recommendation of the City Manager, provided that the purpose for the initial expenditure no longer exists.

8. The City Manager may transfer any unused budgeted amount or portion thereof from one budget category to any other category within the same fund or project depending on the legal level of budgetary control.

Numerous ordinances making supplemental appropriations to the original adopted budget were enacted during 2004.

Property Taxes

Property taxes levied in a particular year are collected in the subsequent year. The property tax calendar is as follows:

Tax Year

Beginning of fiscal year for taxes.....	January 1
Assessed valuation certified by	
County Assessor	August 25
Property tax levy by City Council	
for ensuing year	November 30
Tax levy certified to	
County Commissioners	December 15
County Commissioners certify levy	
to County Assessor	December 22

Ensuing Collection Year

Taxes attach as an enforceable	
lien on property;.....	January 1
County Assessor delivers tax	
warrant to County Treasurer	January 10
First installment due date	
(one-half of taxes due).....	February 28
Taxes due in full (unless	
installments elected by taxpayer)	April 30
Second installment due date	
(second half due).....	June 15

Taxes are collected by the Larimer County Treasurer on behalf of the City and are remitted by the 10th day of the month following collection. A 2% collection fee is retained by the County as compensation for collecting the taxes.

Anheuser Busch contributed 6% of total property taxes collected in 2004. This company is also a major customer of the City's water and wastewater funds. In 2004, the company's usage of these utilities represented over 10% of the total operating revenues collected by these funds.

Reserve for Encumbrances

Encumbrance accounting is utilized by the City to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year end represent the estimated amount of expenditures likely to result if orders for goods and services are completed. In governmental funds, encumbrances outstanding at year end are reported as reservations of fund balances since they do not represent expenditures or liabilities. Encumbrances are not recorded in the financial statements for proprietary fund types or pension trust funds.

I. Assets, Liabilities and Fund Equity

Cash and Investments

The City has stated certain investments at fair value in accordance with GASB No. 31. Fair value is determined utilizing the third party custodian's statements, Wall Street Journal, Bloomberg, and other recognized pricing services.

Whenever possible, cash is pooled from the various City funds to enhance investment capabilities and maximize investment income. Investments are made taking into consideration cash flow needs, market conditions, and contingency plans. The City's investment policies prescribe eligible investments, investment diversification, and maturity and liquidity guidance, which are utilized in managing the investment portfolio.

For purposes of the combined statement of cash flows, the City considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The City invests in derivatives and similar securities. Derivatives are generally defined as contracts, whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. The City holds bonds with floating interest rates, which are considered derivatives, and similar mortgage-backed securities.

Cash held by Fiscal Agent

Certain proceeds of Capital Leasing Corporation's Certificates of Participation (COP) and Enterprise Fund revenue bonds are classified as cash held by fiscal agent on the balance sheet because they are held in third party escrow accounts and their use is limited by applicable COP and bond covenants. In addition, an escrow account has been set up by the seller of the real property where the new police building will be located to cover road and utility improvements.

Restricted Cash and Cash Equivalents

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond covenants.

Receivables

Accounts receivable are expressed net of allowances for doubtful accounts. Allowances for doubtful accounts are based on historical collection trends for the related receivables. For the enterprise funds, estimated unbilled revenues are accrued as of year end and included with accounts receivable to reflect services rendered but not billed.

Long-term portions of receivables in the governmental fund financial statements are reported and then offset by fund balance reserve accounts in order to indicate that they are not available, spendable resources except for long-term portions of special assessments receivable which are offset by deferred revenue.

Inventories

Inventories are stated at cost using the first-in, first-out method. Aside from a small inventory balance utilized by the facility maintenance division, the costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in proprietary funds when used. Where appropriate, inventory has been adjusted downward to

market value to reflect what is considered a permanent market decline.

Inventory of Real Property Held for Resale

Inventory of real property held for resale generally reflects the cost of raw land held by the City's Land Bank Program in the General Fund, for development of affordable housing. Additionally, there is a minor balance representing raw land held for purchase by residents and held for future development with the Cemeteries Special Revenue Fund and the DDA operating fund, respectively. These assets are carried at cost until an event occurs to indicate a low net realizable value.

Capital Assets

Capital assets, which are acquired or constructed, are reported at historical cost or estimated historical cost in the applicable governmental or business-type activities' columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of five years or greater. 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 assets or materially extend asset lives are not capitalized. Capital assets other than land, water rights, fiber optics, and some intangible property are depreciated. Depreciation is computed using the straight-line method with estimated useful lives as follows:

- Buildings.....	25-50 years
- Improvements other than buildings	15-25 years
- Machinery and equipment.....	5-15 years

GASB Statement No. 34 provides for an extended period of deferral (Fiscal Year 2006), before infrastructure assets are required to be included in the City's accounting records. This category of assets (e.g., roads, bridges, traffic signals, and similar items) is likely to be the largest class of assets in the City. Historically, infrastructure assets have not been reflected within the City's records nor has consumption of these assets been measured. Inception to date infrastructure assets are included in the City's accounting records.

GASB Statement No. 34 provides for an alternative approach to depreciation for measuring the value of infrastructure assets and the related costs incurred to maintain their service life at a locally established minimum standard. In order to adopt this alternative method, the City has developed an asset management system, which will determine if the minimum standards are being maintained. This measurement would occur every three years at a minimum. The City has elected to use this alternative method for reporting its street infrastructure capital assets.

Compensated Absences

The City allows employees to accumulate unused vacation pay and to defer overtime pay by accumulating compensatory leave up to maximum limits. Unused sick pay is not recognized as a liability because it does not meet the criteria for accrual. The liability associated with these benefits is reported in the government-wide financial statements. Proprietary fund types accrue such benefits in the period in which they are earned.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not reported at year end, are reflected as claims payable in the financial statements.

Fund Equity

In the fund financial statements, fund equity of the City's governmental funds are classified either as reserved or unreserved. The unreserved portion may be further classified as either designated or undesignated. Designated fund balances represent amounts identified by management for the future use of current resources.

Reserved fund balances indicate that portion of fund equity which has been segregated for future use and is not an available, spendable resource or amounts which are legally required to be segregated in accordance with legal and contractual provisions.

Interfund Transactions

Interfund transactions are treated and classified as revenues, expenditures, or expenses (the same as if these same transactions involved external organizations). These include payments in lieu of taxes and billings from one fund to another for purchased goods or services. In the government-wide statement of activities, transactions, which constitute reimbursements, are eliminated in the reimbursed fund and accounted for as expenditures or expenses in the fund to which the transaction is applicable.

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund financial statements. The non-current portion of long-term interfund loans receivable are reported as "advances from/to other funds" and for governmental fund types, are equally offset by a fund balance reserve to indicate that the receivable does not represent available, expendable financial resources.

Deferred and Unearned Revenues

Governmental funds report deferred revenue on their balance sheets. Deferred revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

In the government-wide financial statements, deferred revenue not meeting the "measurable" and "available" has been eliminated. Since the majority of the deferred balance on the government-wide Statement of Net Assets represents revenue received for property tax levies legally recorded in the current year, but not billed until the subsequent fiscal period; this deferred amount appears on both the government-wide and the fund financial statements as unearned revenue. Another significant portion of this balance represents revenue received for future performances at the Lincoln Center.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Specifically, the City has made certain estimates and assumptions relating to its collections of receivables, the valuation of property held for resale, and the ultimate outcome of claims and judgments. Accordingly, actual results could differ from those estimates.

Discretely Presented Component Units

The significant accounting policies for the City's discretely presented component units are substantially the same as for the primary government. Additional disclosures follow.

All transactions and balances of the various fund types and account groups of the discretely presented component units are aggregated in a single column on the face of the government-wide financial statements. These columns are presented separately from the financial data of the primary government (the City) in order to distinguish between data of the primary government and that of the component units.

The discretely presented component unit data presented in the government-wide statements includes total data for all fund types of the Downtown Development Authority (DDA), including its General Fund, Debt Service Fund and its non-current assets and liabilities.

Since the DDA is the only discretely presented component unit included in the reporting entity, the significance relative to total discretely presented component units and the primary government is self-evident in the financial statements. Where appropriate, additional disclosures have been included to give the reader additional understanding of the significance of various finance-related matters.

Budgeting

The Board of Directors of the DDA approves their respective budget by resolution. The budget is then submitted to City Council for approval. Budgetary matters with respect to basis of accounting and legal level of budgetary control are generally the same for the DDA as those of the City.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

The City has no material violations of finance related legal and contractual provisions.

B. Excess of Expenditures Over Appropriations In Individual Funds

The City has no excess of expenditures over appropriations at the fund level within each of the individual funds. The actual to budget comparisons for both governmental and proprietary funds may reflect immaterial excess expenditures or expenses at the program or grant level within the fund.

C. Accounting Changes and Restatements

In 2003, 151 acres of land was purchased from the Waste Water Fund for the Natural Areas Fund. The loan was incorrectly recorded in the General Fund. In 2004, the General Fund and Natural Areas Fund were increased and reduced, respectively, by \$1,240,000 for this liability.

On January 1, 2004, the City restated its capital assets for the Golf Fund. Refinement of the standards for the capital asset categories in conjunction with a review of the records resulted in a reduction of \$487,632 for the aggregate capital asset balance of the Golf Fund.

Additionally, the component unit restated its net asset balance on January 1, 2004. In prior years, the Downtown Development Authority ("DDA") had eliminated the unearned liability associated with the property tax receivable for the subsequent fiscal year when converting the fund financial statements to the government-wide financial statements. Since a legal claim to that property tax receivable does not exist until January 1st in the subsequent fiscal year, this balance should be reflected as unearned revenue on both the fund and government-wide financial statements. This adjustment resulted in a \$3,143,294 reduction to the beginning net assets balance.

NOTE III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Primary Government

The carrying amount of the City's deposits as of December 31, 2004, was \$2,031,882. The bank balances were \$2,892,672 of which \$125,011 was covered by federal deposit insurance and \$2,767,661 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Component Unit

The Downtown Development Authority's undivided share of the City's deposits as of December 31, 2004, was a carrying

amount of \$8,227 and a bank balance of \$8,227. The entire bank balance was covered by federal deposit insurance.

Investments

Investment policies are governed by the City's own investment policies and procedures. Investments of the City and its discretely presented component unit may include:

- Legal investments for municipalities under state statutes.
- Interest-bearing accounts or certificates of deposit at banks or savings and loans in Colorado which are eligible public depositories.
- Obligations of the United States Government, its agencies or instrumentalities.
- Common or preferred stock or debt of U.S. corporations.
- Obligations issued by or on behalf of the City.
- State or local government obligations having an investment grade rating.
- Prime rated banker's acceptances.
- Prime rated commercial paper.
- Guaranteed investment contracts.
- Repurchase and reverse repurchase agreements of any marketable security described above which afford the City a perfected security interest in such security.
- Local government investment pools authorized under the laws of the State of Colorado.
- Shares in any money market fund or account, unit investment trust or open or close-end investment company, all of the net assets of which are invested in securities described above.
- Mutual funds that include eligible investments found above.
- For bond reserve funds, treasury securities with a put option used to control and minimize arbitrage rebates.

In addition to the above, investments of the General Employees' Retirement Plan may include:

- Equipment trust certificates.
- Real property and loans secured by first mortgages or deeds of trust.
- Participation guarantee agreements with domestically regulated life insurance companies.
- Tax certificates issued by any county treasurer of Colorado upon any real property located within the state.
- International mutual funds that have a five star rating for the past five years from Morningstar Mutual Funds.

Investments of the Money Purchase Plan are determined contractually with the third party custodian. The plan currently contains a wide range of money market and mutual funds.

In accordance with GASB Statement No. 40, the City's and its discretely presented component unit's investments are subject to interest rate and credit risk as described below:

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least 80% of the City's investment portfolio to maturities of less than five years and at least five percent of the City's operating investment portfolio to maturities of 120 days or less. Based on the current rate environment, the City assumes that all callable securities will not be called on the first call date.

Credit Risk

The City's investment policy limits investments in corporate bonds to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs). As of December 31, 2004, the City's investment in corporate bonds were rated A or better by Standard & Poor's and A2 or better by Moody's Investors Service. The City's investment policy also allows for the City to invest in local government investment pools. As of December 31, 2004, the local government investment pools (CSAFE & Colorado Diversified Trust) in which the City had invested, were rated AAAM by Standard & Poor's.

As of December 31, 2004, the City had the following investments and maturities:

Primary Government

Investment Type	Fair Value	Investment Maturities		
		Up to 120 days	121 days to 5 years	More than 5 years
Repurchase agreement	\$ 96,627,000	\$ 96,627,000	\$ -	\$ -
U.S. Treasuries	9,836,700	-	9,836,700	-
U.S. agencies	392,528	-	-	392,528
Instrumentality				
Federal Farm Credit Bank (FFCB)	8,899,320	1,000,560	7,898,760	-
Federal Home Loan Bank (FHLB)	37,039,659	5,972,542	31,067,117	-
Federal Home Loan Mortgage Corporation (FHLMC)	40,651,291	-	36,631,251	4,020,040
Federal National Mortgage Association (FNMA)	36,416,598	4,983,520	31,433,078	-
Student Loan Marketing Association (SLMA)	-	-	-	-
Tennessee Valley Authority (TVA)	999,200	999,200	-	-
Corporate bonds	24,303,953	984,879	23,319,074	-
Total Investments Controlled by the City	\$ 255,166,249	\$ 110,567,701	\$ 140,185,980	\$ 4,412,568
Percent of Total		43%	55%	2%
Reconciliation to Total Deposits and Investments:				
Add:				
Cash on Hand and in Banks	\$ 2,031,882			
Money market funds	\$ 17,162,666			
Mutual funds	103,932,382			
CSAFE	3,880,000			
Colorado Diversified Trust	2,502,610			
Securities lending short-term collateral invest. pool	71,823,923			
Cash and Investments in Custody of Others	199,301,581			
Cash Held by Fiscal Agent	43,246,103			
Total Deposits and Investments	\$ 499,745,815			

Component Unit

Investment Type	Fair Value	Investment Maturities		
		Up to 120 days	121 days to 5 years	More than 5 years
Repurchase agreement	\$ 5,473,000	\$ 5,473,000	\$ -	\$ -
Corporate bonds	658,166	-	658,166	-
Total Investments Controlled by the City	\$ 6,131,166	\$ 5,473,000	\$ 658,166	\$ -
Percent of Total		89%	11%	0%
Reconciliation to Total Deposits and Investments:				
Add:				
Cash on Hand and in Banks	8,227			
CSAFE	2,293,132			
Total Deposits and Investments	\$ 8,432,525			

The carrying amounts of deposits and investments are reflected in the accompanying financial statements as:

Government-wide statement of net assets

Cash and cash equivalents	\$ 99,075,823
Investments	160,609,395
Cash held by fiscal agent	43,246,103
Securities lending collateral	71,823,923
Restricted cash and cash equivalents	1,477,455
	<u>376,232,699</u>
Component-unit (cash and cash equivalents)	5,481,227
Component-unit (investments)	2,951,298
Total	<u>\$ 384,665,224</u>

Fiduciary funds statement of net assets

Cash and cash equivalents	\$ 9,000,070
Investments	114,513,046
	<u>\$ 123,513,116</u>

The City's investments in repurchase agreements are for a period of one month or less. As a result they are sensitive to the short-term interest rate environment.

Reflected above are amounts invested in mutual funds and local government investment pool investments. Colorado

Diversified Trust and Colorado Surplus Asset Fund Trust (CSAFE) are investment vehicles established for local government entities in Colorado to pool surplus funds for investment purposes. Colorado Diversified Trust and CSAFE are routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, Section 6. The fair value of the investments in CSAFE and Colorado Diversified Trust is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form.

The City invests in various mortgage-backed securities and bonds with floating interest rates in order to maximize yields. Mortgage-backed securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. If interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

The City has addressed securities lending for its operating portfolio. The City has a contract with its custodian that allows the custodian, acting as agent, to lend securities held in the portfolios.

The market for securities lending developed to provide temporary access to a large portfolio of securities for broker/dealers who might have a need to borrow specific instruments. At the time of the transaction, the broker/dealer collateralizes their borrowing (in cash or with securities) to 102% of the security value plus accrued interest and in the event that the fair value of the collateral falls below 100%. If the broker/dealer fails to return the security, upon request, then the custodian, acting as agent, will utilize the collateral to replace the security borrowed. The transaction establishes a rebate interest rate (assuming cash collateral), which is due back to the broker/dealer upon return of the security. The cash is then invested short-term and the City and the custodian share the incremental return available above the rebate rate. The commingled short-term fixed income accounts can be invested in repurchase agreements, master notes, U.S. treasuries and agencies, U.S. certificates of deposit and time deposits, bankers' acceptances, commercial paper, and other short term money market instruments. While the securities loaned are on a rolling daily basis and the cash collateral can be deposited and/or withdrawn from the commingled investment on a daily basis, the average duration of the commingled investment at December 31 was 10.4 days.

The City authorizes the lending of fixed income securities, except those held in reserve for the Self Insurance Fund. The City, as a program participant, assumes the risk that (a) the overnight investment will not equal or exceed the rebate rate, (b) a loss of the principal in the overnight investment and (c) the collateral will not be sufficient, if called upon to repurchase the lost security. The City would have credit risk if at any time the above-mentioned 102% daily adjusted collateral falls below 100%. As of December 31, 2004, no market risk resulted from the City's securities lending program since the market value of the securities that the City loaned to the financial institution was

\$70,438,791 and the collateral received by the City was \$71,823,923.

The City periodically reviews the custodian's practices to insure fair distribution of lending opportunities as well as risk evaluation of prospective broker/dealer borrowers. For the year 2004 the City received net income of \$28,881 from security lending activity for its operating and pension portfolios.

The City has not incurred a loss through its participation in this program.

Restrictions on Cash and Investments

Cash and investments of \$130,248, \$202,776 and \$29,193, respectively in the General, Sales and Use Tax and Transportation Funds and \$298,680, \$446,568 and \$369,990, respectively, in the Water, Wastewater and Storm Drainage Funds are contractually restricted for debt service through bond ordinances.

B. Notes Receivable

In March 1996, the City entered into an agreement with a developer for the construction of low income apartment units. Under the agreement, the City loaned \$913,000 to the developer from the HOME Investment Partnership Grant Special Revenue Fund and received a deed of trust against the property. The loan is to be repaid from 50% of the net available cash flow generated by the project as calculated annually. The loan bears interest at 9% per annum. There is no set payment schedule or due date on the loan. Based upon a review of project income statements, the project did not have a net available cash flow. In 2004, the City did receive an interest payment of \$34,353 against the note. Accrued interest on the loan has not been recorded since it is uncertain as to the frequency of when the project will be able to make payments against the note.

In May 2000, the City entered into an agreement with a developer for the construction of low income senior apartment units. Under the agreement, the City loaned \$200,000 to the developer from the HOME Investment Partnership Grant Special Revenue Fund and received a deed of trust against the property. The loan is to be repaid from the net available cash flow generated by the project as calculated annually. The loan bears interest at 7% per annum. There is no set payment schedule on the loan. The loan has a term of 20 years. Accrued interest on the loan has not been recorded since it is uncertain as to the frequency of when the project will be able to make payments against the note.

In December 2001, the City entered into an agreement with a developer for the construction of low income senior apartment units. Under the agreement, the City loaned \$250,000 to the developer. 50% of the loan proceeds are from the HOME Investment Partnership Grant Special Revenue Fund and 50% of the loan proceeds are from the General Fund. The City received a deed of trust against the property. The loan is to be repaid from the net available cash flow generated by the project as calculated annually. The loan bears interest at 5.5% per annum. There is no set payment schedule on the loan. The loan has a term of 20 years. In 2004, the City did receive an interest payment of \$27,500 against the note. Accrued interest on the loan has not been recorded since it is uncertain as to the frequency of when the project will be able to make payments against the note.

C. Capital Assets

A summary of changes in capital asset activity for the year ended December 31, 2004 follows:

	Balance, Beginning of Year	Additions (amounts expressed in thousands)	Deletions and Transfers	Balance, End of Year
Primary Government:				
Governmental activities				
Capital assets, not being depreciated:				
Land, water rights, other	\$ 62,112	\$ 22,933	\$ -	\$ 85,045
Street system infrastructure	245,595	3,156	-	248,751
Construction in progress	17,688	6,444	(10,272)	13,860
Total capital assets, not being depreciated	325,395	32,533	(10,272)	347,656
Capital assets, being depreciated:				
Buildings and improvements	80,972	1,271	(497)	81,746
Improvements other than buildings	61,185	1,179	(2,008)	60,356
Machinery and equipment	44,394	6,475	(2,844)	48,025
Total capital assets being depreciated	186,551	8,925	(5,349)	190,127
Less accumulated depreciation for:				
Buildings and improvements	(16,943)	(1,794)	161	(18,576)
Improvements other than buildings	(22,661)	(2,754)	1,447	(23,968)
Machinery and equipment	(23,957)	(3,939)	2,253	(25,643)
Total accumulated depreciation	(63,561)	(8,487)	3,861	(68,187)
Total capital assets being depreciated, net	122,990	438	(1,488)	121,940
Governmental activities capital assets, net	\$ 448,385	\$ 32,970	\$ (11,760)	\$ 469,596
Business-type activities				
Capital assets, not being depreciated:				
Land, water rights, other	\$ 46,053	\$ 2,596	\$ -	\$ 48,649
Construction in progress	19,501	2,935	(26)	22,410
Total capital assets, not being depreciated	65,554	5,531	(26)	71,060
Capital assets, being depreciated:				
Buildings and improvements	224,301	4,524	-	228,825
Improvements other than buildings	323,438	14,167	(282)	337,323
Machinery and equipment	46,837	1,572	(277)	48,132
Total capital assets being depreciated	594,576	20,263	(559)	614,280
Less accumulated depreciation for:				
Buildings and improvements	(59,452)	(4,940)	-	(64,392)
Improvements other than buildings	(106,015)	(9,291)	262	(115,044)
Machinery and equipment	(31,382)	(3,701)	(412)	(35,495)
Total accumulated depreciation	(196,849)	(17,932)	(150)	(214,931)
Total capital assets being depreciated, net	397,727	2,331	(709)	399,349
Business-type activities capital assets, net	\$ 463,281	\$ 7,862	\$ (735)	\$ 470,408

	Beginning of Year	Additions	Deletions	End of Year
	(amounts expressed in thousands)			
Component Unit:				
Capital Assets; not being depreciated:				
Land	\$ 802	\$ -	\$ -	\$ 802
Capital assets being depreciated:				
Buildings and improvements	2,337	-	-	2,337
Improvements other than buildings	33	-	-	33
Total capital assets being depreciated	2,370	-	-	2,370
Less accumulated depreciation for:				
Buildings and improvements	(784)	(47)	-	(831)
Improvements other than buildings	(19)	(2)	-	(21)
Total accumulated depreciation	(803)	(49)	-	(852)
Total capital assets being depreciated, net	1,567	(49)	-	1,518
Component unit capital assets, net	\$ 2,369	\$ (49)	\$ -	\$ 2,320

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

	Governmental Activities	Business-Type Activities
	(amounts expressed in thousands)	
General government	\$ 1,001	\$ -
Public safety - police & judicial	874	-
Cultural, library, & recreation services	3,017	-
Community planning & environmental services	214	-
Transportation services	3,150	-
Capital assets held by the City's internal service funds used for governmental activities	231	-
Light & Power	-	6,963
Water	-	5,374
Wastewater	-	3,035
Storm Drainage	-	2,090
Non-major Enterprise funds - Golf	-	267
Capital assets held by the City's internal service fund used for business-type activities	-	203
Total depreciation expense	\$ 8,487	\$ 17,932

D. Interfund Transfers:

Transfers In:									
	General Fund	Trans- portation Services	Capital Projects Fund	Natural Areas Fund	Nonmajor Govern- mental	Light and Power Fund	Waste Water Fund	Internal Service Funds	Total
Transfer out:									
Governmental Funds									
General Fund	\$ -	\$ 6,072,734	\$ 2,412,251	\$ -	\$ 10,594,512	\$ -	121,700	\$ -	\$ 19,201,197
Sales and Use Tax	52,456,699	4,028,142	7,370,610	5,342,229	2,366,521	-	-	-	71,564,201
Transportation Services	-	-	27,493	-	355,262	-	-	-	382,755
Capital Projects	121,878	318,406	-	9,035,364	372,365	-	-	-	9,848,013
Nonmajor Governmental	127,800	-	2,578,220	-	224,973	-	-	-	2,930,993
Proprietary Funds									
Light & Power	-	-	-	-	-	-	-	35,000	35,000
Water	-	-	-	-	-	69,000	-	-	69,000
Wastewater	-	-	-	-	-	69,000	-	-	69,000
Storm Drainage	-	-	-	-	-	57,500	-	-	57,500
Internal Service Funds	6,200	-	3,698	-	-	-	-	-	9,898
Total transfers in	\$ 52,712,577	\$ 10,419,282	\$ 12,392,272	\$ 14,377,593	\$ 13,913,633	\$ 195,500	\$ 121,700	\$ 35,000	\$ 104,167,557

Transfers are primarily used to 1) move revenues from the fund with collection authorization (e.g. Sales and Use Tax Fund) to the General Fund for overall operating expenditures and the Transportation Services, Capital Projects and Natural Areas Fund for dedicated voter approved programs and projects, and 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

E. Long-term Obligations

The City utilizes various types of debt and other long-term obligations in conducting its business. The following describes the various bonds and other types of financing used by the City and its component unit::

General Obligation Bonds: The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. As of December 31, 2004, only the business-type general obligation bonds for the Water fund in the amount of \$13,455,000 were outstanding.

Revenue Bonds: When issuing revenue bonds for the construction of capital assets, the City pledges specific revenue that is generally derived from operations related to the acquired/ constructed asset to pay the debt service. The City issues revenue bonds for both governmental and business-type activities. As of December 31, 2004 the City had \$6,879,464 of tax revenues bonds outstanding for governmental activities and \$115,036,665 of revenue bonds outstanding for business-type activities. Sales and use tax and highway users tax revenues and reserves are pledged for the governmental debt. The business-type debt is secured by operating revenues of the related enterprise funds.

Certificates of Participation and Assignment of Lease Payments: Through the Fort Collins Leasing Corporation, the City issues certificates of participation (COPs) and assignments of lease payments (ALPs) for the acquisition and construction of major capital facilities and improvements. The debt is secured by the constructed facilities and improvements. Debt service payments are made from the rents collected by the Leasing Corporation based upon lease agreements between the City and the Leasing Corporation. As of December 31, 2004 the City had \$64,022,675, and \$4,442,325, of COPs/ALPs outstanding for governmental and business-type activities, respectively.

Capital Leases: The City also enters into lease agreements as a lessee for financing the acquisition of various machinery and equipment for both governmental and business-type activities. The capital assets acquired from the lease agreements are included with capital assets and the amortization of leased equipment is included with depreciation in the financial statements. These lease agreements qualify as capital leases for accounting purposes and therefore, have been reflected at the present value of their future minimum lease payments as of the inception date. The City had \$4,603,376, and \$280,198, of capital leases outstanding as of December 31, 2004, for governmental and business-type activities, respectively.

The following tables display the debt service requirements for the obligations described above:

a. Summary of Principal Requirements for Debt relating to Governmental Activities:

GOVERNMENTAL (amounts expressed in thousands)								Total Principal Payments For Governmental Type Activities
Year	Sales & Use Tax Revenue Bonds	Police Lease Purchase ALPS	Highway Users Tax Revenue Bonds	Combined Lease Purchase COPS	Capital Lease Obligations	Int Service Fd Capital Lease Obligations		
2005	\$ 875	\$ 32	\$ 260	\$ 1,350	\$ 1,185	\$ 68	\$	3,770
2006	890	33	275	1,680	1,007	27		3,912
2007	910	35	239	2,775	762	14		4,735
2008	935	37	245	2,875	528	14		4,634
2009	965	38	300	2,990	434	14		4,741
2010 -								
2014	-	220	985	16,440	550	-		18,195
2015 -								
2019	-	278	-	19,425	-	-		19,703
2020 -								
2024	-	130	-	10,800	-	-		10,930
2025 -								
2029	-	-	-	4,885	-	-		4,885
	<u>\$ 4,575</u>	<u>\$ 803</u>	<u>\$ 2,304</u>	<u>\$ 63,220</u>	<u>\$ 4,466</u>	<u>\$ 137</u>	<u>\$</u>	<u>75,505</u>

b. Summary of Debt Service Requirements to Maturity - Annual Principal, Interest and Admin Fees Requirements

Year	Sales & Use Tax Revenue Bonds	Police Lease Purchase ALPS	Highway Users Tax Revenue Bonds	Combined Lease Purchase COPS	Capital Lease Obligations	Int Service Fd Capital Lease Obligations	Total Payments For Governmental Type Activities
2005	\$ 999	\$ 70	\$ 350	\$ 5,186	\$ 1,410	\$ 73	\$ 8,088
2006	994	70	355	4,648	1,157	30	7,254
2007	994	70	354	5,659	869	15	7,961
2008	995	70	358	5,653	602	15	7,693
2009	997	70	356	5,646	485	14	7,568
2010	-	70	358	5,512	300	-	6,240
2011	-	70	360	5,499	300	-	6,229
2012	-	70	355	5,508	-	-	5,933
2013	-	70	-	5,525	-	-	5,595
2014	-	70	-	5,508	-	-	5,578
2015	-	69	-	5,517	-	-	5,586
2016	-	69	-	5,511	-	-	5,580
2017	-	69	-	5,514	-	-	5,583
2018	-	69	-	5,504	-	-	5,573
2019	-	69	-	4,089	-	-	4,158
2020	-	69	-	2,717	-	-	2,786
2021	-	69	-	2,715	-	-	2,784
2022	-	-	-	2,717	-	-	2,717
2023	-	-	-	2,718	-	-	2,718
2024	-	-	-	2,713	-	-	2,713
2025	-	-	-	2,570	-	-	2,570
2026	-	-	-	2,568	-	-	2,568
	<u>\$ 4,979</u>	<u>\$ 1,183</u>	<u>\$ 2,846</u>	<u>\$ 99,197</u>	<u>\$ 5,123</u>	<u>\$ 147</u>	<u>\$ 113,475</u>

a. Summary of Principal Requirements - All Series

Year	BUSINESS TYPE (amounts expressed in thousands)								COMPONENT UNIT	
	Combined General Obligation Water Bonds	Combined Water Revenue Bonds	Combined Sewer Revenue Bonds	Combined Storm Drainage Revenue Bonds	1999 Golf Lease COPS	2001 Golf Lease Purchase ALPS	Ent Fund Cap. Lease & Other Long-Term Payables	Total Principal Payments For Bus. Type Activities	Total Principal Pymnts For Gov. & Bus. Type Activities	Combined DDA Tax Increment Bonds
2005	\$ 3,000	\$ 2,237	\$ 2,970	\$ 2,325	\$ 85	\$ 101	\$ 103	\$ 10,821	\$ 14,591	\$ 1,868
2006	3,060	2,312	3,722	2,405	90	107	99	11,795	15,707	1,365
2007	2,395	2,401	3,882	2,495	95	111	55	11,434	16,169	1,160
2008	2,465	2,482	4,066	2,540	100	116	17	11,786	16,420	1,195
2009	2,535	2,575	4,257	2,482	105	122	6	12,082	16,823	1,245
2010 -										
2014	-	13,718	9,453	14,192	610	701	-	38,674	56,869	2,635
2015 -										
2019	-	11,549	1,910	15,988	806	881	-	31,134	50,837	-
2020 -										
2024	-	705	455	3,673	-	413	-	5,246	16,176	-
2025 -										
2029	-	223	-	-	-	-	-	223	5,108	-
2030 -										
2034	-	19	-	-	-	-	-	19	19	-
	<u>\$ 13,455</u>	<u>\$ 38,221</u>	<u>\$ 30,715</u>	<u>\$ 46,100</u>	<u>\$ 1,891</u>	<u>\$ 2,552</u>	<u>\$ 280</u>	<u>\$ 133,214</u>	<u>\$ 208,719</u>	<u>\$ 9,468</u>

b. Summary of Debt Service Requirements to Maturity - Annual Principal, Interest and Admin Fees Requirements

Year	Combined General Obligation Water Bonds	Combined Water Revenue Bonds	Combined Sewer Revenue Bonds	Combined Storm Drainage Revenue Bonds	1999 Golf Lease COPS	2001 Golf Lease Purchase ALPS	Ent Fund Cap. Lease & Other Long-Term Payables	Total Principal Payments For Bus. Type Activities	Total Principal Pymnts For Gov. & Bus. Type Activities	Combined DDA Tax Increment Bonds
2005	\$ 3,332	\$ 3,892	\$ 4,844	\$ 4,439	\$ 191	\$ 221	\$ 114	\$ 17,033	\$ 25,121	\$ 2,327
2006	3,325	3,890	5,444	4,435	191	222	105	17,612	24,866	1,690
2007	2,591	3,901	5,408	4,437	191	221	57	16,806	24,767	1,407
2008	2,601	3,889	5,387	4,391	191	221	18	16,698	24,391	1,403
2009	2,605	3,890	5,359	4,241	190	221	6	16,512	24,080	1,409
2010	-	3,897	4,392	4,249	189	221	-	12,948	19,188	1,404
2011	-	3,899	2,452	4,245	188	222	-	11,006	17,235	1,404
2012	-	3,896	2,438	4,247	187	221	-	10,989	16,922	-
2013	-	3,508	2,438	4,247	190	221	-	10,604	16,199	-
2014	-	3,510	596	4,246	188	221	-	8,761	14,339	-
2015	-	3,511	468	4,251	190	221	-	8,641	14,227	-
2016	-	3,513	471	4,256	187	221	-	8,648	14,228	-
2017	-	3,130	471	4,257	189	221	-	8,268	13,851	-
2018	-	2,750	476	3,313	189	222	-	6,950	12,523	-
2019	-	372	473	3,314	190	222	-	4,571	7,284	-
2020	-	188	480	1,715	-	222	-	2,605	5,391	-
2021	-	188	-	1,348	-	222	-	1,758	4,542	-
2022	-	188	-	977	-	-	-	1,165	3,882	-
2023	-	188	-	-	-	-	-	188	2,906	-
2024	-	111	-	-	-	-	-	111	2,824	-
2025	-	111	-	-	-	-	-	111	2,681	-
2026	-	43	-	-	-	-	-	43	2,611	-
2027	-	43	-	-	-	-	-	43	43	-
2028	-	39	-	-	-	-	-	39	39	-
2029	-	20	-	-	-	-	-	20	20	-
2030	-	20	-	-	-	-	-	20	20	-
	<u>\$ 14,454</u>	<u>\$ 52,587</u>	<u>\$ 41,597</u>	<u>\$ 66,608</u>	<u>\$ 2,841</u>	<u>\$ 3,763</u>	<u>\$ 300</u>	<u>\$ 182,150</u>	<u>\$ 294,180</u>	<u>\$ 11,044</u>

General long-term obligations of the primary government at December 31, 2004, is comprised of the following:

<u>Date Issued</u>	<u>Description/Interest Rates</u>	<u>Maturity Dates</u>	<u>Original Balance</u>	<u>Outstanding Balance</u>
Bonds Service by Transportation Services Fund through the City Debt Service Fund (secured by highway users tax revenues and reserves)				
1998	Highway Users Tax Revenue Refunding Bonds (3.2-4.500%)	2012	\$ 3,399,729	\$ 2,304,464
Bonds Serviced by Sales and Use Tax Fund through the City Debt Service Fund (secured by sales and use tax revenues and reserves)				
2003	Sales and Use Tax Revenue Refunding Bonds (2.0-3.25%)	2009	5,730,000	4,575,000
	Add unamortized premium on bonds			1,762,962
	Less unamortized loss on refunding			(146,919)
COPs / ALPs serviced by General Fund and General Improvement District No. 1 Fund through the Fort Collins Capital Leasing Corporation Debt Service Fund				
1998	Lease Certificates of Participation (3.75-5.125%)	2018	17,210,000	13,950,000
1999	Lease Certificates of Participation (5.60%)	2009	1,105,000	620,000
2004	Lease Certificates of Participation (3.00 - 5.375%)	2026	48,650,000	48,650,000
2001	Assignment of Lease Payments - Police (4.70%)	2021	890,000	802,675
Other Obligations of Governmental Funds				
N/A	Capital lease obligations (secured by leased equipment)	2011	N/A	4,466,661
N/A	Accrued compensated absences	N/A	N/A	3,218,429
Other Obligations of Internal Service Fund used by Governmental Activities				
N/A	Capital lease obligations (secured by leased equipment)	2009	N/A	136,715
N/A	Accrued compensated absences	N/A	N/A	114,197
N/A	Claims Payable	N/A	N/A	7,019,102
	Total			<u><u>\$ 87,473,286</u></u>

Component unit long-term debt at December 31, 2004, is comprised of the following obligations:

Bonds Serviced by Downtown Development Authority Debt Service Fund				
1992	Tax Increment Revenue Refunding Bonds (5.75-7.75%) (secured by tax increment property taxes and contingently secured by City sales and use taxes)	2006	\$ 11,380,000	\$ 2,465,000
2000	Subordinate Tax Increment Revenue Bonds (5.775%) (secured by tax increment property taxes)	2005	608,000	608,000
2001	Tax Increment Revenue Refunding Bonds (4.000%) (secured by tax increment property taxes and contingently secured by City sales and use taxes)	2006	3,640,000	160,000
2004	Subordinate Tax Increment Revenue Bonds (3.35-4.40%) (secured by tax increment property taxes)	2011	6,235,000	6,235,000
	Add unamortized premium on bonds	N/A	N/A	6,990
Other Obligations – Component Unit				
N/A	Accrued compensated absences	N/A	N/A	6,714
	Total			<u><u>\$ 9,481,704</u></u>

(Continued)

Business-type long-term obligations at December 31, 2004, consists of the following:

<u>Date Issued</u>	<u>Description/Interest Rates</u>	<u>Maturity Dates</u>	<u>Original Balance</u>	<u>Outstanding Balance</u>
Bonds, COPs, and ALPs, serviced by Enterprise Funds				
Water Fund				
(general obligation water bonds secured by full faith and credit of the City)				
1997	Water Revenue Bond (3.80-5.30%)	2017	\$ 10,125,300	\$ 7,200,946
1998	Water Revenue Refunding and Improvement Bonds (3.00-4.75%)	2018	31,580,000	24,730,000
1999	Water Revenue Bond (3.28-5.25%)	2019	4,998,395	3,877,970
2002	General Obligation Water Refunding Bonds (2.25-2.75%)	2009	19,255,000	13,455,000
2004	Subordinate Water Revenue Bonds (5.025%)	2030	2,412,533	2,412,533
Storm Drainage Fund				
(secured by storm drainage revenues)				
1997	Storm Drainage Revenue Refunding and Improvement Bonds (3.80-5.00%)	2017	9,465,000	7,630,000
1999	Storm Drainage Revenue Bonds (4.50-5.25%)	2019	19,980,000	16,445,000
2001	Storm Drainage Revenue Bond (4.50-5.25%)	2021	9,845,000	8,510,000
2002	Storm Drainage Revenue Refunding Bonds (2.25-3.00%)	2008	2,765,000	2,040,000
2002	Storm Drainage Revenue Bonds (4.38-5.00%)	2022	12,300,000	11,475,000
Golf Fund				
(secured by golf revenue)				
1999	Lease Certificates of Participation (5.6%)	2019	2,255,000	1,890,000
2001	Assignment of Lease Payments (4.70%)	2021	2,830,000	2,552,325
Wastewater Fund				
(secured by sewer revenue)				
1992	Sewer Revenue Bond (5.0-6.0%)	2014	24,540,580	12,825,217
1995	Sewer Revenue Refunding Bonds (4.4-5.375%)	2010	13,585,000	12,945,000
2000	Sewer Revenue Bonds (4.5-5.5%)	2020	5,665,000	4,945,000
	Add unamortized premium on bonds			287,361
	Less unamortized loss on refundings			(1,870,595)
	Less unamortized discount on bonds			(429,468)
Other Obligations of Enterprise Funds				
N/A	Capital lease obligations (secured by leased equipment)	2009	N/A	280,199
N/A	Accrued compensated absences	N/A	N/A	913,581
Other Obligations of the Internal Service Fund used by Business-type Activities				
N/A	Accrued compensated absences	N/A	N/A	307,248
	Total			<u>\$ 132,422,317</u>

The City is in compliance with all significant limitations and restrictions. The City is maintaining all reserves required by ordinances and agreements with other third parties. Within the governmental funds, these reserves are being maintained in

debt service and special revenue funds as required by ordinances or agreements.

Certificates of participation issued by the Fort Collins Capital Leasing Corporation are payable from rents collected under a

lease agreement between the City and the Leasing Corporation. General obligation water bonds, payable from revenues of the Water Fund are secured by the full faith and credit of the City.

Defeasance of Debt

The City has defeased certain bonds in the prior years by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust accounts' assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2004, \$5,550,000 of sales & use tax bonds are considered defeased.

Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of

industrial and commercial facilities deemed to be in the public interest. The bonds are secured by sources external to the City and are payable solely from payments received from outside parties. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Staff noted that \$3.8 million economic bonds, issued during 2001, had not been reported in prior years.

As of December 31, 2004, there were 20 series of Industrial Development Revenue Bonds outstanding, with an estimated aggregate principal amount payable of \$67.3 million.

Operating Leases

The City leases various facilities under operating leases, which are cancelable within one year. Costs for these leases in 2004 were \$186,733.

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Primary Government:</u>					
Governmental Activities					
Bonds, COPS, and ALPs:					
Tax revenue bonds	\$ 7,989,464	\$ -	\$ (1,110,000)	\$ 6,879,464	\$ 1,135,000
Fort Collins Leasing Corporation					
Certificates of participation	15,370,000	48,650,000	(800,000)	63,220,000	1,350,000
Assignment of lease payments	833,059	-	(30,384)	802,675	31,820
Total bonds, COPS and ALPS	24,192,523	48,650,000	(1,940,384)	70,902,139	2,516,820
Add other financing sources (bond premium)	101,634	1,715,732	(54,404)	1,762,962	106,848
Less other financing uses (bond discount and deferred loss on refundings)	(176,295)	-	29,376	(146,919)	(29,376)
Total bonds, COPS and ALPS	24,117,862	50,365,732	(1,965,412)	72,518,182	2,594,292
Other Liabilities:					
Capital leases	4,920,921	1,105,033	(1,422,578)	4,603,376	1,252,998
Compensated absences	3,249,453	2,863,909	(2,780,736)	3,332,626	2,682,205
Claims payable	8,816,688	11,324,890	(13,122,476)	7,019,102	2,242,875
Total other liabilities	16,987,062	15,293,832	(17,325,790)	14,955,104	6,178,078
Governmental activities long-term liabilities	\$ 41,104,924	\$ 65,659,564	\$ (19,291,202)	\$ 87,473,286	\$ 8,772,370
<u>Business-Type Activities</u>					
Bonds, COPS, and ALPs:					
G.O. & revenue bonds	\$ 134,884,753	\$ 2,476,447	\$ (8,869,534)	\$ 128,491,666	\$ 10,532,261
Fort Collins Leasing Corporation					
Certificates of participation	1,970,000	-	(80,000)	1,890,000	85,000
Assignment of lease payments	2,648,941	-	(96,616)	2,552,325	101,180
	139,503,694	2,476,447	(9,046,150)	132,933,991	10,718,441
Add bond premium	315,621	-	(28,260)	287,361	28,260
Less bond discount and deferred loss on refundings	(2,816,603)	-	516,540	(2,300,063)	(516,540)
Total bonds, COPS and ALPS	137,002,712	2,476,447	(8,557,870)	130,921,289	10,230,161
Other Liabilities:					
Capital leases	465,866	37,691	(223,358)	280,199	103,479
Compensated absences	1,218,790	1,368,300	(1,366,261)	1,220,829	1,154,164
Total other liabilities	1,684,656	1,405,991	(1,589,619)	1,501,028	1,257,643
Business-type activities long-term liabilities	\$ 138,687,368	\$ 3,882,438	\$ (10,147,489)	\$ 132,422,317	\$ 11,487,804
<u>Component Unit:</u>					
Bonds:					
Tax revenue bonds	\$ 4,383,000	\$ 6,235,000	\$ (1,150,000)	\$ 9,468,000	\$ 1,260,000
Add other financing sources (bond premium)	10,650	-	(3,660)	6,990	3,660
Total bonds	4,393,650	6,235,000	(1,153,660)	9,474,990	1,263,660
Compensated absences	4,430	6,663	(4,379)	6,714	6,330
Component unit long-term liabilities	\$ 4,398,080	\$ 6,241,663	\$ (1,158,039)	\$ 9,481,704	\$ 1,269,990

Compensated Absences by Fund for Governmental Activities

	12/31/03	2004	2004	12/31/04
Governmental Funds	BALANCE	Earned	Used	BALANCE
General Fund	\$ 2,357,453	\$ 1,910,398	\$ (1,887,029)	\$ 2,380,822
Capital Projects Fund	57,495	(7,738)	(28,531)	21,226
Neighborhood Parkland Fund	16,235	16,612	(18,750)	14,097
Community Development Block Grant Fund	671	4,730	(4,719)	682
Conservation Trust Fund	2,946	3,184	(1,708)	4,422
Transit Services Fund	139,765	158,595	(164,323)	134,037
Home Investment Partnership Fund	975	2,862	(2,784)	1,053
Natural Areas Fund	-	91,152	(48,953)	42,199
Street Oversizing Fund	15,315	17,109	(16,298)	16,126
Transportation Services Fund	330,437	318,512	(282,270)	366,679
Cultural Services & Facilities Fund	29,311	32,961	(25,923)	36,349
Recreation Fund	166,576	159,647	(141,616)	184,607
Cemeteries Fund	20,427	11,999	(16,296)	16,130
Total Governmental Funds	3,137,606	2,720,023	(2,639,200)	3,218,429
<u>Internal Service Funds Assigned to</u>				
<u>Governmental Activities</u>				
Equipment Fund	59,980	102,132	(99,347)	62,765
Self Insurance Fund	12,074	5,379	(4,892)	12,561
Communications Fund	25,115	26,182	(26,284)	25,013
Benefits Fund	14,678	10,193	(11,013)	13,858
Total Internal Service Funds Assigned to				
Governmental Activities	111,847	143,886	(141,536)	114,197
Total Governmental Activities	\$ 3,249,453	\$ 2,863,909	\$ (2,780,736)	\$ 3,332,626

As reflected above, the General Fund is primarily used to liquidate the liability for compensated absences.

Internal service funds, except for the Utility Customer Service and Administration Fund, predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. Long-term liabilities of the Utility Customer Service and Administration internal service fund are included as part of the totals for the business-type activities on the proceeding page.

NOTE IV. OTHER INFORMATION

A. Risk Management

Property, Liability, and Workers Compensation

The City self-insures a portion of its comprehensive automobile liability, general liability, police liability, and public official liability exposures as well as damage or destruction of property. The City utilizes the Self-Insurance Fund (an internal service fund) to finance and account for risks of property and liability loss.

The City purchases property insurance that has a \$50,000 deductible for most causes of loss including earthquake and flood. Special flood hazard areas of 100 year flooding, as defined by FEMA have a deductible of 5% of the total insurable value at each location, subject to a minimum of \$500,000 at any one occurrence. Crime and boiler & machinery coverage has a \$10,000 deductible. Vehicles have a \$100,000 deductible.

In 2004, the City purchased liability insurance through a Risk Purchasing Group consisting of other Colorado public entities.

This policy has a \$250,000 deductible for all types of liability claims. Coverage limits are as follows:

General, Auto, & Law Enforcement Liability –
\$3 million/occurrence, \$6 million aggregate

Public Official Liability - \$3 million/each wrongful act, \$6 million aggregate.

Workers' Compensation losses are self-insured up to \$400,000 per occurrence. Employees in the Electrical Utility function are self-insured up to \$750,000 per occurrence. An excess policy providing limits mandated by the State of Colorado provides coverage above the self-insured retention.

In 2004, the Downtown Development Authority, a component unit, purchased general and public official liability insurance policies from private insurance companies. The general liability policy has no deductible and the public official liability policy has a \$2,500 deductible, and the employment related practice claims have a \$1,000 deductible. Coverage limits are as follows:

General Liability – \$500,000/occurrence, \$1 million aggregate

Public Official Liability - \$500,000/occurrence, \$500,000 aggregate.

There have not been any claims that have exceeded insurance coverage during each of the past three years for either the City or the component unit.

Employee Health and Illness

The City and the component unit self-fund their employees for comprehensive major medical benefits under four health plan options, up to an aggregate lifetime benefit maximum of \$2 million per participant. The four options include two Preferred Provider Options (PPO City Plans), one Health Maintenance Option (HMO) and one Point-of-Service (POS) option. The Benefits Fund (an internal service fund) is utilized to finance and account for medical risks of loss. Stop-loss coverage of \$120,000 per occurrence is retained as excess risk coverage. During the past three years, there have been eight claims that have exceeded the stop-loss limit.

Funding and Claims Liabilities

All funds or employees of the City, as applicable, participate in the above risk management programs. Charges to City funds for these services are based on estimates of the amounts needed to pay claims and establish reserves for catastrophic losses.

Claims liabilities for the Self-Insurance and Benefits Funds as of December 31, 2004, amount to \$5,989,102 and \$1,030,000 respectively. These claims were determined on an actuarial basis, and reflect the Governmental Accounting Standards Board (GASB) Statement No. 10 requirement that a liability for claims be reported, if information prior to the issuance of the City's financial statements indicates that it is probable that a liability has been incurred at December 31, and the amount of the loss can be reasonably estimated. The liability of \$5,989,102 for the Self-Insurance Fund is discounted at 2% and reflects an 80% confidence level factor. The discount refers to the full or undiscounted amount reduced for future investment earnings that can be generated on funds held between the date of valuation and the date of the final payment of claims. Changes in claims liabilities amounts for 2002, 2003 and 2004 are as follows:

	Self-Insurance Fund	Benefits Fund
Claims payable--		
December 31, 2002	\$ 6,128,384	\$ 1,665,626
Claims & changes		
in estimates	2,565,875	10,457,763
Claim payments	(1,302,571)	(10,698,389)
Claims payable--		
December 31, 2003	7,391,688	1,425,000
Claims & changes		
in estimates	(396,629)	11,721,519
Claim payments	(1,005,957)	(12,116,519)
Claims payable--		
December 31, 2004	\$ 5,989,102	\$ 1,030,000

Insurance Recoveries

The City of Fort Collins recovered \$129,000 from 3rd party sources for damages caused to city owned property.

B. Pension Plans

General Employees' Retirement Plan

Plan Description

All permanent, classified, non-uniformed employees hired before January 1, 1999 are eligible to be members of the General Employees' Retirement Plan (the Plan), a single-employer defined benefit plan. Employees hired after January 1, 1999 are only eligible to participate in the Money Purchase Plan explained below.

The Plan is accounted for in the General Employees' Retirement Plan Pension Fund (a pension trust fund). Separate financial statements are not issued for the Plan. As of January 1, 2005, employee membership data related to the Plan was as follows: Retirees and beneficiaries currently receiving benefits--132; vested terminated employees--113; active plan participants--324 (including 3 partially vested and 321 fully vested employees).

Benefits vest 40% after 2 years of credited service and 20% for each year thereafter until 100% is attained after 5 years. Employees who retire at or after age 65 with 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-1/2% of final average monthly compensation multiplied by years of credited service. Final average monthly compensation is the highest average of the considered compensation during 60 consecutive full calendar months out of the last 120 calendar months of credited service. A member is eligible for an early retirement benefit after age 55 and completion of 2 years of credited service. The monthly benefit, payable for life, is equal to the vested portion of the normal retirement benefit based on credited service and compensation at early retirement, reduced by 1/180th for each of the first 60 months and 1/360th for each additional month by which payments commence prior to normal retirement date. The Plan also provides for death and disability benefits. The entire cost of the Plan is paid by the City as established or amended by City Council.

A death benefit of approximately 50% of the member's vested accrued benefit at the date of death is payable to the employee's spouse for life beginning on the first day of the month following the later of the date of death or the date the member would have been age 55.

The spouse may elect to receive the actuarial equivalent lump-sum payment. If the member was not married, the beneficiary or estate would receive the actuarial single-sum payment of the benefit.

Annual Pension Cost

The costs of the Plan are derived by making certain specific assumptions as to the rates of interest and mortality, which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan. See Required Supplementary Information - General Employees' Retirement Plan. Financial statements for the Plan are only presented in the City's financial statements.

Please see the Fiduciary Section of the Basic Financial Statements and the Combining Financial Statements and Schedules for the Fiduciary Funds.

Contributions and Reserves

The Plan's funding policy provides for actuarially determined periodic rates determined by the aggregate actuarial cost method. Under this method, the entire cost of an employee's projected benefits are assigned to past, present and future periods. Contributions are based on the actuarially determined rates. For 2004, the City contributed 4.50% of covered pay to the Plan and made a one time additional contribution of \$300,000; this amounted to \$1,080,346. The authority for establishing or amending the obligation to make contributions rests with City Council.

Costs of administering the Plan are all financed from contributions and earnings of the Plan. The entire balance of the Plan's net assets available for benefits as of December 31, 2004, is \$36,661,730, all of which is reserved for benefits of employees and beneficiaries.

Concentrations

Investment in mutual funds exceeding 5% of the net assets of the plan are as follows: American Amcap Fund, 5.9%, Vanguard 500 index, 5.6%, Meridian Value Fund, 5.4%, Fidelity Value Fund, 6.8%, Mutual Shares Fund, 5.9%, T. Rowe Price International, 5.8%.

Money Purchase Plan

The City offers its employees a defined contribution money purchase plan. Classified employees were offered the plan for the first time in 1995. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months from the date of employment. The plan requires both employer and employees to contribute amounts ranging from 3% to 10% (depending on job classification) of base salary each pay period. Contributions made by the City are not taxable to the employee until they are withdrawn. Employee contributions are made with pre-tax dollars, and the earnings on City and employee contributions are not taxed until withdrawn. Except for certain categories of police personnel, employees are fully vested upon initial participation in the plan. Sworn police officers and emergency service dispatchers, who receive higher contribution rates, are fully vested upon completion of three years of service. Plan provisions and contribution requirements are established and may be amended by City Council. City and employee contributions to the plan were \$3,682,031 and \$2,330,470, respectively during 2004.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets under this plan are no longer considered property of the City and are held by a second party administrator for the exclusive benefit of the plan participants and their beneficiaries. The City has little administrative involvement and does not perform the investing function for this plan. Therefore, these assets are no longer included as part of the financial statements of the City.

Statewide Death and Disability Plan

Plan Description

The City contributes to the Fire & Police Pension Association (the Plan), a multi-employer cost sharing defined benefit plan covering full-time employees of substantially all fire and police departments in Colorado. Contributions to the Plan are used solely for the payment of death and disability benefits. The Plan was established in 1980 pursuant to Colorado Revised

Statutes. All uniformed employees are eligible to be members of the Fire & Police Pension Association.

Funding Policy and City Contributions

Prior to 1997, the State of Colorado, whose contributions were established by Colorado statute, primarily funded the Plan. The State made a one-time contribution in 1997 of \$39,000,000 to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated.

Members hired on or after January 1, 1997, contribute 2.30% of payroll to this fund. During 2004, the City contributions were \$47,270. This contribution rate increased to 2.4% effective January 1, 2004. It should be noted that this percentage can vary depending on actuarial experience.

Benefits

Benefits are established by Colorado statute.

If a member dies prior to retirement, the surviving spouse is entitled to a benefit equal to 40% of the member's monthly base salary with an additional 10% of base salary if a surviving spouse has two or more dependent children, or if there are three or more dependent children without a surviving spouse. Benefit entitlement continues until death of the spouse and death, marriage, or other termination of dependency of children.

A member who becomes disabled prior to retirement shall be eligible for disability benefits. The benefit is 70% of base salary for cases of total disability. Effective October 1, 2002, the benefit is 50% of base salary for a permanent occupational disability and 40% of base pay for a temporary occupation disability.

Benefits paid to members are evaluated and may be re-determined on October 1 of each year. Any increase in the level of benefits cannot increase by more than 3% for any one year. Totally disabled members and their beneficiaries receive an automatic cost of living adjustment each year of 3%.

Separately issued financial statements and the related actuarial valuation may be obtained from the Fire & Police Pension Association.

C. Commitments/Contingencies

Construction Commitments

The City had commitments of \$3,976,096 for capital projects at December 31, 2004. Future expenditures related to these commitments are expected to be financed through available resources and future revenues.

Encumbrance Commitments for Proprietary Fund Types

The financial statements do not include encumbrances for proprietary fund types. However, encumbrances for these funds are recorded by the City for management and budgetary control purposes. Outstanding encumbrance commitments for the enterprise funds at December 31, 2004, (excluding those relating to capital projects) amounted to \$10,059,821.

Street Oversizing Liability

The City has contractual liabilities for street oversizing costs with various developers. The developers are required to install certain oversized streets as a condition of subdivision

approval. Once the streets are installed and inspected by the City, a liability is recorded for the difference between a normal sized street and the oversized street installed.

Because the City has no control over when subdivisions will be developed and the related oversized street completed, the liability for uncompleted oversizing costs has not been reflected in the financial statements.

D. Legal Matters

Pending Litigation and Grants

Various claims and lawsuits are pending against the City. After consideration of applicable insurance policy coverage, and the relative merits of each claim or lawsuit, it is the opinion of the City Attorney and City management that the potential ultimate liability resulting from these actions, if any, will not have a material adverse financial effect on the City.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, resulting from any such audits would be immaterial. There currently are no material disallowed or questioned costs.

Tax, Spending, and Debt Limitations

Article X, Section 20, of the State Constitution has several limitations, including those for revenue, expenditures, property taxes, and issuance of debt. These provisions of the Constitution are complex and subject to judicial interpretation. In the opinion of management, the City is in compliance with such provisions. In 1997, the City's electorate approved the ongoing retention of excess revenue by the City, requiring the excess revenue be spent for specified purposes. This alleviated the need by the City to seek annual approval to retain excess revenue and excess property tax. The City did not exceed the revenue limitation in 2004, and exceeded the property tax limit by \$2,108,048.

The excess revenue will be used for the purposes of public health and safety (including, but not limited to environmental monitoring and mitigation), growth management, transportation services, and maintaining and repairing City facilities.

E. Related Party Transactions

Due to the nature of the relationships, the City has related party transactions with various entities. The following transactions have occurred during 2004:

Fort Collins-Loveland Airport

Intergovernmental Agreement

The Airport is jointly operated under an Intergovernmental Agreement between the City of Fort Collins, Colorado and the City of Loveland, Colorado. Pursuant to the agreement, any needed contributions for annual operating budgets or capital improvements are shared equally by both cities. Also, either City may invest additional funds in the Airport as it sees fit.

Since July 3, 1979, ownership of assets vests equally with each City. Assets acquired prior to July 3, 1979 vested one-third with the City of Loveland and two-thirds with the City of Fort Collins.

The agreement provides that if either City does not pay its one-half of agreed expenses in a given year, it will convey to the other City ten percent of its total Airport ownership. Each City contributed \$60,000 in 2004 and 2003.

Financial Information

The Fort Collins-Loveland Municipal Airport is accounted for as a proprietary joint venture. A summary of financial information is as follows:

As of December 31, 2004

Total current assets	\$	315,994
Total capital assets (net of accumulated depreciation)		<u>7,085,985</u>
Total Assets		<u>7,401,979</u>
Total current liabilities		<u>(79,734)</u>
Total Net Assets	\$	<u><u>7,322,245</u></u>
Net assets invested in capital assets	\$	7,085,985
Unrestricted net assets		<u>236,260</u>
Total Net Assets	\$	<u><u>7,322,245</u></u>

As of December 31, 2004

Total operating revenue	\$	472,323
Total operating expenses		(1,135,929)
Interest Income		3,496
Nonoperating revenue		120,000
Capital contributions		<u>132,654</u>
Change in Net Assets	\$	<u><u>(407,456)</u></u>

Contributed Capital

Prior to January 1, 2001, the Airport recorded capital grants or contributions from the Cities as contributed capital. Currently, the Airport records capital contributions as nonoperating revenue. The contributed capital is amortized to net assets over the lives of the assets purchased.

City Share of Net Assets

The City's annual contribution is reflected as an other expenditure of the General Fund. The City's share of Fort Collins-Loveland Airport's Net Assets and Change in Net Assets are reflected in the City's Statement of Net Assets and Statement of Activities, respectively.

Stand-Alone Financial Statements

The stand-alone financial statements for the Fort Collins-Loveland Airport can be obtained from the City of Loveland.

Poudre Fire Authority

As mentioned in the summary of significant accounting policies, the City provides funding for PFA. During 2004, such

funding amounted to \$12,625,297. In addition, the City provided accounting and administrative services to PFA at no charge.

Platte River Power Authority

The Light and Power Fund purchases all of its electrical power from PRPA. During 2004, these purchases amounted to \$51,079,251 of which \$4,358,501 is included in accounts payable at December 31, 2004.

Harmony Library

As mentioned in the joint ventures, the City provides funding for Harmony Library. During 2004, such funding amounted to \$749,032.

Fort Collins Housing Authority

As mentioned in the related organizations, the City allows the Fort Collins Housing Authority (FCHA) to participate in its employee benefit plans and bills the Fort Collins Housing Authority for this coverage. In addition, FCHA also uses the City's fleet services for vehicle maintenance. During 2004, billings for benefits and services amounted to \$69,253.

North Front Range Transportation and Air Quality Planning Council

As mentioned in the joint ventures, the City allows the North Front Range Transportation and Air Quality Planning Council (NFRTAQPC) to participate in its employee benefit plans and bills NFRTAQPC for this coverage. In addition, NFRTAQPC also used the City's fleet services for vehicle maintenance. During 2004, billings for benefits and services amounted to \$291,778.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULES OF NET PENSION OBLIGATION, NET PENSION COST, AND EMPLOYER CONTRIBUTIONS
GENERAL EMPLOYEES' RETIREMENT PLAN(1)

CALCULATION OF NET PENSION OBLIGATION AND PENSION COST
(As required by GASB No. 27)

Plan Year	Annual Required Contribution (ARC)	Net Pension Obligation (NPO) as of January 1	Interest on NPO to End of Year	Amortization Factor	ARC Adjustment	Annual Pension Cost (APC)	Actual Employer Contribution	Net Pension Obligation at End of Year
2002	809,796	(822,309)	(61,673)	7.4086	(110,994)	859,117	1,105,967	(1,069,159)
2003	1,008,352	(1,069,159)	(80,187)	7.4830	(142,878)	1,071,043	1,063,786	(1,061,902)
2004	1,107,920	(1,061,902)	(79,643)	6.8896	(154,131)	1,182,408	1,080,346	(959,840)

A schedule of Funding Progress for the General Employees' Retirement Plan is not required because it uses the aggregate actuarial cost method, where actuarial accrued liabilities are not identified or separately amortized. They are amortized through normal cost.

Seven year historical information of the General Employees' Retirement Plan is presented to help users assess the plan's status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year	Annual Required Contribution	% of Annual Required Contribution Recognized
1998	1,357,123	107%
1999	891,830	92%
2000	760,075	195% *
2001	733,342	117%
2002	809,796	137%
2003	1,008,352	106%
2004	1,107,920	98%

Valuation date: January 01, 2005

Actuarial cost method: Aggregate; this method does not identify or separately amortize unfunded actuarial liabilities.

Amortization method: N/A; (no unfunded liability).

Remaining amortization period: N/A; (no unfunded liability).

Asset valuation method: An expected actuarial value is determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date and assuming a 7.5% interest return. The unrecognized gain or loss is then added to the expected value. Any difference between this amount and the market value of the assets is set up as a gain or loss base and amortized over 5 years. The result is constrained to a value of 80% to 120% of the market value of assets at the valuation date in order to determine the final actuarial value of assets.

Investment rate of return: 7.5% (including inflation at 2.5%)

Projected pay increases: Ranges from 8.2% at age 25 to 3.5% at age 64 (including inflation at 2.5%)

*Cost of living: The contributions for fiscal year 2000 include \$635,726 in contributions made to cover a one-time cost of living adjustment for current retirees.

(1) Unaudited.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS(1)

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City has several major infrastructure systems including the street system and various systems that distribute utility services. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level. The City's Pavement Management Program conducts condition assessment surveys of 1/3 of the street system annually. City owned streets are classified based on land use, access and traffic utilization into the following three classifications: arterial, collector and local. Each street was assigned a physical condition based on potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to the physical characteristics of a new street. The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Excellent	91 - 100
Good	81 - 90
Fair	51 - 80
Poor	41 - 50
Very Poor	0 - 40

The City Policy is to achieve an average rating of 75 for all streets, which is a fair rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. The most recent 3 year assessment cycle was completed as of December 31, 2003. That assessment rated the City's street system at a PCI index of 75.5 on average with the detail condition as follows:

Condition Distribution

Excellent	25%
Good	27%
Fair	35%
Poor	10%
Very Poor	3%

The City's next full 3 year assessment cycle will be completed as of December 31, 2006.

(1) Unaudited.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS (continued)(1)

The City's streets are constantly deteriorating resulting from the following five factors; (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; (4) winter freeze/thaw condition and water damage from both natural and other urban runoff; and (5) growth of the existing street system. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as crack sealing, pothole patching, street sweeping, and sidewalk repair.

The City expended \$7,528,891, \$6,718,582 and \$6,485,144 in 2004, 2003 and 2002, respectively, on street maintenance and street rehabilitation. These expenditures delayed deterioration; however, the overall condition of the streets were not improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City's streets at an average PCI rating of 75. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for the street maintenance for the last three years is presented below.

<u>Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditure</u>
2002	\$ 6,623,600	\$ 6,485,144
2003	\$ 7,031,975	\$ 6,718,582
2004	\$ 7,556,980	\$ 7,528,891

(1) Unaudited.

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NON-MAJOR GOVERNMENTAL FUNDS COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Special Revenue Funds

Community Development Block Grant (CDBG) -- to account for revenues received from the federal government which are restricted to financing the city's Community Development Block Grant Program.

Conservation Trust Fund -- to account for revenues received from the Colorado State Lottery through the State Conservation Trust Fund which are restricted to financing capital projects which relate to the acquisition and development of open space and trails.

Cultural Services and Facilities -- to account for revenues received from the Lincoln Center facility, the Fort Collins Museum, performing and visual arts and General Fund subsidies used to promote cultural activities.

General Improvement District No. 1 -- to account for property taxes and investment earnings used to fund debt service and other activities of the General Improvement District No. 1.

Parkland -- to account for parkland fees used to fund neighborhood park and capital improvements.

Recreation -- to account for recreation fees and General Fund subsidies used to provide recreational programs for citizens.

Street Oversizing -- to account for street oversizing fees used to pay the City's portion of street oversizing costs.

Transit Services -- to account for federal grants and other revenues utilized to operate and maintain the City's bus system.

Cemeteries -- to account for revenues collected from the sale of burial plots.

Perpetual care -- to account for monies set aside for the maintenance costs of burial plots.

Home -- to account for revenues received from the federal government restricted to financing the City's Home Program.

Capital Expansion -- to account for capital expansion fees collected by the City and various projects funded by those fees.

Debt Service Funds

Debt Service -- to account for property taxes and transfers from other funds used to pay general obligation bonds, sales and use tax revenue bonds, and highway users tax revenue bonds.

Special Assessments -- to account for amounts received from special assessments used to pay special assessment bond and general obligation bonds payable from special assessments.

Fort Collins Leasing Corporation -- to account for rental amounts received from lease payments between the City and the Corporation on municipal buildings and other structures. Monies used to pay certificates of participation issued by the Corporation.

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2004**

	SPECIAL REVENUE FUNDS				
	CDBG	Conservation Trust	Cultural Services & Facilities	General Improvement District No. 1	Parkland
ASSETS					
Cash and cash equivalents	\$ -	\$ 778,023	\$ 1,586,433	\$ 749,983	\$ 2,803,045
Investments	-	402,000	489,065	-	4,021,517
Receivables					
Property taxes	-	-	-	178,216	-
Accounts	-	-	84,312	-	3,279
Special assessments	-	-	-	-	-
Notes	237,496	-	-	-	-
Accrued interest	-	5,289	146	-	32,395
Due from other governments	-	-	-	2,325	-
Inventory of real property held for resale	-	-	-	-	-
Total Assets	<u>\$ 237,496</u>	<u>\$ 1,185,312</u>	<u>\$ 2,159,956</u>	<u>\$ 930,524</u>	<u>\$ 6,860,236</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable, accruals and other	\$ 37,829	\$ 45,802	\$ 94,506	\$ 222	\$ 21,485
Accrued wages payable	3,067	6,893	33,939	-	6,854
Deferred revenue	-	-	623,799	178,216	-
Total Liabilities	<u>40,896</u>	<u>52,695</u>	<u>752,244</u>	<u>178,438</u>	<u>28,339</u>
Fund Balances					
Reserved for encumbrances	558,538	29,995	101,856	-	108,364
Reserved for long-term notes receivable	233,099	-	-	-	-
Reserved for inventory of real property held for resale	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for contractual and other	-	-	667,910	-	-
Unreserved					
Designated for capital projects	-	1,102,622	-	-	-
Designated for equipment replacement	-	-	-	-	-
Undesignated (deficit)	(595,037)	-	637,946	752,086	6,723,533
Total Fund Balances	<u>196,600</u>	<u>1,132,617</u>	<u>1,407,712</u>	<u>752,086</u>	<u>6,831,897</u>
Total Liabilities and Fund Balances	<u>\$ 237,496</u>	<u>\$ 1,185,312</u>	<u>\$ 2,159,956</u>	<u>\$ 930,524</u>	<u>\$ 6,860,236</u>

See the accompanying independent auditors' report.

SPECIAL REVENUE FUNDS (continued)				
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Recreation	Street Oversizing	Transit Services	Cemeteries	Perpetual Care
\$ 1,937,095	\$ 4,485,734	\$ 948,470	\$ 149,455	\$ 415,139
-	1,847,535	502,500	150,561	834,123
-	-	-	-	-
100,392	4,307	142,431	68,302	24,689
-	-	-	-	-
-	-	-	-	-
-	15,071	6,611	475	14,194
-	-	-	-	-
-	-	-	28,184	-
<u>\$ 2,037,487</u>	<u>\$ 6,352,647</u>	<u>\$ 1,600,012</u>	<u>\$ 396,977</u>	<u>\$ 1,288,145</u>
\$ 252,595	\$ 246,098	\$ 388,506	\$ 10,839	\$ -
144,698	13,849	141,549	9,552	-
11,083	-	-	56,422	-
<u>408,376</u>	<u>259,947</u>	<u>530,055</u>	<u>76,813</u>	<u>-</u>
68,369	58,721	115,514	24,950	-
-	-	-	-	-
-	-	-	28,184	-
-	-	-	-	-
166,014	-	-	561	-
160,000	3,845,154	954,443	-	-
962,640	-	-	-	-
272,088	2,188,825	-	266,469	1,288,145
<u>1,629,111</u>	<u>6,092,700</u>	<u>1,069,957</u>	<u>320,164</u>	<u>1,288,145</u>
<u>\$ 2,037,487</u>	<u>\$ 6,352,647</u>	<u>\$ 1,600,012</u>	<u>\$ 396,977</u>	<u>\$ 1,288,145</u>

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
DECEMBER 31, 2004**

SPECIAL REVENUE FUNDS (continued)

	<u>Home</u>	<u>Capital Expansion</u>	<u>Total Special Revenues</u>
ASSETS			
Cash and cash equivalents	\$ 252,556	\$ 8,872,876	\$ 22,978,809
Investments	-	13,360,050	21,607,351
Receivables			
Property taxes	-	-	178,216
Accounts	-	5,905	433,617
Special assessments	-	-	-
Notes	1,038,000	-	1,275,496
Accrued interest	-	115,780	189,961
Due from other governments	-	-	2,325
Inventory of real property held for resale	-	-	28,184
Total Assets	<u>\$ 1,290,556</u>	<u>\$ 22,354,611</u>	<u>\$ 46,693,959</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable, accruals and other	\$ 97	\$ -	\$ 1,097,979
Accrued wages payable	2,043	-	362,444
Deferred revenue	-	-	869,520
Total Liabilities	<u>2,140</u>	<u>-</u>	<u>2,329,943</u>
Fund Balances			
Reserved for encumbrances	-	-	1,066,307
Reserved for long-term notes receivable	1,038,000	-	1,271,099
Reserved for inventory of real property held for resale	-	-	28,184
Reserved for debt service	-	-	-
Reserved for contractual and other	-	-	834,485
Unreserved			
Designated for capital projects	-	22,354,611	28,416,830
Designated for equipment replacement	-	-	962,640
Undesignated (deficit)	250,416	-	11,784,471
Total Fund Balances	<u>1,288,416</u>	<u>22,354,611</u>	<u>44,364,016</u>
Total Liabilities and Fund Balances	<u>\$ 1,290,556</u>	<u>\$ 22,354,611</u>	<u>\$ 46,693,959</u>

See the accompanying independent auditors' report

DEBT SERVICE FUNDS

<u>Debt Service</u>	<u>Special Assessments</u>	<u>Fort Collins Leasing Corporation</u>	<u>Total Debt Service</u>	<u>Total Non-major Governmental</u>
\$ -	\$ 686,831	\$ -	\$ 686,831	\$ 23,665,640
-	-	-	-	21,607,351
-	-	-	-	178,216
-	-	-	-	433,617
-	16,057	-	16,057	16,057
-	-	-	-	1,275,496
-	-	-	-	189,961
-	-	-	-	2,325
-	-	-	-	28,184
<u>\$ -</u>	<u>\$ 702,888</u>	<u>\$ -</u>	<u>\$ 702,888</u>	<u>\$ 47,396,847</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,097,979
-	-	-	-	362,444
-	16,057	-	16,057	885,577
-	16,057	-	16,057	2,346,000
-	-	-	-	1,066,307
-	-	-	-	1,271,099
-	-	-	-	28,184
-	686,831	-	686,831	686,831
-	-	-	-	834,485
-	-	-	-	28,416,830
-	-	-	-	962,640
-	-	-	-	11,784,471
-	686,831	-	686,831	45,050,847
<u>\$ -</u>	<u>\$ 702,888</u>	<u>\$ -</u>	<u>\$ 702,888</u>	<u>\$ 47,396,847</u>

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	SPECIAL REVENUE FUNDS				
	CDBG	Conservation Trust	Cultural Services & Facilities	General Improvement District No. 1	Parkland
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 213,176	\$ -
Intergovernmental	1,079,720	1,114,974	104,551	-	-
Fees and charges for services	-	-	1,402,354	-	1,901,156
Earnings on investments	2,004	23,271	25,824	11,218	115,196
Net increase (decrease) in the fair value of investments	-	(10,618)	(4,925)	-	(19,789)
Miscellaneous revenue	115,954	16,629	187,296	-	688
Total Revenues	1,197,678	1,144,256	1,715,100	224,394	1,997,251
EXPENDITURES					
Current operating					
Culture and recreation	-	-	2,978,334	-	-
Transportation	-	-	-	-	-
Other	1,280,146	-	-	15,198	-
Capital outlay	-	956,591	-	-	1,279,510
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	1,280,146	956,591	2,978,334	15,198	1,279,510
Excess of Revenues Over (Under) Expenditures	(82,468)	187,665	(1,263,234)	209,196	717,741
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of general long-term debt	-	-	-	-	-
Transfers in	-	-	1,449,678	-	-
Transfers out	-	(643,989)	-	(150,880)	(138,908)
Total Other Financing Sources (Uses)	-	(643,989)	1,449,678	(150,880)	(138,908)
Net Change in Fund Balances	(82,468)	(456,324)	186,444	58,316	578,833
Fund Balances--January 1	279,068	1,588,941	1,221,268	693,770	6,253,064
Fund Balances--December 31	<u>\$ 196,600</u>	<u>\$ 1,132,617</u>	<u>\$ 1,407,712</u>	<u>\$ 752,086</u>	<u>\$ 6,831,897</u>

See the accompanying independent auditors' report.

SPECIAL REVENUE FUNDS (continued)

<u>Recreation</u>	<u>Street Oversizing</u>	<u>Transit Services</u>	<u>Cemeteries</u>	<u>Perpetual Care</u>
\$ -	\$ -	\$ -	\$ -	\$ -
30,221	-	3,145,584	-	-
3,969,929	4,102,929	959,926	289,974	51,574
24,641	81,731	22,650	5,509	49,318
-	(42,023)	(11,552)	561	(28,330)
83,935	1,128,953	338,621	11,537	-
<u>4,108,726</u>	<u>5,271,590</u>	<u>4,455,229</u>	<u>307,581</u>	<u>72,562</u>
7,681,992	-	-	615,893	-
-	838,190	8,163,129	-	-
-	-	-	-	680
-	372,751	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>7,681,992</u>	<u>1,210,941</u>	<u>8,163,129</u>	<u>615,893</u>	<u>680</u>
<u>(3,573,266)</u>	<u>4,060,649</u>	<u>(3,707,900)</u>	<u>(308,312)</u>	<u>71,882</u>
-	-	-	55,700	-
3,575,612	413,050	4,225,844	246,971	-
-	(825,811)	(459,139)	-	(55,293)
<u>3,575,612</u>	<u>(412,761)</u>	<u>3,766,705</u>	<u>302,671</u>	<u>(55,293)</u>
2,346	3,647,888	58,805	(5,641)	16,589
1,626,765	2,444,812	1,011,152	325,805	1,271,556
<u>\$ 1,629,111</u>	<u>\$ 6,092,700</u>	<u>\$ 1,069,957</u>	<u>\$ 320,164</u>	<u>\$ 1,288,145</u>

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	SPECIAL REVENUE FUNDS (continued)		
	Home	Capital Expansion	Total Special Revenue
REVENUES			
Taxes	\$ -	\$ -	\$ 213,176
Intergovernmental	276,139	-	5,751,189
Fees and charges for services	-	3,837,097	16,514,939
Earnings on investments	48,103	450,824	860,289
Net decrease in the fair value of investments	-	(103,077)	(219,753)
Miscellaneous revenue	133,377	-	2,016,990
Total Revenues	457,619	4,184,844	25,136,830
EXPENDITURES			
Current operating			
Culture and recreation	-	-	11,276,219
Transportation	-	-	9,001,319
Other	490,773	-	1,786,797
Capital outlay	-	53,078	2,661,930
Debt service			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	490,773	53,078	24,726,265
Excess of Revenues Over (Under) Expenditures	(33,154)	4,131,766	410,565
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of general long-term debt	-	-	55,700
Transfers in	-	-	9,911,155
Transfers out	-	(653,530)	(2,927,550)
Total Other Financing Sources (Uses)	-	(653,530)	7,039,305
Net Change in Fund Balances	(33,154)	3,478,236	7,449,870
Fund Balances--January 1	1,321,570	18,876,375	36,914,146
Fund Balances--December 31	\$ 1,288,416	\$ 22,354,611	\$ 44,364,016

See the accompanying independent auditors' report

DEBT SERVICE FUNDS				
Debt Service	Special Assessments	Fort Collins Leasing Corporation	Total Debt Service	Total Non-major Governmental
\$ -	\$ -	\$ -	\$ -	\$ 213,176
-	-	-	-	5,751,189
-	-	-	-	16,514,939
-	9,482	1,105	10,587	870,876
-	-	-	-	(219,753)
-	-	350,762	350,762	2,367,752
-	9,482	351,867	361,349	25,498,179
-	-	-	-	11,276,219
-	-	-	-	9,001,319
-	-	2,200	2,200	1,788,997
-	-	-	-	2,661,930
2,260,000	-	830,384	3,090,384	3,090,384
473,550	-	799,978	1,273,528	1,273,528
2,733,550	-	1,632,562	4,366,112	29,092,377
(2,733,550)	9,482	(1,280,695)	(4,004,763)	(3,594,198)
-	-	-	-	55,700
2,721,784	-	1,280,695	4,002,479	13,913,634
-	-	-	-	(2,927,550)
2,721,784	-	1,280,695	4,002,479	11,041,784
(11,766)	9,482	-	(2,284)	7,447,586
11,766	677,349	-	689,115	37,603,261
\$ -	\$ 686,831	\$ -	\$ 686,831	\$ 45,050,847

**COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Intergovernmental	\$ 1,079,720	\$ 1,517,648	\$ 2,597,368	\$ 3,970,031	\$ (1,372,663)
Earnings on investments	2,004	-	2,004	84,601	(82,597)
Miscellaneous revenue	115,954	-	115,954	420,241	(304,287)
Total revenues	1,197,678	1,517,648	2,715,326	4,474,873	(1,759,547)
EXPENDITURES					
2000-01 Grant	69,000	11,000	80,000	80,000	-
2002-03 Grant	165,570	458,322	623,892	633,964	10,072
2003-04 Grant	959,920	300,778	1,260,698	1,302,855	42,157
2004-05 Grant	85,656	-	85,656	1,629,925	1,544,269
Total Expenditures	1,280,146	770,100	2,050,246	3,646,744	1,596,498
Net Change in Fund Balances	(82,468)	<u>\$ 747,548</u>	665,080	<u>\$ 828,129</u>	<u>\$ (163,049)</u>
Fund Balances -- January 1	279,068		279,068		
Less Prior Years' Project Revenues	-		(1,517,648)		
Plus Prior Years' Project Expenditures	-		770,100		
Fund Balances--December 31	<u>\$ 196,600</u>		<u>\$ 196,600</u>		

See the accompanying independent auditors' report.

**CONSERVATION TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Intergovernmental	\$ 1,114,974	\$ 11,979,556	\$ 13,094,530	\$ 12,453,601	\$ 640,929
Earnings on investments	23,271	92,875	116,146	314,212	(198,066)
Net increase (decrease) in the fair value of investments	(10,618)	1,376	(9,242)	-	(9,242)
Miscellaneous revenue	16,629	164,445	181,074	117,225	63,849
Total Revenues	<u>1,144,256</u>	<u>12,238,252</u>	<u>13,382,508</u>	<u>12,885,038</u>	<u>497,470</u>
EXPENDITURES					
Open space acquisition	8,999	1,005,111	1,014,110	1,072,403	58,293
Trail acquisition/development	366,460	5,410,164	5,776,624	6,031,641	255,017
Open space and trail maintenance	65,693	720,410	786,103	786,810	707
Fossil creek trail	183,627	2,485,583	2,669,210	3,075,850	406,640
Tri-City trails	69,559	356,794	426,353	533,700	107,347
Administration	262,253	-	262,253	331,876	69,623
Total Expenditures	<u>956,591</u>	<u>9,978,062</u>	<u>10,934,653</u>	<u>11,832,280</u>	<u>897,627</u>
Excess of Revenues Over Expenditures	<u>187,665</u>	<u>2,260,190</u>	<u>2,447,855</u>	<u>1,052,758</u>	<u>1,395,097</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Capital Projects Fund	-	235,000	235,000	235,000	-
Transfers out					
Capital Projects Fund	(636,189)	(217,618)	(853,807)	(1,017,618)	163,811
Cultural Services Fund	(7,800)	(50,750)	(58,550)	(58,550)	-
Total Other Financing Sources and Uses	<u>(643,989)</u>	<u>(33,368)</u>	<u>(677,357)</u>	<u>(841,168)</u>	<u>163,811</u>
Net Change in Fund Balances	<u>(456,324)</u>	<u>\$ 2,226,822</u>	<u>1,770,498</u>	<u>\$ 211,590</u>	<u>\$ 1,558,908</u>
Fund Balances--January 1	1,588,941		1,588,941		
Less Prior Years' Project Revenues	-		(12,473,252)		
Plus Prior Years' Project Expenditures	-		10,246,430		
Fund Balances--December 31	<u>\$ 1,132,617</u>		<u>\$ 1,132,617</u>		

See the accompanying independent auditors' report.

**CULTURAL SERVICES AND FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Budget	Variance With Actual Positive (Negative)
REVENUES			
Intergovernmental	\$ 104,551	\$ 172,907	\$ (68,356)
Fees and charges for services	1,402,354	1,447,132	(44,778)
Earnings on investments	25,824	46,253	(20,429)
Net decrease in fair value of investments	(4,925)	-	(4,925)
Miscellaneous revenue	187,296	251,996	(64,700)
Total Revenues	1,715,100	1,918,288	(203,188)
EXPENDITURES			
Administration	661,913	776,717	114,804
Lincoln Center	583,234	669,477	86,243
Museum	540,578	708,272	167,694
Performing and visual arts	1,192,609	2,763,525	1,570,916
Total Expenditures	2,978,334	4,917,991	1,939,657
Deficiency of Revenues Under Expenditures	(1,263,234)	(2,999,703)	1,736,469
OTHER FINANCING SOURCES			
Transfers in			
General Fund	1,058,513	1,058,513	-
Capital Projects Fund	372,365	372,365	-
Parkland Fund	11,000	11,000	-
Conservation Trust Fund	7,800	7,800	-
Total Other Financing Sources	1,449,678	1,449,678	-
Net Change in Fund Balances	186,444	\$ (1,550,025)	\$ 1,736,469
Fund Balances--January 1	1,221,268		
Fund Balances--December 31	\$ 1,407,712		

See the accompanying independent auditors' report.

GENERAL IMPROVEMENT DISTRICT NO. 1 FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Actual</u>	<u>Budget</u>	<u>Variance With Actual Positive (Negative)</u>
REVENUES			
Taxes	\$ 213,176	\$ 225,337	\$ (12,161)
Earnings on investments	11,218	5,899	5,319
Miscellaneous revenue	-	-	-
Total Revenues	<u>224,394</u>	<u>231,236</u>	<u>(6,842)</u>
EXPENDITURES			
Other	<u>15,198</u>	<u>114,815</u>	<u>99,617</u>
Excess of Revenues Over Expenditures	<u>209,196</u>	<u>116,421</u>	<u>92,775</u>
OTHER FINANCING USES			
Transfers out			
Debt Service Fund - COPS	<u>(150,880)</u>	<u>(150,880)</u>	<u>-</u>
Total Other Financing Uses	<u>(150,880)</u>	<u>(150,880)</u>	<u>-</u>
Net Change in Fund Balances	58,316	<u>\$ (34,459)</u>	<u>\$ 92,775</u>
Fund Balances--January 1	<u>693,770</u>		
Fund Balances--December 31	<u>\$ 752,086</u>		

See the accompanying independent auditors' report.

**PARKLAND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Intergovernmental	\$ -	\$ 524,898	\$ 524,898	\$ 163,878	\$ 361,020
Fees and charges for services	1,901,156	15,397,038	17,298,194	14,525,174	2,773,020
Earnings on investments	115,196	1,392,505	1,507,701	654,282	853,419
Net increase (decrease) in the fair value of investments	(19,789)	1,490	(18,299)	-	(18,299)
Miscellaneous revenue	688	103,467	104,155	239,039	(134,884)
Total Revenues	1,997,251	17,419,398	19,416,649	15,582,373	3,834,276
EXPENDITURES					
New Site Acquisition	213,078	1,713,998	1,927,076	2,218,423	291,347
New Park Site Development	70,320	755,015	825,335	1,046,441	221,106
Stewart Case Park	874	1,004,800	1,005,674	1,210,957	205,283
Harmony Park	19,577	1,679,748	1,699,325	1,693,300	(6,025)
Westfield Park	2,961	1,324,631	1,327,592	1,409,174	81,582
Miramont Park	15,825	1,105,140	1,120,965	1,121,226	261
Cottonwood Glen Park	29,999	740,620	770,619	816,316	45,697
Lee Martinez Park Addition	-	132,165	132,165	212,162	79,997
Spring Park Restroom	5,760	222,835	228,595	229,335	740
Huidekoper Park	1,804	117,983	119,787	300,000	180,213
Edora Park - Skate Park	6,846	5,972	12,818	13,354	536
Lilac Park	-	112,105	112,105	177,000	64,895
Iron Horse	10,200	11,000	21,200	899,000	877,800
Homestead Neighborhood Park	21,500	902,170	923,670	1,021,000	97,330
Provincetowne Park	-	560	560	742,000	741,440
Rabbit Brush Park	23,834	9,422	33,256	260,480	227,224
Warren Park Restroom	200,468	13,424	213,892	225,000	11,108
Registry Ridge	-	-	-	350,000	350,000
Dry Creek	-	-	-	100,000	100,000
Richards Lake	-	138,027	138,027	350,006	211,979
Staley Neighborhood Park	68,481	65,776	134,257	175,000	40,743
Avery Park Improvements	26	-	26	150,000	149,974
Maple Hill Park	256,381	-	256,381	300,000	43,619
Rosborough Park Improvements	796	-	796	125,000	124,204
Oak Street Plaza Park	3,840	-	3,840	150,000	146,160
Parkland Administration	314,427	-	314,427	332,157	17,730
Park Equipment Replacement	12,513	-	12,513	19,439	6,926
Total Expenditures	1,279,510	10,055,391	11,334,901	15,646,770	4,311,869
Excess (Deficiency) of Revenues Over (Under) Expenditures	717,741	7,364,007	8,081,748	(64,397)	8,146,145
OTHER FINANCING SOURCES (USES)					
Transfers in					
General Fund	-	82,162	82,162	82,162	-
Transfers out					
Cultural Services and Facilities Fund	(11,000)	(67,174)	(78,174)	(86,174)	8,000
Capital Projects Fund	(127,908)	(185,312)	(313,220)	(313,220)	-
Total Other Financing Sources and Uses	(138,908)	(170,324)	(309,232)	(317,232)	8,000
Net Change in Fund Balances	578,833	\$ 7,193,683	7,772,516	\$ (381,629)	\$ 8,154,145
Fund Balances--January 1	6,253,064		6,253,064		
Less Prior Years' Project Revenues	-		(17,501,560)		
Plus Prior Years' Project Expenditures	-		10,307,877		
Fund Balances--December 31	\$ 6,831,897		\$ 6,831,897		

See the accompanying independent auditors' report.

**RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Budget	Variance With Actual Positive (Negative)
REVENUES			
Intergovernmental	\$ 30,221	\$ 181,172	\$ (150,951)
Fees and charges for services	3,969,929	3,709,945	259,984
Earnings on investments	24,641	19,000	5,641
Miscellaneous revenue	83,935	62,000	21,935
Total Revenues	4,108,726	3,972,117	136,609
EXPENDITURES			
Recreation administration	3,627,649	3,862,438	234,789
Ice/aquatics programming	2,016,063	2,142,317	126,254
Adult programming	645,589	647,745	2,156
Youth programming	882,053	893,458	11,405
Sports programming	314,339	328,850	14,511
Special reserves	139,104	193,032	53,928
Grants/miscellaneous	57,195	195,572	138,377
Total Expenditures	7,681,992	8,263,412	581,420
Deficiency of Revenues Under Expenditures	(3,573,266)	(4,291,295)	718,029
OTHER FINANCING SOURCES			
Transfers in General Fund	3,575,612	3,575,612	-
Total Other Financing Sources	3,575,612	3,575,612	-
Net Change in Fund Balances	2,346	\$ (715,683)	\$ 718,029
Fund Balances--January 1	1,626,765		
Fund Balances--December 31	\$ 1,629,111		

See the accompanying independent auditors' report.

STREET OVSIZING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004

	Actual	Budget	Variance With Actual Positive (Negative)
REVENUES			
Fees and charges for services	\$ 4,102,929	\$ 3,715,631	\$ 387,298
Earnings on investments	81,731	64,210	17,521
Net decrease in the fair value of investments	(42,023)	-	(42,023)
Miscellaneous revenue	1,128,953	1,093,752	35,201
Total Revenues	5,271,590	4,873,593	397,997
EXPENDITURES			
Oversizing costs	1,210,941	3,099,544	1,888,603
Excess of Revenues Over Expenditures	4,060,649	1,774,049	2,286,600
OTHER FINANCING SOURCES (USES)			
Transfers in			
General Fund	413,050	413,050	-
Transfers out			
Capital Projects Fund	(825,811)	(5,117,307)	4,291,496
Total Other Financing Sources and Uses	(412,761)	(4,704,257)	4,291,496
Net Change in Fund Balances	3,647,888	<u>\$ (2,930,208)</u>	<u>\$ 6,578,096</u>
Fund Balances--January 1	2,444,812		
Fund Balances--December 31	<u>\$ 6,092,700</u>		

See the accompanying independent auditors' report.

**TRANSIT SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Intergovernmental	\$ 3,145,584	\$ 12,664,789	\$ 15,810,373	\$ 21,394,228	\$ (5,583,855)
Fees and charges for services	959,926	4,708,639	5,668,565	5,588,058	80,507
Earnings on investments	22,650	398,920	421,570	401,821	19,749
Net decrease in the fair value of investments	(11,552)	11,552	-	-	-
Miscellaneous revenue	338,621	1,290,420	1,629,041	1,294,175	334,866
Total Revenues	<u>4,455,229</u>	<u>19,074,320</u>	<u>23,529,549</u>	<u>28,678,282</u>	<u>(5,148,733)</u>
EXPENDITURES					
FTA Grants					
2003 Operating	424,453	6,632,537	7,056,990	6,987,569	(69,421)
2004 Operating	6,911,272	-	6,911,272	7,488,786	577,514
2003 CMAQ Projects	70,717	680,116	750,833	815,419	64,586
2004 CMAQ Projects	717,962	-	717,962	730,124	12,162
1997 Capital	19,451	13,888	33,339	29,087	(4,252)
1998 Capital	5,497	776,411	781,908	781,925	17
1999 Capital	-	9,306	9,306	9,306	-
2000 Capital	-	408,767	408,767	469,586	60,819
2003 Capital	13,183	95,774	108,957	-	(108,957)
2004 Capital	-	-	-	-	-
1999 Planning	-	30,000	30,000	30,000	-
2000 Planning	594	56,742	57,336	72,042	14,706
Total Expenditures	<u>8,163,129</u>	<u>8,703,541</u>	<u>16,866,670</u>	<u>17,413,844</u>	<u>547,174</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,707,900)</u>	<u>10,370,779</u>	<u>6,662,879</u>	<u>11,264,438</u>	<u>(4,601,559)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of long-term debt	-	22,057	22,057	22,057	-
Transfers in					
General Fund	4,225,844	24,213,546	28,439,390	28,367,392	71,998
Transfers out					
Capital Projects Fund	(459,139)	(3,630,162)	(4,089,301)	(9,024,491)	4,935,190
Total Other Financing Sources and Uses	<u>3,766,705</u>	<u>20,605,441</u>	<u>24,372,146</u>	<u>19,364,958</u>	<u>5,007,188</u>
Net Change in Fund Balances	<u>58,805</u>	<u>\$30,976,220</u>	<u>31,035,025</u>	<u>\$ 30,629,396</u>	<u>\$ 405,629</u>
Fund Balances--January 1	1,011,152		1,011,152		
Less Prior Years' Grant Revenues	-		(43,309,923)		
Plus Prior Years' Grant Expenditures	-		12,333,703		
Fund Balances--December 31	<u>\$ 1,069,957</u>		<u>\$ 1,069,957</u>		

See the accompanying independent auditors' report.

**CEMETERIES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Variance With Actual Positive (Negative)</u>
REVENUES			
Fees and charges for services	\$ 289,974	\$ 333,400	\$ (43,426)
Earnings on investments	5,509	1,000	4,509
Net increase in the fair value of investments	561	-	561
Miscellaneous revenue	11,537	14,000	(2,463)
	<u>307,581</u>	<u>348,400</u>	<u>(40,819)</u>
EXPENDITURES			
Cemetery services	615,893	694,245	78,352
Deficiency of Revenues Under Expenditures	<u>(308,312)</u>	<u>(345,845)</u>	<u>37,533</u>
OTHER FINANCING SOURCES			
Proceeds from issuance of long-term debt	55,700	55,700	-
Transfers in General Fund	191,678	191,678	-
Perpetual Care Fund	55,293	65,000	(9,707)
	<u>302,671</u>	<u>312,378</u>	<u>(9,707)</u>
Net Change in Fund Balances	(5,641)	<u>\$ (33,467)</u>	<u>\$ 27,826</u>
Fund Balances--January 1	<u>325,805</u>		
Fund Balances--December 31	<u>\$ 320,164</u>		

See the accompanying independent auditors' report.

**PERPETUAL CARE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Variance With Actual Positive (Negative)</u>
REVENUES			
Fees and charges for services	\$ 51,574	\$ 48,275	\$ 3,299
Earnings on investments	49,318	65,000	(15,682)
Net decrease in the fair value of investments	(28,330)	-	(28,330)
Total Revenues	<u>72,562</u>	<u>113,275</u>	<u>(40,713)</u>
EXPENDITURES			
Other	<u>680</u>	<u>680</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>71,882</u>	<u>112,595</u>	<u>(40,713)</u>
OTHER FINANCING USES			
Transfers out Cemeteries Fund	<u>(55,293)</u>	<u>(65,000)</u>	<u>9,707</u>
Net Change in Fund Balances	16,589	<u>\$ 47,595</u>	<u>\$ (31,006)</u>
Fund Balances--January 1	<u>1,271,556</u>		
Fund Balances--December 31	<u>\$ 1,288,145</u>		

See the accompanying independent auditors' report.

**HOME INVESTMENT PARTNERSHIP GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Adjustment To Budgetary Basis</u>	<u>Actual On Budgetary Basis</u>	<u>Budget</u>	<u>Variance with Actual On Budgetary Basis Positive (Negative)</u>
REVENUES					
Intergovernmental	\$ 276,139	\$ 712,521	\$ 988,660	\$ 2,187,378	\$ (1,198,718)
Earnings on investments	48,103	39,508	87,611	-	87,611
Miscellaneous revenue	133,377	204,358	337,735	600,000	(262,265)
Total Revenues	<u>457,619</u>	<u>956,387</u>	<u>1,414,006</u>	<u>2,787,378</u>	<u>(1,373,372)</u>
EXPENDITURES					
2002 Grant	68,010	748,801	816,811	884,000	67,189
2003 Grant	403,678	77,236	480,914	926,510	445,596
2004 Grant	19,085	-	19,085	976,868	957,783
Total Expenditures	<u>490,773</u>	<u>826,037</u>	<u>1,316,810</u>	<u>2,787,378</u>	<u>1,470,568</u>
Net Change in Fund Balances	(33,154)	<u>\$ 130,350</u>	97,196	<u>\$ -</u>	<u>\$ 97,196</u>
Fund Balances--January 1	1,321,570		1,321,570		
Less Prior Years' Grant Revenues	-		(956,387)		
Plus Prior Years' Grant Expenditures	-		826,037		
Fund Balances--December 31	<u>\$ 1,288,416</u>		<u>\$ 1,288,416</u>		

See the accompanying independent auditors' report.

CAPITAL EXPANSION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Fees and charges for services	\$ 3,837,097	\$ 23,877,335	\$ 27,714,432	\$ 25,393,823	\$ 2,320,609
Earnings on investments	450,824	3,256,908	3,707,732	3,758,567	(50,835)
Net increase (decrease) in the fair value of investments	(103,077)	18,194	(84,883)	-	(84,883)
Miscellaneous revenue	-	269,260	269,260	-	269,260
Total Revenues	4,184,844	27,421,697	31,606,541	29,152,390	2,454,151
EXPENDITURES					
Community Parkland Capital	31,324	984,242	1,015,566	989,300	(26,266)
Library Capital Expansion	-	199,107	199,107	250,000	50,893
General Government Capital	21,754	726,250	748,004	828,952	80,948
Police Capital Expansion	-	246	246	-	(246)
Fire Capital Expansion	-	1,937,695	1,937,695	1,937,343	(352)
Total Expenditures	53,078	3,847,540	3,900,618	4,005,595	104,977
Excess of Revenues Over Expenditures	4,131,766	23,574,157	27,705,923	25,146,795	2,559,128
OTHER FINANCING USES					
Transfers out					
General Fund	(127,800)	(829,318)	(957,118)	(957,119)	1
Capital Projects	(525,730)	(4,682,718)	(5,208,448)	(6,387,808)	1,179,360
Cultural Services Fund	-	(5,700)	(5,700)	(5,700)	-
Total Other Financing Uses	(653,530)	(5,517,736)	(6,171,266)	(7,350,627)	1,179,361
Net Change in Fund Balances	3,478,236	\$ 18,056,421	21,534,657	\$ 17,796,168	\$ 3,738,489
Fund Balances--January 1	18,876,375		18,876,375		
Less Prior Years' Project Revenues	-		(27,421,697)		
Plus Prior Years' Project Expenditures	-		9,365,276		
Fund Balances--December 31	\$ 22,354,611		\$ 22,354,611		

See the accompanying independent auditors' report.

**DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Variance With Actual Positive (Negative)</u>
EXPENDITURES			
Principal	\$ 2,260,000	\$ 2,260,000	\$ -
Interest	<u>473,550</u>	<u>473,551</u>	<u>1</u>
Total Expenditures	<u>2,733,550</u>	<u>2,733,551</u>	<u>1</u>
OTHER FINANCING SOURCES			
Transfers in			
Sales and Use Tax Fund	2,366,522	2,366,522	-
Transportation Services Fund	<u>355,262</u>	<u>355,262</u>	-
Total Other Financing Sources	<u>2,721,784</u>	<u>2,721,784</u>	-
Net Change in Fund Balances	(11,766)	<u>\$ (11,767)</u>	<u>\$ 1</u>
Fund Balances--January 1	<u>11,766</u>		
Fund Balances--December 31	<u>\$ -</u>		

See the accompanying independent auditors' report.

**SPECIAL ASSESSMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Variance With Actual Positive (Negative)</u>
REVENUES			
Earnings on investments	<u>\$ 9,482</u>	<u>\$ 3,500</u>	<u>\$ 5,982</u>
Total Revenues	9,482	<u><u>\$ 3,500</u></u>	<u><u>\$ 5,982</u></u>
 Fund Balances--January 1	 <u>677,349</u>		
Fund Balances--December 31	<u><u>\$ 686,831</u></u>		

See the accompanying independent auditors' report.

**FORT COLLINS LEASING CORPORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Variance With Actual Positive (Negative)</u>
REVENUES			
Earnings on investments	\$ 1,105	\$ -	\$ 1,105
Miscellaneous revenue	350,762	350,762	-
Total Revenues	<u>351,867</u>	<u>350,762</u>	<u>1,105</u>
EXPENDITURES			
Principal	830,384	830,384	-
Interest	799,978	799,978	-
Other contractual costs	2,200	2,200	-
Total Expenditures	<u>1,632,562</u>	<u>1,632,562</u>	<u>-</u>
Deficiency of Revenues Under Expenditures	<u>(1,280,695)</u>	<u>(1,281,800)</u>	<u>1,105</u>
OTHER FINANCING SOURCES			
Transfers in			
General Fund	1,129,815	1,130,920	(1,105)
General Improvement District #1 Fund	150,880	150,880	-
Total Other Financing Sources	<u>1,280,695</u>	<u>1,281,800</u>	<u>(1,105)</u>
Net Change in Fund Balances	-	<u>\$ -</u>	<u>\$ -</u>
Fund Balances--January 1	<u>-</u>		
Fund Balances--December 31	<u>\$ -</u>		

See the accompanying independent auditors' report.

**CAPITAL PROJECTS FUND
INDIVIDUAL FUND BUDGET SCHEDULE**

Capital Projects Fund -- to account for financial resources to be used for the acquisition or construction of major capital facilities. Revenues and other financing sources are primarily derived from issuance of debt or transfers from other funds.

**CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Licenses and Permits	\$ -	\$ 736,005	\$ 736,005	\$ 1,410,000	\$ (673,995)
Intergovernmental	4,567,852	7,689,239	12,257,091	12,630,587	(373,496)
Fees and charges for services	36,601	78,987	115,588	103,981	11,607
Earnings on investments	1,233,230	10,561,301	11,794,531	4,972,422	6,822,109
Net increase (decrease) in the fair value of investments	(276,786)	249,651	(27,135)	-	(27,135)
Miscellaneous revenue	400,842	7,335,188	7,736,030	7,905,386	(169,356)
Total Revenues	5,961,739	26,650,371	32,612,110	27,022,376	5,589,734
EXPENDITURES					
Major Repairs and Maintenance	71,889	37,815	109,704	860,995	751,291
Major Building Maintenance	993,887	5,307,116	6,301,003	7,723,189	1,422,186
Block 31 Maint. & Development	12,907	735,594	748,501	792,701	44,200
Epic Second Ice Arena	11,104	3,876,806	3,887,910	4,155,209	267,299
Operation Services Facility	14,648	27,587	42,235	339,174	296,939
Children's Garden	20,584	-	20,584	423,500	402,916
Streets Facility Expansion	246,466	382,974	629,440	3,048,848	2,419,408
New Main Library/Land Acquisition	-	2,541,508	2,541,508	2,891,597	350,089
Performing Arts Center/Land Acq.	-	1,660,869	1,660,869	1,900,090	239,221
Parking Structure	414	10,968,690	10,969,104	11,158,247	189,143
Office Building	10,928	11,514,270	11,525,198	11,704,443	179,245
Transit Center	43,165	2,872,667	2,915,832	2,939,607	23,775
Police Facility	2,384,697	18,112	2,402,809	34,912,473	32,509,664
Offsite Police Facility	6,629	858,950	865,579	881,100	15,521
City Park Pool Renovation	239	1,811,695	1,811,934	1,812,000	66
N. Side Aztlan Ctr Replacement	138,191	22,351	160,542	3,050,229	2,889,687
Traffic Operations Facility	1,856	1,898,619	1,900,475	2,133,819	233,344
CSU Transit Center	444,183	2,217,990	2,662,173	7,480,037	4,817,864
Downtown Railroad Track Consolidation	585	1,929,737	1,930,322	2,304,315	373,993
Taft Hill Rd-Horsetooth / Harmony	35,633	-	35,633	300,000	264,367
Pedestrian Accessibility	511,873	388,195	900,068	1,004,020	103,952
Prospect, Poudre River/Summitview	13,584	492,452	506,036	5,788,911	5,282,875
Taft Hill, Drake Road to Derby	32,165	4,991,495	5,023,660	6,034,694	1,011,034
Mason Street Transportation Corridor	363,855	4,159,963	4,523,818	7,325,876	2,802,058
Pedestrian Planning Bldg Comm Choices	516,713	161,620	678,333	1,128,498	450,165
Pavement Management Program BCC	(56,075)	10,218,918	10,162,843	10,163,318	475
Traffic Signal Timing System	1,676,716	4,441,172	6,117,888	6,246,495	128,607
North College Corridor	2,902,064	2,450,214	5,352,278	5,641,365	289,087
State Highway 14 Truck Route Relocation	241,532	578,092	819,624	3,016,279	2,196,655
Timberline--Prospect to Summitview	-	8,578,021	8,578,021	8,680,155	102,134
Street Oversizing Projects	2,201,580	2,887,297	5,088,877	8,969,052	3,880,175
Minor Street Capital Projects	130,627	544,835	675,462	1,063,615	388,153
North Lemay Redesign	-	-	-	16,350	16,350
Coventry Dev Wildlife Habitat	-	-	-	9,000	9,000
City/School District Community Proj.	-	196,611	196,611	395,625	199,014
Library Technology	412,911	1,832,124	2,245,035	3,792,063	1,547,028
Gateway Park	14,244	1,364,706	1,378,950	1,390,000	11,050
Downtown Intersection Renovation	80,000	1,039,593	1,119,593	1,312,355	192,762

See the accompanying independent auditors' report.

(Continued on Next Page)

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
Downtown Civic Center Improvements	70,903	979,180	1,050,083	1,842,551	792,468
Harmony & Timberline Widening	47	3,037,166	3,037,213	3,414,276	377,063
Recreation Trails West of Taft Hill	96,229	597,769	693,998	697,000	3,002
Trails and Open Space Acquisitions	-	40,655	40,655	50,000	9,345
BCC Natural Areas	10,240	12,447,910	12,458,150	12,467,404	9,254
Community Horticulture Center	56,795	2,471,287	2,528,082	2,804,829	276,747
Fossil Creek Community Park	250,810	9,110,105	9,360,915	9,662,153	301,238
Soft Gold Park	847,182	105,664	952,846	1,007,400	54,554
BCC Community Park Improvements	-	50,000	50,000	479,258	429,258
Regional Trails	935,240	23,572	958,812	1,988,718	1,029,906
Sheldon Lake Improvements and Boardwalk	830	214,170	215,000	340,000	125,000
Webster Park	100,000	3,289,689	3,389,689	3,750,026	360,337
Spring Canyon Park	186,571	-	186,571	850,000	663,429
Administrative Charges	225,775	-	225,775	225,775	-
Total Expenditures	16,260,416	125,375,825	141,636,241	212,368,634	70,732,393
Deficiency of Revenues					
Under Expenditures	(10,298,677)	(98,725,454)	(109,024,131)	(185,346,258)	76,322,127
OTHER FINANCING SOURCES					
(USES)					
Proceeds from issuance of long term debt	35,121,091	19,647,259	54,768,350	54,765,244	3,106
Transfers in					
General Fund	2,412,251	9,180,409	11,592,660	15,966,340	(4,373,680)
Capital Expansion Fund	525,730	3,620,403	4,146,133	5,325,493	(1,179,360)
Neighborhood Parkland Fund	131,351	108,049	239,400	239,400	-
Conservation Trust Fund	636,189	210,000	846,189	1,010,000	(163,811)
Transit Services Fund	459,139	3,870,296	4,329,435	9,222,224	(4,892,789)
Natural Areas Fund	-	210,000	210,000	210,000	-
Street Oversizing Fund	825,811	6,276,027	7,101,838	10,946,992	(3,845,154)
General Improvement District No. 1	-	162,355	162,355	162,355	-
Sales and Use Tax Fund	7,370,610	90,403,062	97,773,672	95,939,963	1,833,709
Transportation Services Fund	27,493	1,359,913	1,387,406	2,424,636	(1,037,230)
Recreation Fund	-	180,000	180,000	180,000	-
Equipment Fund	3,698	14,691	18,389	315,688	(297,299)
Communications Fund	-	62,000	62,000	62,000	-
Utilities Customer Service Admin Fund	-	10,000	10,000	10,000	-
Transfers out					
Conservation Trust Fund	-	(200,000)	(200,000)	-	(200,000)
Cultural Services and Facilities Fund	(372,365)	(847,804)	(1,220,169)	(1,240,235)	20,066
Debt Service Fund	-	(718,668)	(718,668)	-	-
General Fund	(121,878)	-	(121,878)	(121,878)	-
Natural Areas	(9,035,364)	-	(9,035,364)	(9,035,364)	-
Transportation	(318,406)	-	(318,406)	(317,932)	(474)
Total Other Financing Sources and Uses	37,665,350	133,547,992	171,213,342	185,346,258	(14,132,916)
Net Change in Fund Balances	27,366,673	\$ 34,822,538	62,189,211	\$ -	\$ 62,189,211
Fund Balances--January 1	34,917,876		34,917,876		
Less Prior Years' Project Revenues	-		(161,964,835)		
Plus Prior Years' Project Expenditures	-		127,142,297		
Fund Balances--December 31	\$ 62,284,549		\$ 62,284,549		

See the accompanying independent auditors' report.

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**NON-MAJOR ENTERPRISE FUND - GOLF
INDIVIDUAL FUND BUDGET SCHEDULE**

Golf -- to account for operations of all City golf courses.

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GOLF FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Charges for services pledged for debt service	\$ 2,212,651	\$ -	\$ 2,212,651	\$ 2,318,900	\$ (106,249)
Other nonoperating income	3,832	-	3,832	20,000	(16,168)
Earnings on investments	6,604	-	6,604	10,000	(3,396)
Gain on sale of capital asset	14,216	-	14,216	-	14,216
Proceeds from lease obligations	-	2,923,088	2,923,088	2,923,042	46
Total Revenues	2,237,303	2,923,088	5,160,391	5,271,942	(111,551)
EXPENDITURES					
Programs (project level of budgetary control)					
Golf courses	2,028,614	364,647	2,393,261	2,616,983	223,722
Bond amortization	4,044	(4,044)	-	-	-
Depreciation	267,300	(267,300)	-	-	-
Total Programs	2,299,958	93,303	2,393,261	2,616,983	223,722
Projects (project level of budgetary control)					
Collindale Clubhouse ALPS	-	2,274,598	2,274,598	2,274,598	-
ALPS Admin/Contingency	-	32,800	32,800	32,800	-
Collindale Sidewalk Net	-	157,652	157,652	165,075	7,423
Southridge Projects	-	88,422	88,422	88,422	-
ALPS - Collindale Projects	-	9,935	9,935	9,935	-
Total Projects	-	2,563,407	2,563,407	2,570,830	7,423
Total Expenses	2,299,958	2,656,710	4,956,668	5,187,813	231,145
Change in Net Assets	(62,655)	\$ 266,378	203,723	\$ 84,129	\$ 119,594
Net Assets--January 1 as Restated	4,389,698		4,389,698		
Current year's proceeds from lease	-		(37,690)		
Prior years' proceeds from lease	-		(2,885,398)		
Capital outlay	-		38,550		
Current year's project expenditures	-		9,035		
Prior years' project expenditures	-		2,554,372		
Principal reduction--capital lease	-		149,481		
Principal reduction--bonds	-		176,616		
Bond amortization	-		(4,044)		
Depreciation	-		(267,300)		
Net Assets--December 31	\$ 4,327,043		\$ 4,327,043		

See the accompanying independent auditors' report

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**MAJOR ENTERPRISE FUNDS
INDIVIDUAL FUND BUDGET SCHEDULES**

Light and Power -- to account for operation of the City's electric utility.

Water -- to account for the operation of the City's water utility.

Wastewater -- to account for the operation of the City's wastewater utility.

Storm Drainage -- to account for the City's storm water utility.

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LIGHT AND POWER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Charges for services	\$ 73,255,892	\$ -	\$ 73,255,892	\$ 75,037,365	\$ (1,781,473)
Other nonoperating income	1,374,490	-	1,374,490	1,219,985	154,505
Earnings on investments	737,124	-	737,124	637,599	99,525
Net decrease in the fair value of investments	(270,097)	-	(270,097)	-	(270,097)
Transfers	195,500	-	195,500	195,500	-
Gain on sale of capital assets	15,753	-	15,753	-	15,753
Contributed capital	3,830,771	-	3,830,771	3,154,352	676,419
Total Revenues	79,139,433	-	79,139,433	80,244,801	(1,105,368)
EXPENDITURES					
Programs (fund level of budgetary control)					
Customer / admin services	4,204,613	-	4,204,613	5,670,843	1,466,230
System additions	-	6,611,181	6,611,181	10,352,681	3,741,500
Light and Power operations	4,742,758	-	4,742,758	5,253,827	511,069
Fund transfers	5,665,004	-	5,665,004	5,806,950	141,946
Purchase of power	51,079,251	-	51,079,251	58,686,053	7,606,802
Energy supply policy	234,809	-	234,809	850,788	615,979
Depreciation	6,963,150	(6,963,150)	-	-	-
Total Programs	72,889,585	(351,969)	72,537,616	86,621,142	14,083,526
Projects (project level of budgetary control)					
Substation Improvements	-	70,504	70,504	481,314	410,810
Underground Conversion Program	-	1,905,238	1,905,238	2,368,210	462,972
Total Projects	-	1,975,742	1,975,742	2,849,524	873,782
Total Expenses	72,889,585	1,623,773	74,513,358	89,470,666	14,957,308
Change in Net Assets	6,249,848	<u>\$ (1,623,773)</u>	4,626,075	<u>\$ (9,225,865)</u>	<u>\$ 13,851,940</u>
Net Assets--January 1	129,780,486		129,780,486		
Capital Outlay--Programs	-		6,611,181		
Current Year's Project Expenditures	-		1,975,742		
Depreciation	-		(6,963,150)		
Net Assets--December 31	<u>\$ 136,030,334</u>		<u>\$ 136,030,334</u>		

See the accompanying independent auditors' report

WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Charges for services pledged for debt service	\$ 21,525,416	\$ -	\$ 21,525,416	\$ 22,867,088	\$ (1,341,672)
Other nonoperating income	597,024	-	597,024	166,726	430,298
Earnings on investments	869,287	-	869,287	750,000	119,287
Net decrease in the fair value of investments	(309,008)	-	(309,008)	-	(309,008)
Gain on sale of capital assets	8,177	-	8,177	-	8,177
Contributed capital	9,139,982	-	9,139,982	4,683,798	4,456,184
Proceeds from issuance of long term debt	-	2,476,446	2,476,446	-	2,476,446
Total Revenues	31,830,878	2,476,446	34,307,324	28,467,612	5,839,712
EXPENDITURES					
Programs (fund level of budgetary control)					
Customer services, administration, resources	3,159,581	408,594	3,568,175	4,286,019	717,844
Transmission and distribution	1,866,355	78,114	1,944,469	2,125,335	180,866
Payments and transfers	4,650,029	5,218,196	9,868,225	10,992,393	1,124,168
Water production	3,358,392	416,831	3,775,223	5,770,477	1,995,254
Water engineering	113,747	-	113,747	117,968	4,221
Water quality	1,030,034	27,999	1,058,033	1,489,915	431,882
Water resources	1,130,660	331,639	1,462,299	2,013,947	551,648
Bond and lease amortization	46,751	(46,751)	-	-	-
Depreciation	5,374,100	(5,374,100)	-	-	-
Total Programs	20,729,649	1,060,522	21,790,171	26,796,054	5,005,883
Projects (project level of budgetary control)					
Distribution System Replacement	-	318,197	318,197	677,000	358,803
Michigan Ditch improvements	-	1,000	1,000	200,000	199,000
Service Center Improvements	-	3,547,543	3,547,543	3,921,441	373,898
Meter Conversion Program	-	961,427	961,427	2,015,000	1,053,573
Water Supply Development	-	808,485	808,485	1,582,203	773,718
Southwest System Improvements	-	2,213,024	2,213,024	2,383,000	169,976
Master Plan Facilities	-	8,688,859	8,688,859	9,176,020	487,161
South Taft Hill Road Waterline	-	323,563	323,563	420,000	96,437
Water Quality Lab	-	171,187	171,187	190,000	18,813
Cathodic Protection	-	102,147	102,147	350,000	247,853
Halligan Reservoir Enlargement	-	4,383,761	4,383,761	3,920,000	(463,761)
Discovery Center Science Museum	-	9,000	9,000	20,000	11,000
Gravel Pit Storage Ponds	-	175,500	175,500	10,377,000	10,201,500
Treatment Facility Improvement	-	231,900	231,900	958,984	727,084
Poudre Pipeline	-	438,305	438,305	1,000,000	561,695
Total Projects	-	22,373,898	22,373,898	37,190,648	14,816,750
Total Expenses	20,729,649	23,434,420	44,164,069	63,986,702	19,822,633
Change in Net Assets	11,101,229	<u>\$(20,957,974)</u>	(9,856,745)	<u>\$(35,519,090)</u>	<u>\$ 25,662,345</u>
Net Assets--January 1	171,638,492		171,638,492		
Capital Outlay--Programs	-		1,290,514		
Current Year's Project Expenditures	-		7,180,843		
Prior Years' Project Expenditures	-		15,193,055		
Principal Reduction--Long-Term Debt	-		5,116,982		
Principal Reduction--Capital Lease Obligations	-		73,877		
Proceeds From Issuance of Bonds	-		(2,476,446)		
Depreciation	-		(5,374,100)		
Bond Amortization	-		(46,751)		
Net Assets--December 31	<u>\$182,739,721</u>		<u>\$182,739,721</u>		

See the accompanying independent auditors' report

WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Charges for services pledged for debt service	\$ 12,638,568	\$ -	\$ 12,638,568	\$ 12,928,570	\$ (290,002)
Other nonoperating income	748,556	-	748,556	873,936	(125,380)
Earnings on investments	1,175,278	-	1,175,278	896,164	279,114
Net decrease in the fair value of investments	(266,013)	-	(266,013)	-	(266,013)
Transfers	121,700	-	121,700	-	121,700
Gain on sale of capital asset	1,489,319	-	1,489,319	2,152,588	(663,269)
Contributed capital	926,865	-	926,865	2,413,159	(1,486,294)
Total Revenues	16,834,273	-	16,834,273	19,264,417	(2,430,144)
EXPENDITURES					
Programs (fund level of budgetary control)					
Customer services/administration	1,560,904	-	1,560,904	2,024,557	463,653
Trunk and collection	1,204,367	18,410	1,222,777	1,497,302	274,525
Payments and transfers	3,675,230	1,505,051	5,180,281	7,804,896	2,624,615
Water reclamation	4,026,562	171,529	4,198,091	5,249,521	1,051,430
Water engineering	114,907	-	114,907	117,968	3,061
Pollution control	1,051,217	29,456	1,080,673	1,366,261	285,588
Depreciation	3,034,841	(3,034,841)	-	-	-
Bond amortization	96,131	(96,131)	-	-	-
Total Programs	14,764,159	(1,406,526)	13,357,633	18,060,505	4,702,872
Projects (project level of budgetary control)					
Collection System Replacement	-	351,670	351,670	839,000	487,330
Harmony Lift Station	-	1,277,637	1,277,637	2,143,053	865,416
Service Center Improvements	-	2,976,966	2,976,966	3,292,199	315,233
Treatment Plant Expansion	-	26,042,151	26,042,151	29,370,527	3,328,376
Sludge Disposal Improvements	-	3,712,895	3,712,895	4,919,446	1,206,551
Pollution Lab Improvements	-	704,807	704,807	846,090	141,283
Collection System Study	-	367,009	367,009	450,000	82,991
Mulberry Water Reclamation Improvements	-	4,369,134	4,369,134	5,374,849	1,005,715
Flow Monitoring Stations	-	205,249	205,249	740,000	534,751
North College Sewer	-	185,903	185,903	400,000	214,097
Computer System Enhancements	-	-	-	130,000	130,000
Locust Street and Riverside	-	1,790,586	1,790,586	1,850,000	59,414
Total Projects	-	41,984,007	41,984,007	50,355,164	8,371,157
Total Expenses	14,764,159	40,577,481	55,341,640	68,415,669	13,074,029
Change in Net Assets	2,070,114	<u>\$ (40,577,481)</u>	<u>(38,507,367)</u>	<u>\$ (49,151,252)</u>	<u>\$ 10,643,885</u>
Net Assets--January 1	94,030,062		94,030,062		
Capital Outlay--Programs	-		219,395		
Current Year's Project Expenditures	-		2,307,677		
Prior Years' Project Expenditures	-		39,676,330		
Principal Reduction - Long Term Debt	-		1,505,051		
Depreciation	-		(3,034,841)		
Bond amortization	-		(96,131)		
Net Assets-December 31	<u>\$ 96,100,176</u>		<u>\$ 96,100,176</u>		

See the accompanying independent auditors' report

**STORM DRAINAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Charges for services pledged for debt service	\$ 12,534,750	\$ -	\$ 12,534,750	\$ 12,687,250	\$ (152,500)
Other nonoperating income	1,940	-	1,940	800	1,140
Intergovernmental	-	60,000	60,000	60,000	
Earnings on investments	509,975	7,411	517,386	341,345	176,041
Net decrease in the fair value of investments	(62,152)	-	(62,152)	-	(62,152)
Gain on sale of capital assets	5,994	-	5,994	-	5,994
Contributed capital	709,420	-	709,420	614,545	94,875
Total Revenues	13,699,927	67,411	13,767,338	13,703,940	63,398
EXPENDITURES					
Programs (fund level of budgetary control)					
Customer and administrative services	1,211,509	-	1,211,509	1,481,372	269,863
Drainage and detention	1,028,400	77,436	1,105,836	1,332,467	226,631
Storm drainage engineering	984,013	-	984,013	1,187,938	203,925
Drainage water quality	229,510	-	229,510	385,199	155,689
Storm Drainage Fund payments and transfers	2,609,162	2,247,500	4,856,662	5,204,040	347,378
Bond amortization	52,103	(52,103)	-	-	-
Depreciation	2,089,391	(2,089,391)	-	-	-
Total Programs	8,204,088	183,442	8,387,530	9,591,016	1,203,486
Projects (project level of budgetary control)					
Old Town Basin	-	9,249,846	9,249,846	9,758,458	508,612
McClelland and Mail Creek Basin	-	34,691	34,691	1,010,000	975,309
Spring Creek Basin	-	1,856,368	1,856,368	2,904,501	1,048,133
Foothills Basin	-	-	-	8,728	8,728
Canal Importation Basin	-	8,795,396	8,795,396	12,549,513	3,754,117
Fossil Creek Basin	-	660,000	660,000	660,000	-
Cache LaPoudre Drainageway	-	702,015	702,015	1,983,051	1,281,036
Master Plan	-	3,754,490	3,754,490	3,855,000	100,510
Flood Mapping	-	387,944	387,944	581,913	193,969
Developer Repays	-	1,248,629	1,248,629	1,900,000	651,371
Computer System Enhancements	-	-	-	130,000	130,000
Utility Service Improvements	-	17,051	17,051	235,000	217,949
Dry Creek Flood Diversion	-	1,641,488	1,641,488	4,800,000	3,158,512
Total Projects	-	28,347,918	28,347,918	40,376,164	12,028,246
Total Expenses	8,204,088	28,531,360	36,735,448	49,967,180	13,231,732
Change in Net Assets	5,495,839	<u>\$ (28,463,949)</u>	(22,968,110)	<u>\$ (36,263,240)</u>	<u>\$ 13,295,130</u>
Net Assets--January 1	41,209,477		41,209,477		
Capital Outlay--Programs	-		77,436		
Current Year's Project Expenditures	-		3,376,380		
Prior Years' Project Expenditures	-		24,971,538		
Prior Years' Grant/Project Revenue	-		(67,411)		
Principal Reduction--Long-Term Debt	-		2,247,500		
Depreciation	-		(2,089,391)		
Bond Amortization	-		(52,103)		
Net Assets--December 31	<u>\$ 46,705,316</u>		<u>\$ 46,705,316</u>		

See the accompanying independent auditors' report

**INTERNAL SERVICE FUNDS
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

Benefits -- to account for the self-insurance of employee health care benefits and other benefits provided to City employees.

Communications -- to account for the acquisition, operation, and maintenance, of the City's telephone system, office automation system, and network backbone, as well as the provision of computer application services.

Equipment -- to account for the fleet services provided to other funds of the City.

Self-Insurance -- to account for self-insurance of property and liability claims.

Utility Customer Service and Administration -- to account for customer and administrative services provided to the City's utility funds.

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Benefits	Communications	Equipment
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,523,393	\$ 1,121,429	\$ 1,180,810
Investments	1,990,320	500,000	496,785
Receivables			
Accounts	38,400	2,215	37,572
Accrued interest	13,663	111	1,920
Inventories of materials and supplies	-	-	487,293
Total Current Assets	4,565,776	1,623,755	2,204,380
Capital Assets			
Land and other	-	23,952	30,126
Buildings, improvements and equipment	-	817,431	2,744,183
Accumulated depreciation	-	(513,545)	(1,020,888)
Construction in progress	-	-	409,115
Total Capital Assets	-	327,838	2,162,536
Total Assets	4,565,776	1,951,593	4,366,916
LIABILITIES			
Current Liabilities			
Accounts payable	266,650	7,424	107,488
Accrued interest payable	-	-	603
Accrued wages payable	32,640	12,835	62,707
Accrued compensated absences	9,684	23,763	59,627
Claims payable	1,030,000	-	-
Capital lease obligations	-	-	68,031
Total Current Liabilities	1,338,974	44,022	298,456
Long-term Liabilities			
Accrued compensated absences	4,174	1,250	3,138
Claims payable	-	-	-
Capital lease obligations	-	-	68,684
Total Long-term Liabilities	4,174	1,250	71,822
Total Liabilities	1,343,148	45,272	370,278
NET ASSETS			
Invested in Capital Assets, net of related debt	-	327,838	2,025,821
Unrestricted	3,222,628	1,578,483	1,970,817
Total Net Assets	\$ 3,222,628	\$ 1,906,321	\$ 3,996,638

See the accompanying independent auditors' report.

Self-Insurance	Utility Customer Service and Admin	Total
\$ 2,366,705	\$ 1,908,977	\$ 9,101,314
7,284,104	-	10,271,209
74,896	-	153,083
60,194	-	75,888
-	-	487,293
9,785,899	1,908,977	20,088,787
-	-	54,078
-	1,777,472	5,339,086
-	(520,386)	(2,054,819)
-	677	409,792
-	1,257,763	3,748,137
9,785,899	3,166,740	23,836,924
11,028	122,795	515,385
-	-	603
9,080	203,539	320,801
5,110	291,886	390,070
1,212,875	-	2,242,875
-	-	68,031
1,238,093	618,220	3,537,765
7,451	15,362	31,375
4,776,227	-	4,776,227
-	-	68,684
4,783,678	15,362	4,876,286
6,021,771	633,582	8,414,051
-	1,257,763	3,611,422
3,764,128	1,275,395	11,811,451
\$ 3,764,128	\$ 2,533,158	\$ 15,422,873

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Benefits</u>	<u>Communications</u>	<u>Equipment</u>
OPERATING REVENUES			
Charges for services	\$ 15,337,331	\$ 1,395,715	\$ 5,583,894
OPERATING EXPENSES			
Personal services	360,198	406,961	2,292,056
Contractual services	15,087,361	566,464	806,166
Commodities	39,085	151,565	2,337,313
Other	529	2,115	1,763
Depreciation	-	123,169	107,399
Total Operating Expenses	15,487,173	1,250,274	5,544,697
Operating Income (Loss)	(149,842)	145,441	39,197
NONOPERATING REVENUES (EXPENSES)			
Earnings on investments	95,217	26,398	25,782
Net decrease in the fair value of investments	(33,559)	-	(560)
Intergovernmental	-	-	251,000
Other revenue	53,294	928	8,962
Gain on sale of capital assets	-	(103,812)	7,323
Interest expense	-	-	(7,898)
Total Nonoperating Revenues (Expenses)	114,952	(76,486)	284,609
Income (Loss) Before Transfers	(34,890)	68,955	323,806
Transfers			
Transfers in	-	-	35,000
Transfers out	-	-	(3,697)
	-	-	31,303
Change in Net Assets	(34,890)	68,955	355,109
Net Assets--January 1	3,257,518	1,837,366	3,641,529
Net Assets--December 31	\$ 3,222,628	\$ 1,906,321	\$ 3,996,638

See the accompanying independent auditors' report.

Self- Insurance	Utility Customer Service and Admin	Total
<u>\$ 1,861,018</u>	<u>\$ 9,483,962</u>	<u>\$ 33,661,920</u>
300,059	7,011,131	10,370,405
567,767	2,146,193	19,173,951
83,893	496,499	3,108,355
529	370,966	375,902
-	203,499	434,067
<u>952,248</u>	<u>10,228,288</u>	<u>33,462,680</u>
<u>908,770</u>	<u>(744,326)</u>	<u>199,240</u>
265,195	39,922	452,514
(114,650)	-	(148,769)
-	4,800	255,800
186,858	872,451	1,122,493
-	-	(96,489)
-	-	(7,898)
<u>337,403</u>	<u>917,173</u>	<u>1,577,651</u>
<u>1,246,173</u>	<u>172,847</u>	<u>1,776,891</u>
-	-	35,000
<u>(6,200)</u>	<u>-</u>	<u>(9,897)</u>
<u>(6,200)</u>	<u>-</u>	<u>25,103</u>
1,239,973	172,847	1,801,994
<u>2,524,155</u>	<u>2,360,311</u>	<u>13,620,879</u>
<u>\$ 3,764,128</u>	<u>\$ 2,533,158</u>	<u>\$ 15,422,873</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Benefits	Communications	Equipment
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ -	\$ -	\$ 508,151
Receipts from interfund services provided	15,298,931	1,424,016	5,053,050
Cash paid to employees for services	(355,764)	(402,053)	(2,281,488)
Cash paid to other suppliers of goods & services	(15,259,153)	(729,281)	(3,196,887)
Other receipts	53,294	928	8,962
Net cash provided (used) by operating activities	(262,692)	293,610	91,788
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	-	35,000
Transfers to other funds	-	-	(3,697)
Net cash provided (used) by noncapital financing activities	-	-	31,303
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	-	68,716
Capital contributions	-	-	251,000
Purchases of capital assets	-	-	(623,893)
Acquisition and construction of capital assets	-	-	(97,784)
Principal paid on capital debt	-	-	(120,898)
Interest paid on capital debt	-	-	(8,353)
Proceeds from sales of capital assets	-	-	36,225
Net cash used by capital and related financing activities	-	-	(494,987)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	1,508,281	-	508,750
Purchase of investments	-	(500,000)	(499,875)
Earnings received on investments	109,180	26,286	28,938
Net cash provided (used) by investing activities	1,617,461	(473,714)	37,813
Net increase (decrease) in cash and cash equivalents	1,354,769	(180,104)	(334,083)
Cash and cash equivalents, January 1	1,168,624	1,301,533	1,514,893
Cash and cash equivalents, December 31	\$ 2,523,393	\$ 1,121,429	\$ 1,180,810
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (149,842)	\$ 145,441	\$ 39,197
Other receipts	53,294	928	8,962
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation expense	-	123,169	107,399
(Increase) decrease in accounts receivable	(38,400)	(1,054)	(22,693)
(Increase) decrease in inventories	-	29,355	(36,545)
Increase (decrease) in accounts payable	262,822	(9,137)	(15,100)
Increase (decrease) in accrued compensated absences payable	(820)	(102)	2,784
Increase (decrease) in accrued wages	5,254	5,010	7,784
Increase (decrease) in claims payable	(395,000)	-	-
Net cash provided (used) by operating activities	\$ (262,692)	\$ 293,610	\$ 91,788
Noncash investing, capital, and financing activities:			
Decrease in fair value of investments	(33,559)	-	(560)

See the accompanying independent auditors' report

Self Insurance	Utility Customer Service and Admin	Total
\$ -	\$ -	\$ 508,151
1,786,122	9,489,937	33,052,056
(298,318)	(6,980,129)	(10,317,752)
(2,069,842)	(2,995,654)	(24,250,817)
186,858	872,451	1,122,493
(395,180)	386,605	114,131
-	-	35,000
(6,200)	-	(9,897)
(6,200)	-	25,103
-	-	68,716
-	4,800	255,800
-	(175,416)	(799,309)
-	(677)	(98,461)
-	-	(120,898)
-	-	(8,353)
-	-	36,225
-	(171,293)	(666,280)
4,012,397	-	6,029,428
(3,652,895)	-	(4,652,770)
297,386	39,922	501,712
656,888	39,922	1,878,370
255,508	255,234	1,351,324
2,111,197	1,653,743	7,749,990
\$ 2,366,705	\$ 1,908,977	\$ 9,101,314
\$ 908,770	\$ (744,326)	\$ 199,240
186,858	872,451	1,122,493
-	203,499	434,067
(74,896)	5,975	(131,068)
-	-	(7,190)
(15,067)	18,004	241,522
487	(11,341)	(8,992)
1,254	42,343	61,645
(1,402,586)	-	(1,797,586)
\$ (395,180)	\$ 386,605	\$ 114,131
(114,650)	-	(148,769)

BENEFITS FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Actual</u>	<u>Budget</u>	<u>Variance With Actual Positive (Negative)</u>
REVENUES			
Charges for services	\$ 15,337,331	\$ 15,412,365	\$ (75,034)
Other nonoperating income	53,294	55,000	(1,706)
Earnings on investments	95,217	100,000	(4,783)
Net decrease in the fair value of investments	<u>(33,559)</u>	<u>-</u>	<u>(33,559)</u>
Total Revenues	<u>15,452,283</u>	<u>15,567,365</u>	<u>(115,082)</u>
EXPENSES			
Benefits	<u>15,487,173</u>	<u>17,232,976</u>	<u>1,745,803</u>
Change in Net Assets	(34,890)	<u>\$ (1,665,611)</u>	<u>\$ 1,630,721</u>
Net Assets--January 1,	<u>3,257,518</u>		
Net Assets--December 31	<u>\$ 3,222,628</u>		

See the accompanying independent auditors' report.

COMMUNICATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Actual</u>	<u>Adjustment To Budgetary Basis</u>	<u>Actual On Budgetary Basis</u>	<u>Budget</u>	<u>Variance with Actual On Budgetary Basis Positive (Negative)</u>
REVENUES					
Charges for services	\$ 1,395,715	\$ -	\$ 1,395,715	\$ 1,342,400	\$ 53,315
Other nonoperating income	(102,884)	-	(102,884)	-	(102,884)
Earnings on investments	26,398	-	26,398	5,000	21,398
Total Revenues	1,319,229	-	1,319,229	1,347,400	(28,171)
EXPENDITURES					
CITEL	1,127,105	-	1,127,105	1,710,994	583,889
Depreciation	123,169	(123,169)	-	-	-
Total Expenses	1,250,274	(123,169)	1,127,105	1,710,994	583,889
Change in Net Assets	68,955	<u>\$ 123,169</u>	192,124	<u>\$ (363,594)</u>	<u>\$ 555,718</u>
Net Assets--January 1	1,837,366		1,837,366		
Capital outlay	-		-		
Depreciation	-		(123,169)		
Net Assets--December 31	<u>\$ 1,906,321</u>		<u>\$ 1,906,321</u>		

See the accompanying independent auditors' report.

**EQUIPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance with Actual On Budgetary Basis Positive (Negative)
REVENUES					
Charges for services	\$ 5,583,894	\$ -	\$ 5,583,894	\$ 5,570,644	\$ 13,250
Other nonoperating income	8,962	-	8,962	217,820	(208,858)
Earnings on investments	25,782	-	25,782	30,000	(4,218)
Net decrease in the fair value of investments	(560)	-	(560)	-	(560)
Intergovernmental	251,000	-	251,000	251,000	-
Transfers	35,000	-	35,000	35,000	-
Gain on sale of capital assets	7,323	-	7,323	-	7,323
Proceeds from lease obligations	-	68,716	68,716	68,716	-
Total Revenues	5,911,401	68,716	5,980,117	6,173,180	(193,063)
EXPENDITURES					
Fleet services	5,445,196	842,575	6,287,771	8,510,047	2,222,276
Transfers	3,697	-	3,697	300,997	297,300
Depreciation	107,399	(107,399)	-	-	-
Total Expenses	5,556,292	735,176	6,291,468	8,811,044	2,519,576
Change in Net Assets	355,109	\$ (666,460)	(311,351)	\$ (2,637,864)	\$ 2,326,513
Net Assets--January 1	3,641,529		3,641,529		
Capital outlay--program	-		721,677		
Principal reduction--capital lease	-		120,898		
Depreciation	-		(107,399)		
Proceeds from capital leases	-		(68,716)		
Net Assets--December 31	\$ 3,996,638		\$ 3,996,638		

See the accompanying independent auditors' report.

**SELF-INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Actual	Budget	Variance With Actual Positive (Negative)
REVENUES			
Charges for services	\$ 1,861,018	\$ 1,785,566	\$ 75,452
Other nonoperating income	186,858	-	186,858
Earnings on investments	265,195	200,000	65,195
Net decrease in the fair value of investments	(114,650)	-	(114,650)
Total Revenues	2,198,421	1,985,566	212,855
OPERATING EXPENSES			
Risk management	952,248	2,942,208	1,989,960
Transfers	6,200	6,200	-
Total Expenses	958,448	2,948,408	1,989,960
Change in Net Assets	1,239,973	\$ (962,842)	\$ 2,202,815
Net Assets--January 1	2,524,155		
Net Assets--December 31	\$ 3,764,128		

See the accompanying independent auditors' report.

**UTILITY CUSTOMER SERVICE AND ADMINISTRATIVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Adjustment To Budgetary Basis</u>	<u>Actual On Budgetary Basis</u>	<u>Budget</u>	<u>Variance with Actual On Budgetary Basis Positive (Negative)</u>
REVENUES					
Charges for services	\$ 9,483,962	\$ -	\$ 9,483,962	\$ 12,338,000	\$ (2,854,038)
Other nonoperating income	872,451	-	872,451	686,998	185,453
Earnings on investments	39,922	-	39,922	20,000	19,922
Intergovernmental	4,800	-	4,800	4,800	-
Total Revenues	<u>10,401,135</u>	<u>-</u>	<u>10,401,135</u>	<u>13,049,798</u>	<u>(2,648,663)</u>
EXPENDITURES					
Customer and administrative services	10,024,789	176,092	10,200,881	14,152,070	3,951,189
Depreciation	<u>203,499</u>	<u>(203,499)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>10,228,288</u>	<u>(27,407)</u>	<u>10,200,881</u>	<u>14,152,070</u>	<u>3,951,189</u>
Change in Net Assets	172,847	<u>\$ 27,407</u>	200,254	<u>\$ (1,102,272)</u>	<u>\$ 1,302,526</u>
Net Assets--January 1	2,360,311		2,360,311		
Capital outlay	-		176,092		
Depreciation	<u>-</u>		<u>(203,499)</u>		
Net Assets--December 31	<u>\$ 2,533,158</u>		<u>\$ 2,533,158</u>		

See the accompanying independent auditors' report.

**FIDUCIARY FUNDS
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

Trust Funds:

General Employees' Retirement Plan -- to account for the general employees' retirement plan.

Money Purchase Plan -- to account for City employees' defined contribution retirement plan.

Agency Funds:

Poudre Fire Authority -- to account for cash and investments held by the City on behalf of Poudre Fire Authority.

Fort Collins - Loveland Airport -- to account for cash and investments held by the City on behalf of the Fort Collins - Loveland Airport.

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TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004

	General Employees Retirement Plan	Money Purchase Plan	Total Trust Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 5,876,764	\$ -	\$ 5,876,764
Receivables			
Interest	94,993	-	94,993
Notes and loans	-	1,813,512	1,813,512
Other	2,637	-	2,637
Total Receivables	97,630	1,813,512	1,911,142
Investments, at fair value			
U S Government securities	5,873,882	-	5,873,882
Corporate bonds	1,712,719	-	1,712,719
Mutual funds	23,101,810	80,830,572	103,932,382
Total Investments, at fair value	30,688,411	80,830,572	111,518,983
Total Assets	36,662,805	82,644,084	119,306,889
LIABILITIES			
Current Liabilities			
Accrued expenses	1,075	-	1,075
Total Liabilities	1,075	-	1,075
NET ASSETS			
Held in trust for pension benefits	36,661,730	82,644,084	119,305,814
Total Net Assets	\$ 36,661,730	\$ 82,644,084	\$ 119,305,814

See the accompanying independent auditors' report.

TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Employees Retirement Plan	Money Purchase Plan	Total
ADDITIONS			
Contributions			
Employer contributions	\$ 1,080,346	\$ 3,682,031	\$ 4,762,377
Employee contributions	-	2,330,470	2,330,470
Pension conversion & roll-overs	-	724,687	724,687
Total Contributions	<u>1,080,346</u>	<u>6,737,188</u>	<u>7,817,534</u>
Investment income			
Interest related to plan investments	1,107,071	633,503	1,740,574
Interest related to employee loans	-	431,269	431,269
Net change in fair value of investments	<u>2,114,510</u>	<u>5,636,354</u>	<u>7,750,864</u>
Total Investment Income	<u>3,221,581</u>	<u>6,701,126</u>	<u>9,922,707</u>
Total Additions	<u>4,301,927</u>	<u>13,438,314</u>	<u>17,740,241</u>
DEDUCTIONS			
Benefit payments	1,730,647	2,577,990	4,308,637
Administration	<u>16,882</u>	<u>305,630</u>	<u>322,512</u>
Total Deductions	<u>1,747,529</u>	<u>2,883,620</u>	<u>4,631,149</u>
Net Increase	2,554,398	10,554,694	13,109,092
Net Assets Held In Trust for Retirement Benefits			
Beginning of year	<u>34,107,332</u>	<u>72,089,390</u>	<u>106,196,722</u>
End of Year	<u>\$ 36,661,730</u>	<u>\$ 82,644,084</u>	<u>\$ 119,305,814</u>

See the accompanying independent auditors' report.

**GENERAL EMPLOYEES' RETIREMENT PLAN TRUST FUND
SCHEDULE OF CHANGES IN NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS - ACTUAL AND BUDGET (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Variance With Actual Positive (Negative)</u>
OPERATING REVENUES			
Contributions	\$ 1,080,346	\$ 1,062,600	\$ 17,746
Earnings on investments	1,107,071	592,200	514,871
Net increase in the fair value of investments	<u>2,114,510</u>	<u>-</u>	<u>2,114,510</u>
Total Operating Revenues	<u>4,301,927</u>	<u>1,654,800</u>	<u>2,647,127</u>
OPERATING EXPENSES			
Benefit payments	1,730,647	1,991,000	260,353
Administration	<u>16,882</u>	<u>88,338</u>	<u>71,456</u>
Total Operating Expenses	<u>1,747,529</u>	<u>2,079,338</u>	<u>331,809</u>
Change in Net Assets	2,554,398	<u>\$ (424,538)</u>	<u>\$ 2,978,936</u>
Net Assets Held in Trust for Retirement Benefits--January 1	<u>34,107,332</u>		
Net Assets Held in Trust for Retirement Benefits--December 31	<u>\$ 36,661,730</u>		

See the accompanying independent auditors' report.

AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2004

	<u>Poudre Fire Authority</u>	<u>Fort Collins- Loveland Airport</u>	<u>Total Agency Funds</u>
ASSETS			
Current Assets			
Cash and cash equivalents	<u>\$ 3,052,569</u>	<u>\$ 70,737</u>	<u>\$ 3,123,306</u>
Receivables			
Interest	<u>11,932</u>	<u>-</u>	<u>11,932</u>
Investments, at fair value			
U S Government securities	<u>2,994,063</u>	<u>-</u>	<u>2,994,063</u>
Total Assets	<u><u>\$ 6,058,564</u></u>	<u><u>\$ 70,737</u></u>	<u><u>\$ 6,129,301</u></u>
LIABILITIES			
Current Liabilities			
Amounts held for other governments	<u>6,058,564</u>	<u>70,737</u>	<u>6,129,301</u>
Total Liabilities	<u><u>\$ 6,058,564</u></u>	<u><u>\$ 70,737</u></u>	<u><u>\$ 6,129,301</u></u>

See the accompanying independent auditors' report.

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

POUDRE FIRE AUTHORITY	Balance-- Dec. 31, 2003	Additions	Deletions	Balance-- Dec. 31, 2004
ASSETS				
Cash and cash equivalents	\$ 3,445,118	\$ 205,451	\$ 598,000	\$ 3,052,569
Receivables- interest	5,632	10,254	3,954	11,932
Investments, at fair value				
U S Government securities	1,012,486	4,024,342	2,042,765	2,994,063
Corporate bonds	509,120	2,120	511,240	-
Total Investments, at fair value	1,521,606	4,026,462	2,554,005	2,994,063
Total Assets	4,972,356	4,242,167	3,155,959	6,058,564
LIABILITIES				
Amounts held for other governments	\$ 4,972,356	\$ 4,242,167	\$ 3,155,959	\$ 6,058,564
FORT COLLINS-LOVELAND AIRPORT				
ASSETS				
Cash and cash equivalents	\$ 69,765	\$ 972	\$ -	\$ 70,737
LIABILITIES				
Amounts held for other governments	\$ 69,765	\$ 972	\$ -	\$ 70,737
TOTAL--ALL FUNDS				
ASSETS				
Cash and cash equivalents	\$ 3,514,883	\$ 206,423	\$ 598,000	\$ 3,123,306
Receivables - interest	5,632	10,254	3,954	11,932
Investments, at fair value				
U S Government securities	1,012,486	4,024,342	2,042,765	2,994,063
Corporate bonds	509,120	2,120	511,240	-
Total Investments, at fair value	1,521,606	4,026,462	2,554,005	2,994,063
Total Assets	5,042,121	4,243,139	3,155,959	6,129,301
LIABILITIES				
Amounts held for other governments	5,042,121	4,243,139	3,155,959	6,129,301
Total Liabilities	\$ 5,042,121	\$ 4,243,139	\$ 3,155,959	\$ 6,129,301

See the accompanying independent auditors' report.

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**COMPONENT UNIT FUNDS
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

DOWNTOWN DEVELOPMENT AUTHORITY

Funds:

General -- to account for all general operations of the DDA except those required to be accounted for in another fund.

Debt Service -- to account for tax increment revenues received from property taxes and used to service the DDA's tax increment bonds.

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**DOWNTOWN DEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET
DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,401,691	\$ 1,079,536	\$ 5,481,227
Investments	2,293,132	658,166	2,951,298
Receivables			
Property taxes	349,299	2,764,553	3,113,852
Accrued interest	-	3,272	3,272
Due from other governments	3,019	-	3,019
Inventory of real property held for resale	135,464	-	135,464
Total Assets	<u>\$ 7,182,605</u>	<u>\$ 4,505,527</u>	<u>\$ 11,688,132</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable, accruals, and other	\$ (78,116)	\$ -	\$ (78,116)
Accrued wages payable	5,019	-	5,019
Deferred revenue	349,299	2,764,553	3,113,852
Total Liabilities	<u>276,202</u>	<u>2,764,553</u>	<u>3,040,755</u>
Fund Balances			
Reserved for encumbrances	156,803	-	156,803
Reserved for inventory of real property held for resale	135,464	-	135,464
Reserved for debt service	-	1,740,974	1,740,974
Unreserved			
Designated for capital projects	914,143		914,143
Undesignated	5,699,993	-	5,699,993
Total Fund Balances	<u>6,906,403</u>	<u>1,740,974</u>	<u>8,647,377</u>
Total Liabilities and Fund Balances	<u>\$ 7,182,605</u>	<u>\$ 4,505,527</u>	<u>\$ 11,688,132</u>

See the accompanying independent auditors' report

**DOWNTOWN DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Debt Service	Total
REVENUES			
Taxes	\$ 389,255	\$ 2,736,509	\$ 3,125,764
Earnings on investments	70,774	59,005	129,779
Fees and charges for services	22,300	-	22,300
Net decrease in the fair value of investments	-	(33,191)	(33,191)
Miscellaneous revenue	2,418	-	2,418
	<u>484,747</u>	<u>2,762,323</u>	<u>3,247,070</u>
Total Revenues			
EXPENDITURES			
Current operating			
Administrative	1,340,978	-	1,340,978
Capital outlay	56,633	-	56,633
Bond issue costs	34,189	-	34,189
Principal	-	1,150,000	1,150,000
Interest	-	645,360	645,360
	<u>1,431,800</u>	<u>1,795,360</u>	<u>3,227,160</u>
Total Expenditures			
Excess and (Deficiency) of Revenues Over (Under) Expenditures	<u>(947,053)</u>	<u>966,963</u>	<u>19,910</u>
OTHER FINANCING SOURCES			
Proceeds from issuance of long term debt	<u>6,235,000</u>	<u>-</u>	<u>6,235,000</u>
Total Other Financing Sources	<u>6,235,000</u>	<u>-</u>	<u>6,235,000</u>
Net Change in Fund Balances	5,287,947	966,963	6,254,910
Fund Balances--January 1	<u>1,618,456</u>	<u>774,011</u>	<u>2,392,467</u>
Fund Balances--December 31	<u>\$ 6,906,403</u>	<u>\$ 1,740,974</u>	<u>\$ 8,647,377</u>

See the accompanying independent auditors' report

**DOWNTOWN DEVELOPMENT AUTHORITY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Variance With Actual Positive (Negative)</u>
REVENUES			
Taxes	\$ 389,255	\$ 484,379	\$ (95,124)
Earnings on investments	70,774	3,591	67,183
Fees and charges for services	22,300	36,500	(14,200)
Miscellaneous revenue	2,418	644	1,774
Total Revenues	<u>484,747</u>	<u>525,114</u>	<u>(40,367)</u>
EXPENDITURES			
Administration	1,375,167	9,614,246	8,239,079
Capital outlay	56,633	178,620	121,987
Total Expenditures	<u>1,431,800</u>	<u>9,792,866</u>	<u>8,361,066</u>
Excess of Revenues Over (Under) Expenditures	(947,053)	(9,267,752)	8,320,699
OTHER FINANCING SOURCES			
Proceeds from issuance of long term debt	<u>6,235,000</u>	<u>8,085,000</u>	<u>(1,850,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	5,287,947	<u>\$ (1,182,752)</u>	<u>\$ 6,470,699</u>
Net Assets--January 1	<u>1,618,456</u>		
Net Assets--December 31	<u>\$ 6,906,403</u>		

See the accompanying independent auditors' report

**DOWNTOWN DEVELOPMENT AUTHORITY
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Actual</u>	<u>Budget</u>	<u>Variance With Actual Positive (Negative)</u>
REVENUES			
Taxes	\$ 2,736,509	\$ 2,866,318	\$ (129,809)
Earnings on investments	59,005	40,000	19,005
Net decrease in the fair value of investments	(33,191)	-	(33,191)
Total Revenues	<u>2,762,323</u>	<u>2,906,318</u>	<u>(143,995)</u>
EXPENDITURES			
Principal	1,150,000	1,150,000	-
Interest	<u>645,360</u>	<u>1,673,074</u>	<u>1,027,714</u>
Total Expenditures	<u>1,795,360</u>	<u>2,823,074</u>	<u>1,027,714</u>
Excess of Revenues Over Expenditures	966,963	<u>\$ 83,244</u>	<u>\$ 883,719</u>
Net Assets--January 1	<u>774,011</u>		
Net Assets--December 31	<u>\$ 1,740,974</u>		

See the accompanying independent auditors' report

CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS

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CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY SOURCE
DECEMBER 31, 2004

GOVERNMENTAL FUNDS CAPITAL ASSETS	Balance-- Jan. 1, 2004	Additions	Deletions & Transfers	Balance-- Dec. 31, 2004
Land, water rights, other	\$ 62,112,236	\$ 22,932,540	\$ -	\$ 85,044,776
Street system infrastructure	245,594,810	3,156,061	-	248,750,871
Construction in progress	17,688,506	6,444,022	(10,272,442)	13,860,086
Total capital assets not being depreciated	325,395,552	32,532,623	(10,272,442)	347,655,733
Buildings				
Buildings	67,931,984	1,271,527	-	69,203,511
Building improvements	13,039,879	-	(496,689)	12,543,190
Total	80,971,863	1,271,527	(496,689)	81,746,701
Improvements Other Than Buildings				
Art in public places	1,100,377	156,508	-	1,256,885
Traffic signal system	10,952,561	823,321	(1,982,939)	9,792,943
Improvements other than buildings	41,937,729	182,183	-	42,119,912
Ft Collins/Loveland Airport - (City's Share)	7,194,084	17,177	(25,500)	7,185,761
Total	61,184,751	1,179,189	(2,008,439)	60,355,501
Machinery and Equipment				
Vehicles	10,260,416	950,199	(637,031)	10,573,584
Heavy equipment	15,877,898	472,560	(611,635)	15,738,823
Mechanical equipment	3,971,729	1,125,741	(37,706)	5,059,764
Building equipment	1,844,897	233,111	(220,000)	1,858,008
Furniture & fixtures	1,971,458	-	(27,288)	1,944,170
Office equipment	2,598,144	347,179	(100,022)	2,845,301
IT Systems / hardware	7,868,429	3,345,765	(1,209,146)	10,005,048
Total	44,392,971	6,474,555	(2,842,828)	48,024,698
Total Governmental Funds Capital Assets	<u>\$ 511,945,137</u>	<u>\$ 41,457,894</u>	<u>\$ (15,620,398)</u>	<u>\$ 537,782,633</u>
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS FROM:				
Operating revenue	\$ 225,928,966	\$ 19,484,751	\$ (14,456,632)	\$ 230,957,085
Revenue bonds	4,615,845	-	-	4,615,845
Bond anticipation notes	8,434,720	-	-	8,434,720
Certificates of participation	18,115,048	12,220,165	(9,296)	30,325,917
Assignments of lease proceeds	992,068	-	-	992,068
Capital leases	9,663,983	917,372	(448,494)	10,132,861
Federal grants	20,145,910	5,828,513	(705,976)	25,268,447
State grants	660,096	-	-	660,096
Contributions from other govt	10,348,317	-	-	10,348,317
Donations	213,040,184	3,007,093	-	216,047,277
Total Governmental Funds Capital Assets	<u>\$ 511,945,137</u>	<u>\$ 41,457,894</u>	<u>\$ (15,620,398)</u>	<u>\$ 537,782,633</u>

See the accompanying independent auditors' report.

**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION AND ACTIVITY
DECEMBER 31, 2004**

FUNCTION	General Government	Public Safety	Cultural, Library, & Recreation	Community Planning & Environmental Services	Trans - portation	Total Allocated to Functions
Land, water rights, other	\$ 7,304,727	\$ 2,183,325	\$ 15,090,965	\$ 55,851,775	\$ 4,613,984	\$ 85,044,776
Street system Infrastructure	-	-	-	-	248,750,871	248,750,871
Buildings						
Buildings	14,352,548	1,307,552	26,016,917	2,180,117	25,346,377	69,203,511
Building Improvements	5,827,689	-	6,398,130	9,929	307,442	12,543,190
Total	20,180,237	1,307,552	32,415,047	2,190,046	25,653,819	81,746,701
Improvements Other Than Buildings						
Art in public places	-	-	1,256,885	-	-	1,256,885
Traffic signal system	-	-	-	-	9,792,943	9,792,943
Improvements other than building:	6,042,862	-	35,449,419	-	627,631	42,119,912
Ft Collins/Loveland						
Airport-(City's Share)	-	-	-	-	7,185,761	7,185,761
Total	6,042,862	-	36,706,304	-	17,606,335	60,355,501
Machinery and Equipment						
Vehicles	868,117	5,258,725	1,706,538	483,785	2,256,419	10,573,584
Heavy equipment	31,000	261,047	1,910,976	1,028,781	12,507,019	15,738,823
Mechanical equipment	170,917	49,152	3,004,955	104,961	1,729,779	5,059,764
Building equipment	352,726	245,165	1,188,617	-	71,500	1,858,008
Furniture & fixtures	878,379	45,515	359,023	-	661,253	1,944,170
Office equipment	1,015,184	213,855	356,235	205,928	1,054,099	2,845,301
IT Systems / hardware	2,672,376	2,518,154	485,888	27,361	4,301,269	10,005,048
Total	5,988,699	8,591,613	9,012,232	1,850,816	22,581,338	48,024,698
Total Allocated to Functions	\$ 39,516,525	\$ 12,082,490	\$ 93,224,548	\$ 59,892,637	\$319,206,347	523,922,547
Construction in progress						13,860,086
Total Governmental Funds Capital Assets						\$537,782,633

See the accompanying independent auditors' report.

**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL ACTIVITIES
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2004**

FUNCTION	Balance-- Jan. 1, 2004	Additions	Deletions & Transfers	Balance-- Dec. 31, 2004
General government	\$ 35,336,058	\$ 5,781,919	\$ 1,601,452	\$ 39,516,525
Public safety	9,475,556	3,031,386	424,452	12,082,490
Cultural, Library, & Recreation	89,963,652	3,672,758	411,862	93,224,548
Comm. Planning & Enviro. Svs	45,322,737	14,569,900	-	59,892,637
Transportation	314,158,628	7,957,909	2,910,190	319,206,347
Construction in progress	17,688,506	6,444,022	10,272,442	13,860,086
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Governmental Funds Capital Assets	<u>\$ 511,945,137</u>	<u>\$ 41,457,894</u>	<u>\$ 15,620,398</u>	<u>\$ 537,782,633</u>

See the accompanying independent auditors' report.

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STATISTICAL SECTION

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**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (UNAUDITED)
LAST TEN YEARS ¹**

	General Government	Culture Library and Recreation	Communi- cations & Tech ²	Community Planning & Environ- mental	Public Safety	Trans- portation	Other	Debt Service	Capital Outlay	Total
1995	\$ 10,274,942	\$ 13,657,460	\$ -	\$ 3,754,628	\$ 20,520,306	\$ 14,645,125	\$ 3,047,328	\$ 7,544,495	\$ 6,532,056	\$ 79,976,340
1996	11,752,632	14,897,212	-	3,650,214	22,236,721	15,626,385	3,944,218	5,625,787	5,383,119	83,116,288
1997	11,102,561	16,791,718	-	3,763,156	23,615,304	17,503,531	5,774,694	5,805,370	6,591,387	90,947,721
1998	9,415,336	17,266,033	2,503,706	3,728,713	24,489,643	18,054,662	9,617,963	6,019,304	8,822,721	99,918,081
1999	10,881,987	18,115,248	2,732,327	4,204,878	26,479,993	18,893,093	9,689,720	7,239,034	6,430,858	104,667,138
2000	10,748,636	19,569,509	3,056,810	4,534,122	30,249,128	25,193,213	4,192,037	7,011,965	10,176,259	114,731,679
2001	11,618,296	20,679,743	3,291,660	5,068,231	32,070,894	29,130,620	2,883,175	6,243,719	12,282,659	123,268,997
2002	12,372,843	20,743,938	4,177,131	7,586,270	35,669,309	26,212,368	7,297,663	6,143,735	13,882,951	134,086,208
2003	12,879,735	22,423,122	3,642,143	4,961,304	36,764,103	24,601,620	6,596,113	4,369,620	10,425,271	126,663,031
2004	13,547,250	22,029,543	3,572,708	27,198,181	39,864,941	33,388,348	4,950,415	4,363,912	2,661,930	151,577,228

¹ Includes all general, special revenue and debt service funds of the primary government.

² Prior to 1998 CTS was included in General Government.

**GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN YEARS ¹ (UNAUDITED)**

	Taxes	Licenses and Permits	Intergovern- mental	Fees and Charges for Services	Fines and Forfeits	Miscellaneous Other	Total
1995	\$ 54,744,716	\$ 1,172,188	\$ 9,593,845	19,284,445	\$ 731,957	\$ 5,036,473	\$ 90,563,624
1996	59,256,603	1,295,515	12,258,285	22,294,554	913,659	5,604,160	101,622,776
1997	62,135,765	1,308,629	14,217,909	23,826,346	1,006,442	5,835,583	108,330,674
1998	68,828,273	1,773,395	17,496,787	28,395,005	1,180,399	7,303,432	124,977,291
1999	76,552,186	1,788,824	19,713,474	29,109,221	1,125,615	10,047,214	138,336,534
2000	80,502,964	1,696,722	17,756,464	28,958,451	1,196,768	16,301,719	146,413,088
2001	84,401,996	1,843,234	20,971,337	31,440,846	1,224,963	17,122,383	157,004,759
2002	84,888,283	1,683,920	21,239,044	28,893,284	1,306,502	15,855,356	153,866,389
2003	84,770,702	1,764,018	16,179,185	30,376,406	1,844,921	14,168,652	149,103,884
2004	88,866,414	1,947,923	16,734,513	33,938,548	2,287,262	15,514,409	159,289,069

¹ Includes all general, special revenue and debt service funds of the primary government.

**PROPERTY TAX LEVIES AND COLLECTIONS
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS (UNAUDITED)**

PROPERTY TAX LEVIES AND COLLECTIONS			
Collection Year	Total Tax Levy ^{1,2}	Total ³ Tax Collections	Collections As a Percent of Tax Levy
City:			
1995	\$ 6,601,227	\$ 6,434,411	97.47 %
1996	7,425,016	7,230,849	97.39
1997	7,766,667	7,578,215	97.57
1998	8,485,942	8,287,162	97.66
1999	8,788,552	8,579,040	97.62
2000	10,325,033	10,172,098	98.52
2001	10,661,031	10,354,190	97.12
2002	12,004,184	11,943,303	99.49
2003	12,365,206	12,313,458	99.58
2004	13,064,545	12,848,799	98.35
General Improvement District No. 1:			
1995	\$ 117,263	\$ 113,214	96.55 %
1996	118,346	115,250	97.38
1997	130,134	126,505	97.21
1998	113,273	134,139	118.42
1999	140,674	135,184	96.10
2000	162,387	157,074	96.73
2001	161,140	156,438	97.08
2002	178,529	173,639	97.26
2003	180,124	182,673	101.42
2004	182,002	184,112	101.16
Downtown Development Authority:			
1995	\$ 1,039,644	\$ 1,017,003	97.82 %
1996	1,165,622	1,141,631	97.94
1997	1,363,842	1,338,890	98.17
1998	1,514,958	1,482,243	97.84
1999	1,842,897	1,804,001	97.89
2000	2,062,498	2,021,866	98.03
2001	2,145,615	2,101,925	97.96
2002	2,364,542	2,322,830	98.24
2003	3,047,648	2,988,073	98.05
2004	3,143,294	3,088,125	98.24

SPECIAL ASSESSMENT COLLECTIONS ⁴

Year	Total Collections	Year	Total Collections
1995	\$ 1,763,041	2000	\$ 322,720
1996	893,832	2001	233,303
1997	691,386	2002	112,083
1998	506,944	2003	-
1999	502,441	2004	-

¹ Collection year follows levy year. Levy for City and General Improvement District No. 1 are net of tax incremental levy for the Downtown Development Authority.

² Source: Larimer County Assessor's Office.

³ Collections are net of fees collected by Larimer County.

⁴ Special assessment billing information is not available.

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS (UNAUDITED)**

<u>Year ¹</u>	<u>Total Assessed Valuation ²</u>	<u>Estimated Actual Value ^{2,3}</u>
1995	\$ 769,016,600	\$ 5,032,292,270
1996	805,607,970	5,259,855,030
1997	882,869,230	5,940,118,540
1998	915,159,310	6,190,291,110
1999	1,075,170,720	7,171,039,590
2000	1,109,001,981	7,466,574,450
2001	1,248,635,567	8,966,196,099
2002	1,292,139,290	9,317,059,875
2003	1,364,262,334	10,973,228,233
2004	1,390,799,935	11,330,997,519

¹ Taxes for the year assessed are collected in the following year.

² Source: Larimer County Assessor's Office.

³ Actual value is statutory based on manuals and data supplied by the State Property Tax Administrator and differs from market value.

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
BY CLASSIFICATION
December 31, 2004 (UNAUDITED)**

	<u>Assessed</u>	<u>Actual</u>
Vacant	\$ 52,011,430	\$ 179,329,500
Residential	717,008,890	9,007,606,600
Commercial	407,596,950	1,405,500,690
Industrial	187,938,980	648,065,080
Agricultural	352,510	1,216,090
Natural Resources	10,290	35,470
Oil & Gas	715	2,467
State Assessment	25,880,170	89,241,622
	<u> </u>	<u> </u>
Total:	<u>\$ 1,390,799,935</u>	<u>\$ 11,330,997,519</u>

Source: Larimer County Assessor's Office.

PRINCIPAL TAXPAYERS (UNAUDITED)
December 31, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation ¹</u>	<u>Percentage of Total Assessed Valuation</u>
Principal Taxpayers			
Anheuser-Busch, Inc.	Beer brewery	\$ 78,545,400	5.65%
Agilent Technologies, Inc.	Micro electronics	31,691,650	2.28%
Hewlett-Packard Company	Micro electronics	22,299,920	1.60%
Qwest	Public utility	16,614,100	1.19%
GGP Foothills LLC	Shopping mall	11,871,730	0.85%
FC Timberline Development LLC	Shopping mall	8,873,100	0.64%
LSI Logic Inc.	Micro electronics	8,570,880	0.62%
Woodward Governor Company	Speed Controls	5,522,680	0.40%
Comcast of California	Public Utility	5,521,810	0.40%
Public Service Company of Colorado	Public Utility	5,446,560	0.39%
All Others		<u>1,195,842,105</u>	<u>85.98%</u>
		<u><u>\$ 1,390,799,935</u></u>	<u><u>100.00%</u></u>

¹ Source: Larimer County Assessor's Office

**PROPERTY TAX LEVY FROM DIRECT AND OVERLAPPING GOVERNMENTS
APPLICABLE TO MOST PROPERTIES LOCATED IN THE CITY
LAST TEN YEARS (UNAUDITED)**

	City	Larimer County	Poudre R-1 School District	Health District of Northern Larimer County	N. Colorado Water Conservancy District	Total
Rates (In mills) ¹ :						
1995	9.797	20.905	51.720	2.197	1.000	85.619
1996	9.797	21.432	55.103	2.197	1.000	89.529
1997	9.797	20.889	53.712	2.167	1.000	87.565
1998	9.797	21.293	53.572	2.167	1.000	87.829
1999	9.797	21.656	48.243	1.985	1.000	82.681
2000	9.797	21.614	54.250	2.167	1.000	88.828
2001	9.797	22.461	51.723	2.167	1.000	87.148
2002	9.797	22.421	51.723	2.167	1.000	87.108
2003	9.797	22.423	52.496	2.167	1.000	87.883
2004	9.797	22.517	52.496	2.167	1.000	87.977

Levy ²:

1995	\$ 7,534,055	\$ 34,701,117	\$ 54,765,817	\$ 2,332,035	\$ 1,557,685	\$ 100,890,709
1996	7,894,983	37,388,917	61,109,856	2,445,616	1,638,239	110,477,611
1997	8,649,472	40,091,435	64,934,792	2,637,581	1,802,460	118,115,740
1998	8,965,816	42,388,506	66,927,907	2,728,747	1,871,996	122,882,972
1999	10,533,448	50,345,125	70,166,539	2,914,651	2,186,740	136,146,503
2000	10,864,892	52,521,992	81,893,733	3,306,721	2,288,815	150,876,153
2001	12,232,883	63,998,662	89,678,190	3,807,213	2,670,823	172,387,771
2002	12,659,089	66,354,558	92,540,989	3,943,684	2,780,632	178,278,952
2003	13,365,678	69,695,216	97,612,898	4,110,264	2,911,686	187,695,742
2004	13,625,667	71,732,277	99,515,074	4,192,032	2,990,030	192,055,080

Portions of the City are subject to additional mill levies due to their location within the following taxing districts:

	2004 Rate (Mills)	2004 Levy
Fort Collins General Improvement District No. 1 ³	4.924	\$ 263,125
Fort Collins-Loveland Water District	1.500	616,223
South Fort Collins Sanitation District	0.500	173,474
Fort Collins Downtown Development Authority ³	5.000	349,299

Source: Larimer County Assessor's Office.

¹ One mill generates \$1 of property tax revenue per \$1,000 of assessed valuation.

² Taxes for the year levied are collected in the following year.

³ Part of the City's reporting entity.

**SCHEDULE OF DIRECT AND OVERLAPPING DEBT
ASSESSED VALUATION, DEBT, AND DEBT RATIOS
December 31, 2004 (UNAUDITED)**

SCHEDULE OF DIRECT AND OVERLAPPING DEBT

	Outstanding General Obligation Debt ¹	Percentage Applicable to the City ²	Share of Debt Applicable to the City
City of Fort Collins	\$ -	0.00%	\$ -
<u>Overlapping Debt</u>			
Poudre R-1 School District ³	238,545,000	73.37%	175,020,467
Poudre Health Services District ³	-	71.90%	-
	<u>238,545,000</u>		<u>175,020,467</u>
Totals	<u>\$ 238,545,000</u>		<u>\$ 175,020,467</u>

**ASSESSED VALUATION, DEBT, AND DEBT RATIO
DECEMBER 31, 2004**

Estimated actual valuation.	\$ 11,330,997,519
Assessed valuation	\$ 1,390,799,935
Net general obligation direct debt	\$ -
Estimated overlapping debt	\$ 175,020,467
Net direct and estimated overlapping debt	\$ 175,020,467
Ratio of net direct debt to estimated actual valuation.	0.0000
Ratio of net direct debt to assessed valuation	0.0000
Net direct debt per capita ⁴	\$ -
Ratio of net direct and estimated overlapping debt to estimated actual valuation.	0.0154
Ratio of net direct and estimated overlapping debt to assessed valuation	0.1258
Net direct and estimated overlapping debt per capita ⁴	\$ 1,292
Estimated actual valuation per capita ⁴	\$ 83,637
Assessed valuation per capita ⁴	\$ 10,266

¹ Includes only general obligation debt supported by general property taxes less available debt service monies. Does not include general obligation water bonds which have historically been supported by water revenue and not property taxes or general obligation bonds supported by special assessments.

² Determined by calculating ratio of assessed valuation of taxable property within the City to assessed valuation of the overlapping unit. Source for assessed valuations: Larimer County Assessor's Office.

³ Source: Governmental entity.

⁴ Population estimate per City Planning Department --135,478

COMPUTATION OF LEGAL DEBT MARGIN
December 31, 2004 (UNAUDITED)

Assessed Valuation ¹		<u><u>\$ 1,390,799,935</u></u>
Debt limit - 10% of assessed value		\$ 139,079,994
Amount of debt applicable to limit:		
Total bonded debt (including special assessment bonds)	\$ 144,839,129	
Less:		
Assets in debt service funds available for payment of general obligation debt		
Other deductions allowed by law:		
Downtown Development Authority tax increment bonds	(9,468,000)	
Sales and use tax revenue bonds	(4,575,000)	
General obligation water bonds	(13,455,000)	
Water revenue bonds	(38,221,449)	
Sewer revenue bonds	(30,715,216)	
Storm drainage revenue bonds	(46,100,000)	
Highway users tax revenue bonds	<u>(2,304,464)</u>	
Net amount of debt applicable to debt limit		<u>-</u>
Legal debt margin		<u><u>\$ 139,079,994</u></u>

¹ Source: Larimer County Assessor's Office.

**RATIO OF NET DIRECT GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET DIRECT BONDED DEBT PER CAPITA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
DIRECT GENERAL BONDED DEBT TO GENERAL EXPENDITURES
LAST TEN YEARS (UNAUDITED)**

**RATIO OF NET DIRECT GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET DIRECT BONDED DEBT PER CAPITA**

	Population	Assessed Valuation	Net Direct General Bonded Debt ^{1,2}	Ratio Of Net Direct General Bonded Debt to Assessed Valuation	Net Direct Bonded Debt Per Capita
1995	99,726	\$ 769,016,600	\$ 2,360,000	0.0031	\$ 23.66
1996	102,571	805,607,970	1,820,000	0.0023	17.74
1997	106,223	882,969,230	1,250,000	0.0014	11.77
1998	108,981	915,159,310	955,000	0.0010	8.76
1999	112,912	1,075,170,720	650,000	0.0006	5.76
2000	118,652	915,159,310	330,000	0.0004	2.78
2001	122,377	1,075,170,720	-	-	-
2002	126,848	1,292,139,290	-	-	-
2003	130,566	1,364,262,334	-	-	-
2004	135,478	1,390,799,935	-	-	-

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
DIRECT GENERAL BONDED DEBT TO GENERAL EXPENDITURES**

	Principal	Interest	Total Debt Service ¹	Total General Expenditures ³	Ratio of Debt Service to General Expenditures
1995	\$ 505,000	\$ 150,192	\$ 655,192	\$ 79,976,340	0.0082
1996	540,000	117,193	657,193	83,116,288	0.0079
1997	570,000	80,692	650,692	90,947,721	0.0072
1998	295,000	57,608	352,608	99,918,081	0.0035
1999	305,000	44,922	349,922	104,667,138	0.0033
2000	320,000	31,045	351,045	114,731,679	0.0031
2001	330,000	16,005	346,005	123,268,997	0.0028
2002	-	-	-	134,086,208	-
2003	-	-	-	126,663,031	-
2004	-	-	-	151,577,228	-

¹ Includes only general obligation debt of the City supported by general property taxes.

² Equals gross direct general bonded debt less debt service monies available.

³ Includes general, special revenue and debt service funds of the City and its component units.

**REVENUE BOND COVERAGE
LAST TEN YEARS (UNAUDITED)**

SEWER REVENUE BONDS

	Gross Revenues	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 16,235,434	\$ 6,814,874	\$ 9,420,560	\$ 2,070,836	\$ 3,148,926	\$ 5,219,762	1.80
1996	16,458,987	7,013,751	9,445,236	2,286,936	2,870,990	5,157,926	1.83
1997	15,534,086	7,251,132	8,282,954	2,566,718	2,503,292	5,070,010	1.63
1998	17,493,497	7,529,753	9,963,744	2,567,645	2,395,363	4,963,008	2.01
1999	17,357,616	8,076,117	9,281,499	2,599,075	2,281,244	4,880,319	1.90
2000	18,009,290	8,285,684	9,723,606	2,791,950	2,161,579	4,953,529	1.96
2001	19,267,404	8,733,170	10,534,234	3,040,433	2,057,455	5,097,888	2.07
2002	17,497,700	9,021,741	8,475,959	3,160,550	2,373,596	5,534,146	1.53
2003	16,498,459	8,767,456	7,731,003	3,172,004	2,220,133	5,392,137	1.43
2004	16,978,586	9,461,490	7,517,096	1,505,051	1,950,594	3,455,645	2.18

STORM DRAINAGE REVENUE BONDS

	Gross Revenues	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 4,617,027	\$ 1,361,021	\$ 3,256,006	\$ 355,000	\$ 651,146	\$ 1,006,146	3.24
1996	4,938,623	1,518,504	3,420,119	380,000	630,806	1,010,806	3.38
1997	5,078,864	1,557,560	3,521,304	235,000	587,029	822,029	4.28
1998	5,636,101	1,728,041	3,908,060	470,000	709,328	1,179,328	3.31
1999	6,883,868	1,861,037	5,022,831	500,000	1,174,146	1,674,146	3.00
2000	7,756,140	2,198,073	5,558,067	1,175,000	1,636,668	2,811,668	1.98
2001	8,289,000	2,256,919	6,032,081	1,410,000	1,644,566	3,054,566	1.97
2002	11,583,376	2,620,981	8,962,395	1,655,000	2,336,571	3,991,571	2.25
2003	12,910,089	2,574,203	10,335,886	2,162,500	2,284,237	4,446,737	2.32
2004	13,762,079	3,781,929	9,980,150	2,247,500	2,194,153	4,441,653	2.25

HIGHWAY USERS TAX REVENUE BONDS ¹

	Gross Revenues	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 2,171,192	\$ -	\$ 2,171,192	\$ 130,000	\$ 223,452	\$ 353,452	6.14
1996	2,335,768	-	2,335,768	135,000	217,797	352,797	6.62
1997	2,577,044	-	2,577,044	145,000	211,520	356,520	7.23
1998	2,889,902	-	2,889,902	-	102,207	102,207	28.27
1999	2,211,376	-	2,211,376	90,000	148,555	238,555	9.27
2000	2,148,377	-	2,148,377	220,000	134,248	354,248	6.06
2001	2,366,554	-	2,366,554	230,000	126,548	356,548	6.64
2002	2,366,397	-	2,366,397	235,000	118,268	353,268	6.70
2003	2,309,109	-	2,309,109	245,000	109,573	354,573	6.51
2004	2,509,865	-	2,509,865	255,000	100,263	355,263	7.06

(Continued)

**REVENUE BOND COVERAGE
LAST TEN YEARS (UNAUDITED)**

(Continued)

SALES AND USE TAX REVENUE BONDS ²

	Gross Revenues	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 35,381,156	\$ -	\$ 35,381,156	\$ 1,755,000	\$ 1,095,015	\$ 2,850,015	12.41
1996	38,350,513	-	38,350,513	1,815,000	1,033,095	2,848,095	13.47
1997	40,416,363	-	40,416,363	1,885,000	962,103	2,847,103	14.20
1998	45,325,646	-	45,325,646	1,970,000	882,580	2,852,580	15.89
1999	50,699,053	-	50,699,053	2,050,000	794,035	2,844,035	17.83
2000	52,346,674	-	52,346,674	2,145,000	697,928	2,842,928	18.41
2001	56,643,203	-	56,643,203	2,255,000	594,043	2,849,043	19.88
2002	53,757,585	-	53,757,585	2,365,000	481,633	2,846,633	18.88
2003	54,125,730	-	54,125,730	735,000	294,045	1,029,045	52.60
2004	56,206,574	-	56,206,574	855,000	141,250	996,250	56.42

GENERAL OBLIGATION WATER BONDS/WATER REVENUE OBLIGATIONS ³

	Gross Revenues	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 19,419,720	\$ 7,873,784	\$ 11,545,936	\$ 2,425,000	\$ 2,611,986	\$ 5,036,986	2.29
1996	21,155,679	7,905,862	13,249,817	2,590,000	2,464,918	5,054,918	2.62
1997	20,396,116	8,339,983	12,056,133	2,740,000	2,329,466	5,069,466	2.38
1998	23,360,903	8,906,404	14,454,499	2,841,631	2,401,113	5,242,744	2.76
1999	26,068,298	9,577,305	16,490,993	4,241,659	3,518,807	7,760,466	2.13
2000	29,043,170	10,554,011	18,489,159	4,537,806	3,531,986	8,069,792	2.29
2001	32,227,924	11,099,066	21,128,858	4,758,771	3,327,064	8,085,835	2.61
2002	29,504,446	11,886,658	17,617,788	4,995,204	3,092,660	8,087,864	2.18
2003	31,104,859	12,932,160	18,172,699	4,871,637	2,238,698	7,110,335	2.56
2004	32,139,886	12,962,054	19,177,832	5,116,983	2,131,535	7,248,518	2.65

¹ Gross revenues are reported as part of intergovernmental revenues in the Transportation Fund.

² Gross revenues are less sales tax restricted for specific purposes.

³ General obligation water bonds have historically been paid from water revenues of the City and not general property taxes.

**PROPERTY VALUE, CONSTRUCTION ACTIVITY, ASSESSED REAL PROPERTY VALUES AND
TOTAL STREET MILES
LAST TEN YEARS (UNAUDITED)**

Year	Construction Activity-- Building Permits Issued				Assessed Real Property Values	
	Housing Permits	Value	Total Permits	Value	Business	Residential
1995	1,232	\$ 95,397,371	4,250	\$ 162,915,698	\$ 222,957,090	\$ 398,922,040
1996	1,762	134,302,016	4,833	187,998,855	234,066,390	417,480,110
1997	1,315	121,423,816	5,066	204,403,553	260,559,420	444,663,750
1998	1,703	165,326,408	5,461	296,040,273	274,012,070	462,818,330
1999	1,892	181,653,157	6,729	400,858,459	306,718,321	509,559,864
2000	1,582	166,931,148	7,265	301,921,759	262,044,132	533,759,449
2001	1,899	183,763,167	7,558	347,620,126	302,338,400	622,969,507
2002	1,579	171,430,007	7,335	280,630,125	317,532,750	649,837,290
2003	1,422	167,532,010	7,804	292,412,644	336,979,120	687,548,630
2004	1,386	206,791,205	7,380	450,351,863	342,144,750	717,008,890

Year	Annexation Trends			Total Street Miles
	Acres Annexed	City Size (Sq Mi)	Annual Growth	
1995	51	44.10	0.18	373
1996	-	44.10	0.00	385
1997	64	44.20	0.23	392
1998	448	45.60	3.17	403
1999	397	46.30	1.54	413
2000	346	46.98	1.47	415
2001	1,587	49.43	5.21	436
2002	691	50.51	2.18	463
2003	314	51.00	0.97	472
2004	77	51.12	0.24	476

DEMOGRAPHIC STATISTICS (UNAUDITED)

Year	Population		School Enrollment		Unemployment
	City	County ¹	CSU ²	Poudre R-1 ³	Rate
1995	99,726	216,289	21,914	21,087	4.1
1996	102,571	222,462	21,970	21,642	4.0
1997	106,223	226,084	22,344	21,642	3.9
1998	108,981	234,345	22,523	23,031	3.8
1999	112,912	242,783	22,782	23,404	3.1
2000	118,652	251,494	23,098	23,412	3.0
2001	122,377	258,985	23,934	23,081	3.5
2002	126,848	268,740	24,735	23,043	5.2
2003	130,566	273,695	25,042	23,027	5.8
2004	135,478	283,000	25,382	24,348	5.3

2004 Age Profile by Classification and Comparative Data for County, State, and U.S. ⁴

Age	% of City Population	% of County Population	% of State Population	% of US Population
0-17	21.4 %	23.2 %	25.4 %	25.1
18-24	20.6	13.5	9.9	9.9
25-34	17.4	14.7	14.9	13.6
35-49	20.4	23.0	23.9	22.7
50 +	20.2	25.6	25.9	28.7

2004 Effective Buying Income Category and Comparative Data for County, State, and United States ⁴

Income	% of City Households	% of County Households	% of State Households	% of US Households
<\$20,000	20.4 %	16.4 %	16.8 %	22.3
\$20,000-34,999	22.0	21.0	22.2	23.3
\$35,000-49,999	18.1	19.2	19.1	19.0
>\$50,000	39.5	43.4	41.9	35.4

Per Capita Effective Buying Income and Comparative Data for County, State, and U.S. ⁴

Year	City	County	State	U.S.
1995	\$ 15,505	\$ 16,052	\$ 17,432	\$ 16,918
1996	14,364	14,864	15,449	14,965
1997	14,868	15,382	16,019	15,555
1998	15,698	16,245	16,760	16,281
1999	16,430	16,982	17,526	16,895
2000	17,389	17,947	18,465	17,691
2001	17,961	18,789	19,466	18,426
2002	18,780	20,168	21,220	18,491
2003	19,793	21,065	20,995	18,375
2004	19,908	21,384	21,423	18,662

2004 Miscellaneous Demographic Data ⁴

	City	County	State	U.S.
Median Age of Population	n/a	n/a	n/a	36.0
Number of Households--000s	49.0	104.4	1,764.6	109,951.5
% of U.S. Population	0.0432%	0.0919%	1.5695%	100.0000%

Sources:

¹ Larimer County.

² Colorado State University.

³ Poudre School District.

⁴ Sales & Marketing Management, Survey of Buying Power, 2004 & Prior Editions.

**HISTORY OF SALES AND USE TAX RATES
LAST TEN YEARS (UNAUDITED)**

	General Sales and Use Tax	Street Maintenance & Transportation Projects	Community Enhancement Capital Projects	Natural Areas & Parks	Total City Sales and Use Tax	Larimer County Tax	Colorado State Tax	Total All Taxes
Rates (%)								
1995	2.25	0.25	0.25	0.25	3.00	-	3.00	6.00
1996	2.25	0.25	0.25	0.25	3.00	-	3.00	6.00
1997	2.25	0.25	0.25	0.25	3.00	0.25	3.00	6.25
1998	2.25	0.25	0.25	0.25	3.00	0.25	3.00	6.25
1999	2.25	0.25	0.25	0.25	3.00	0.65	3.00	6.65
2000	2.25	0.25	0.25	0.25	3.00	0.75	3.00	6.75
2001	2.25	0.25	0.25	0.25	3.00	0.80	3.00	6.80
2002	2.25	0.25	0.25	0.25	3.00	0.80	2.90	6.70
2003	2.25	0.25	0.25	0.25	3.00	0.80	2.90	6.70
2004	2.25	0.25	0.25	0.25	3.00	0.80	2.90	6.70

**HISTORY OF SALES AND USE TAX RATES
LAST TEN YEARS (UNAUDITED)**

	Taxable Retail Sales	General Sales Tax ¹	General Use Tax ²	Street Maintenance & Transportation Projects ²	Community Enhancement Capital Projects ³	Natural Areas and Parks ⁴	Sales & Use Tax Accrual ⁵	Total Sales & Use Tax Revenue
	(amounts expressed in thousands)							
1995	\$ 1,192,083	\$ 27,241	\$ 6,501	\$ 3,308	\$ 3,706	\$ 3,308	\$ 203	\$ 44,267
1996	1,273,324	29,041	7,697	3,635	4,065	3,635	553	48,626
1997	1,363,095	31,081	7,644	3,822	4,252	3,822	558	51,179
1998	1,506,624	34,426	9,054	4,348	4,443	4,724	231	57,226
1999	1,647,695	37,724	11,035	4,847	4,847	5,430	574	64,457
2000	1,797,681	41,068	8,723	4,998	4,958	5,526	1,398	66,671
2001	1,979,023	43,473	10,733	5,643	5,584	5,734	(576)	70,591
2002	1,965,761	43,303	8,727	5,374	5,646	5,151	1,318	69,519
2003	1,969,208	43,109	8,535	5,327	5,612	5,112	681	68,376
2004	2,024,683	44,329	9,404	6,077	5,342	5,342	1,563	72,057

¹ Includes the permanent, non-expiring portion of the City's sales and use tax (2.25%).

² These amounts are restricted for street maintenance/improvements by ordinance, through 1997; for 1998 and all subsequent years, collections are restricted for Building Community Choices Streets and Transportation projects. These tax revenues are authorized through December 2015.

³ These amounts are restricted for Choices 95 capital improvements by ordinance, through 1997; for 1998 and all subsequent years, collections are restricted for Building Community Choices Community Enhancement projects. These tax revenues are authorized through December 2005.

⁴ These amounts are restricted for natural areas by ordinance through 1997; for 1998 and all subsequent years, collections are restricted for Building Community Choices Natural Areas and Parks projects. In the November 2002 general election, this tax was authorized to be extended through 2030.

⁵ These amounts represent the net effect of applying GASB Statement 22, which requires reporting sales and use taxes on the modified accrual basis of accounting. Prior to 1995, sales and use taxes were reported on a cash basis.

**RESIDENTIAL REAL ESTATE SALES STATISTICS
LAST TEN YEARS (UNAUDITED)**

	Number of Homes Sold	% Increase from Prior Year	Dollar Value of Homes Sold	% Increase from Prior Year	Average Sales Price	% Increase from Prior Year
1996	3,109	9.7	\$ 458,586,827	13.0	\$ 147,503	3.0 %
1997	3,165	1.8	486,539,625	6.1	153,725	4.2
1998	3,834	21.1	612,235,944	25.8	159,686	3.9
1999	3,855	0.5	674,764,563	10.2	175,036	9.6
2000	3,674	-5.0	712,910,308	6.0	194,042	11.0
2001	4,059	13.2	864,736,896	23.9	213,042	9.5
2002	4,175	2.9	907,286,750	4.9	217,314	2.0
2003	3,821	-8.0	873,255,500	-4.0	228,541	5.0
2004	3,821	-8.0	873,255,500	-4.0	228,541	5.0
2005	4,087	7.0	942,415,724	8.0	230,589	1.0

Source: Fort Collins Board of Realtors Multiple Listing Service.

**WASTEWATER UTILITY ENTERPRISE
SEWER REVENUE BONDS
SEC RULE 15c2-12 INFORMATION—CUSTOMER BASE, RATE STRUCTURE, AND ENFORCEMENT
(UNAUDITED)**

Customer Base

The sewer (wastewater) system serves a customer base which has grown as follows in the years 1995 to 2004:

<u>Years (at December 31)</u>	<u>Wastewater Customers</u>
1995	27,357
1996	28,503
1997	29,271
1998	29,994
1999	30,748
2000	32,235
2001	32,564
2002	32,905
2003	32,865
2004	32,637

Approximately 95% of the wastewater customers are residential, with the remaining 5% being industrial and commercial customers. Currently, only two customers represent more than 3% of wastewater system revenues. In 2004, amounts paid by an industrial customer comprised 11% of wastewater revenues (\$1,385,049) with a total flow representing 12% of total system usage; and amounts paid by the university comprised 5% of wastewater system revenues (\$568,561), with a total usage representing 3.7% of total system usage.

Rate Structure

User Charges. The following tables show the City's monthly wastewater user charges in effect on January 1, 2005. Historically, user charges increased 4.5% for residential rates and 7.5% for commercial rates in 1990, 8.6% for residential rates and 11.6% for commercial rates in 1991, 6.0% per year for all customer classes in 1992, 1993, 1994, and 1995, 3.0% in 1996, 0% in 1997, 2.0% in 1998, 1999, 2000, 2001, 2002 and 2003, and 5% in 2004 and 2005. A 5% increase is projected for 2006. The minimum winter quarter average consumption (WQA) is 3,000 gallons for single family customers (4,000 gallons for duplexes).

Monthly User Charges ¹

<u>Residential Metered</u>	<u>Wastewater Rates</u>
Single family	\$8.28 plus \$1.650 per 1,000 gallons of WQC ²
Duplex	\$11.04 plus \$1.650 per 1,000 gallons of WQC ²
Multi-family	\$1.30 per living unit plus \$1.650 per 1,000 gallons of WQC ²

(continued)

**WASTEWATER UTILITY ENTERPRISE
SEWER REVENUE BONDS**

**SEC RULE 15c2-12 INFORMATION-CUSTOMER BASE, RATE STRUCTURE, AND ENFORCEMENT (UNAUDITED)
(Continued)**

Monthly User Charges (continued)

<u>Commercial Metered</u>	<u>Wastewater Rates</u>
$\frac{3}{4}$ " metered	\$5.57 plus \$1.650 per 1,000 gallons ³
1"	\$12.72 plus \$1.650 per 1,000 gallons ³
1 $\frac{1}{2}$ "	\$25.76 plus \$1.650 per 1,000 gallons ³
2"	\$43.11 plus \$1.650 per 1,000 gallons ³
3"	\$71.64 plus \$1.650 per 1,000 gallons ³
4"	\$120.30 plus \$1.650 per 1,000 gallons ³
6"	\$589.84 plus \$1.650 per 1,000 gallons ³
8"	\$640.49 plus \$1.650 per 1,000 gallons ³

Footnotes:

¹ Excludes payments in lieu of taxes which are included as an additional 6% charge in the wastewater bill and remitted to the general fund.

² Average monthly amount of water billed during January, February, and March.

³ The usage charge of \$1.650 multiplied by each increment of 1,000 gallons either (a) actually consumed or (b) based on WQC, if customer is eligible.

Plant Investment Fees. The plant investment fee is collected to pay for growth-related capital expansion costs of the City's wastewater treatment plants, collection system and sludge disposal facilities. This fee is paid at the time a building permit is issued. Set forth in the following table is the current plant investment fee schedule which became effective on January 1, 1999. Revised plant investment fees are proposed for implementation January, 2006. Revenue generated by the plant investment fee generally is restricted for the purpose of capital improvements and expansion of the wastewater treatment plant.

Plant Investment Fees

Residential:

Single family residence	\$1,030
Multi-family residence (2 or more)	\$830 for each dwelling unit or mobile home space

Non-Residential: (based on water connection size)

$\frac{3}{4}$ "	\$2,500
1"	\$6,500
1 $\frac{1}{2}$ "	\$12,900
2"	\$18,900
3"	\$39,600
4"	Based on average wastewater flow

WASTEWATER UTILITY ENTERPRISE

SEWER REVENUE BONDS

SEC RULE 15c2-12 INFORMATION-CUSTOMER BASE, RATE STRUCTURE, AND ENFORCEMENT (UNAUDITED) (Continued)

Other Fees and Charges. The City also charges additional fees and charges related to the provision of sewer service, including wastewater strength surcharges, industrial wastewater discharge permit application and administration fees, wastewater monitoring and sampling charges, laboratory analysis and support service charges, a private sewage disposal system permit and inspection fee, and a building sewer permit and inspection fee.

Enforcement

The City's collections of wastewater charges historically have been in excess of 99%. Unpaid charges constitute a perpetual lien on the property to which service was delivered. Customers with delinquent active accounts are sent courtesy notices after 38 days. Wastewater service is not discontinued due to delinquency because of public health regulations. However, the City may discontinue water and electric service on delinquent accounts. Sometimes liens are filed while the delinquent customer is still an active account. Customers who have moved from the address where service was supplied and left the account owing to the City are typically assigned to a collection agency.

**WASTEWATER UTILITY ENTERPRISE
SEWER REVENUE BONDS
SEC RULE 15c2-12 INFORMATION—COLLECTIONS AND OPERATING HISTORY (UNAUDITED)**

Collections

The following table sets forth the historical Wastewater System user rates, plant investment fees, other fees and charges, and investment earnings:

	Sewer System Income (2000-2004)				
	2000	2001	2002	2003	2004
User rates	\$ 11,869,338	\$ 12,222,547	\$ 12,419,296	\$ 12,221,993	\$ 12,638,568
Plant investment fees	2,718,832	3,418,497	2,460,925	2,429,509	897,658
Other fees & charges	3,064,464	1,609,523	1,478,174	792,373	2,267,082
Investment earnings	1,960,958	1,836,309	1,139,305	1,054,584	1,175,278
Total Sewer System Revenue	<u>\$ 19,613,592</u>	<u>\$ 19,086,876</u>	<u>\$ 17,497,700</u>	<u>\$ 16,498,459</u>	<u>\$ 16,978,586</u>

Operating History of the Wastewater Fund

The financial section of this Comprehensive Annual Financial Report contains financial statements of the City and the Wastewater Fund as of and for the year ended December 31, 2004. The following sets forth the operating history of the Wastewater Fund for the years ended December 31, 2000 through 2004:

	Comparative Statement of Revenues, Expenses and Changes in Fund Equity For the Years Ended December 31, 2000 - 2004				
	2000	2001	2002	2003	2004
Operating Revenues					
Charges for services	\$ 11,869,338	\$ 12,222,547	\$ 12,419,296	\$ 12,221,993	\$ 12,638,568
Operating Expenses					
Administrative charge	1,287,309	1,364,835	1,533,880	1,438,443	1,560,904
Personal services	3,690,622	3,905,193	4,057,913	4,015,500	4,395,401
Contractual services	1,347,073	1,549,299	1,388,617	1,297,264	1,451,335
Commodities	720,794	637,220	694,061	666,296	722,160
Other	1,239,886	1,276,623	1,347,270	1,349,953	1,331,690
Depreciation	2,737,273	2,841,664	2,927,906	2,564,767	3,034,841
Total Operating Expenses	<u>11,022,957</u>	<u>11,574,834</u>	<u>11,949,647</u>	<u>11,332,223</u>	<u>12,496,331</u>
Operating Income	<u>846,381</u>	<u>647,713</u>	<u>469,649</u>	<u>889,770</u>	<u>142,237</u>
Nonoperating Revenues (Expenses)					
Other revenue	1,460,162	1,153,831	991,290	746,568	748,556
Earnings on investments	1,960,958	1,836,309	1,139,305	1,054,584	1,175,278
Net increase (decrease) in the fair value of investments	192,853	281,557	23,829	(220,723)	(266,013)
Gain on sale of capital assets		455,692	486,884	19,855	1,489,319
Interest expense	(2,721,534)	(2,760,166)	(2,424,662)	(2,359,274)	(2,102,697)
Other expenses	(92,921)	(96,131)	(96,131)	(96,131)	(96,131)
Total Nonoperating Revenues (Expenses)	<u>799,518</u>	<u>871,092</u>	<u>120,515</u>	<u>(855,121)</u>	<u>948,312</u>
Income Before Contributions and Transfers	<u>1,645,899</u>	<u>1,518,805</u>	<u>590,164</u>	<u>34,649</u>	<u>1,090,549</u>
Capital contributed	2,718,832	3,599,025	2,460,925	2,455,459	926,865
Operating transfers in	-	-	-	830,830	121,700
Operating transfers out	<u>(118,578)</u>	<u>(130,910)</u>	<u>(69,000)</u>	<u>(69,000)</u>	<u>(69,000)</u>
	<u>2,600,254</u>	<u>3,468,115</u>	<u>2,391,925</u>	<u>3,217,289</u>	<u>979,565</u>
Change in Net Assets	4,246,153	4,986,920	2,982,089	3,251,938	2,070,114
Fund Equity--Jan. 1	78,254,904	82,809,115	87,796,035	90,778,124	94,030,062
Fund Equity--Dec. 31	<u>\$ 82,501,057</u>	<u>\$ 87,796,035</u>	<u>\$ 90,778,124</u>	<u>\$ 94,030,062</u>	<u>\$ 96,100,176</u>

**WASTEWATER UTILITY ENTERPRISE
SEWER REVENUE BONDS
SEC RULE 15c2-12 INFORMATION—HISTORIC DEBT SERVICE COVERAGE (UNAUDITED)**

The historic debt service coverage on obligations payable from net pledged revenues of the Wastewater Fund for the past ten years is as follows:

**SEWER REVENUE BONDS--COVERAGE OF DEBT SERVICE REQUIREMENTS BY
NET PLEDGED REVENUES OF THE SEWER SYSTEM--1995 TO 2004 ¹**

	Gross Revenues ²	Expenses ³	Net Pledged Revenues	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 16,235,434	\$ 6,814,874	\$ 9,420,560	\$ 2,070,836	\$ 3,148,926	\$ 5,219,762	1.80
1996	16,458,987	7,013,751	9,445,236	2,286,936	2,870,990	5,157,926	1.83
1997	15,534,086	7,251,132	8,282,954	2,566,718	2,503,292	5,070,010	1.63
1998	17,493,497	7,529,753	9,963,744	2,567,645	2,395,363	4,963,008	2.01
1999	17,357,616	8,076,117	9,281,499	2,599,075	2,281,244	4,880,319	1.90
2000	18,009,290	8,285,684	9,723,606	2,791,950	2,161,579	4,953,529	1.96
2001	19,267,404	8,733,170	10,534,234	3,040,433	2,057,455	5,097,888	2.07
2002	17,497,700	9,021,741	8,475,959	3,160,550	2,373,596	5,534,146	1.53
2003	16,498,459	8,767,456	7,731,003	3,172,004	2,220,133	5,392,137	1.43
2004	16,978,586	9,461,490	7,517,096	1,505,051	1,950,594	3,455,645	2.18

¹ Includes debt service on all bonds secured by sewer system revenues.

² Includes all income of the Wastewater Fund pledged for the payment of bonds.

³ Operating expenses less depreciation.

**WASTEWATER UTILITY ENTERPRISE
SEWER REVENUE BONDS
SEC RULE 15C2-12 INFORMATION – BALANCES ON DEPOSIT (UNAUDITED)**

The sewer revenue bonds are secured by an irrevocable pledge of a first lien upon net pledged revenues of the Wastewater Fund. The sewer revenue bond ordinances provide that all gross revenues pledged to the sewer revenue bonds will be set aside and credited to the Wastewater Fund and that such revenues will be deposited and applied in the following order of priority:

Operation and Maintenance Fund. As a first charge on the Wastewater Fund, the bond ordinances require the City to credit from time to time to the operation and maintenance fund revenue sufficient to pay the necessary and reasonable current expenses of operating, maintaining, and repairing the sewer system. **The balance on deposit in this fund as of December 31, 2004 is \$715,500.**

Principal and Interest Fund. The bond ordinances require the City, after making the payments required above, to apply monthly to the principal and interest fund moneys sufficient in the aggregate to pay the principal of and interest on the sewer revenue bonds. **The balance on deposit in this fund as of December 31, 2004 is \$446,568.**

Debt Service Reserve Fund. The bond ordinances require the City to retain certain amounts in the debt service reserve fund for the Series 1995, and Series 2000 Sewer Revenue Bonds. However, concurrently with the issuance of the 2000 Sewer Revenue Bonds, a debt service reserve insurance policy was issued that unconditionally guarantees the payment of principal and interest on these bonds (up to and including the amount provided for in the reserve policy) in the event of nonpayment by the City. **Accordingly, the amount on deposit in the Debt Service Reserve Fund as of December 31, 2004 was \$0.**

Wastewater Utility Capital Reserve. The City has covenanted, so long as any debt service requirements of the City's Sewer Revenue Bond, Series 1992, remain unpaid, to maintain in the Wastewater Utility Capital Reserve and amount equal to 17% of the necessary and reasonable operation and maintenance expenses budgeted for the then-current fiscal year. These amounts are to be maintained as a continuing reserve for payment of costs of necessary capital improvements to the sewer system. **The balance on deposit in this reserve was \$19,725,735 as of December 31, 2004. This amount satisfies the 17% requirement indicated above for fiscal year 2004.**

In addition to the above, the bond ordinance established the following funds:

Excess Investment Earnings Fund. This fund was established for the purpose of accumulating and paying rebatable arbitrage earnings to the federal government under Sections 103 and 148(f)(2) of the Internal Revenue Code. **As of December 31, 2004 the balance on deposit in this fund was \$0.**

Sewer Fund. The Sewer Fund, referred to in the bond ordinance, was established by Ordinance No. 67, 1974. Complete financial statements, which reflect all deposits and balances of this fund (herein referred to as the "Wastewater Fund") are included in the financial section of this report.

**STORM DRAINAGE UTILITY ENTERPRISE
STORM DRAINAGE REVENUE BONDS
SEC RULE 15c2-12 INFORMATION—FEE REVENUES AND OPERATING HISTORY (UNAUDITED)**

Collections

The following table sets forth the historical Storm Drainage Fund fee revenues for the years 2000 through 2004.

	Storm Drainage Fund Fee Revenues (2000-2004)				
	2000	2001	2002	2003	2004
Storm drainage utility fee (operation & maintenance component)	\$ 5,742,046	\$ 6,692,538	\$ 9,994,428	\$ 11,197,803	\$ 12,534,750
Storm drainage utility fee (capital component)	77,990	-	-	-	-
Storm drainage basin fees	656,836	972,866	628,586	764,455	709,420
Total Storm Drainage Fund Fee Revenues	<u>\$ 6,476,872</u>	<u>\$ 7,665,404</u>	<u>\$ 10,623,014</u>	<u>\$ 11,962,258</u>	<u>\$ 13,244,170</u>

Operating History of the Storm Drainage Fund

The financial section of this Comprehensive Annual Financial Report contains financial statements of the City and the Storm Drainage Fund as of and for the year ended December 31, 2004. The following sets forth the operating history of the Storm Drainage Fund for the years ended December 31, 2000 through 2004:

	Comparative Statement of Revenues, Expenses and Changes in Fund Equity For the Years Ended December 31, 2000 - 2004				
	2000	2001	2002	2003	2004
Operating Revenues					
Charges for services	\$ 5,820,036	\$ 6,692,538	\$ 9,994,428	\$ 11,197,803	\$ 12,534,750
Operating Expenses					
Administrative charge	771,754	837,721	1,000,512	967,073	1,211,509
Personal services	847,689	913,313	946,832	939,727	1,775,207
Contractual services	367,852	294,190	304,710	334,595	443,323
Commodities	32,612	35,964	31,014	43,129	65,378
Other	178,166	175,731	337,913	289,679	286,512
Depreciation	1,056,809	1,295,982	1,612,425	1,915,677	2,089,391
Total Operating Expenses	3,254,882	3,552,901	4,233,406	4,489,880	5,871,320
Operating Income	2,565,154	3,139,637	5,761,022	6,707,923	6,663,430
Nonoperating Revenues (Expenses)					
Other revenue	112,210	1,698	176,094	11,720	1,940
Earnings on investments	1,167,058	621,898	530,014	936,111	509,975
Net increase (decrease) in the fair value of investments	58,760	53,894	35,334	(76,070)	(62,152)
Gain on sale of capital assets	-	-	254,254	-	5,994
Interest expense	(1,669,182)	(1,699,078)	(2,253,719)	(2,303,749)	(2,223,165)
Other expenses	(32,041)	(31,725)	(83,849)	(52,103)	(52,103)
Total Nonoperating Revenues (Expenses)	(363,195)	(1,053,313)	(1,341,872)	(1,484,091)	(1,819,511)
Income Before Contributions and Transfers	2,201,959	2,086,324	4,419,150	5,223,832	4,843,919
Capital contributions	656,836	972,866	628,586	764,455	709,420
Operating transfers In	-	-	-	104,020	-
Operating transfers out	(63,039)	(89,810)	(57,500)	(57,500)	(57,500)
	593,797	883,056	571,086	810,975	651,920
Change in Net Assets	2,795,756	2,969,380	4,990,236	6,034,807	5,495,839
Net Assets--Jan. 1	24,293,457	27,215,054	30,184,434	35,174,670	41,209,477
Net Assets--December 31	<u>\$ 27,089,213</u>	<u>\$ 30,184,434</u>	<u>\$ 35,174,670</u>	<u>\$ 41,209,477</u>	<u>\$ 46,705,316</u>

**STORM DRAINAGE UTILITY ENTERPRISE
STORM DRAINAGE REVENUE BONDS
SEC RULE 15C2-12 INFORMATION (UNAUDITED)**

Storm Drainage Utility Fee Structure

Storm drainage utility fees are imposed on every developed lot and parcel of land within the City and are payable monthly. The storm drainage utility fee is designed to pay for the operation and maintenance of the City's storm drainage system. The fee also pays for the design, right-of-way acquisition, and construction or reconstruction of storm drainage facilities through out the City. The monthly storm drainage utility fee in effect at the end of 2004 for a residential lot of approximately 8,600 square feet is \$14.26 and \$28.52 for a commercial lot of approximately 8,600 square feet. These amounts did not increase in 2005.

Storm drainage utility fees are billed through the City's consolidated monthly billing system, permitting the City to include storm drainage utility fees on a customer's regular utility bill. If a customer fails to pay any utility fees, the City has the authority to terminate utility service to the delinquent customer and to place a lien on the property for which the fees are delinquent.

Approximately 81% of storm drainage utility billing accounts and 45.3% of storm drainage revenues are attributable to single family residential customers. 19% of accounts and 54.7% of storm drainage revenues are attributable to multi-family residential, commercial and industrial customers. Two customers of the storm drainage utility contribute 2% or more of the storm drainage utility's total monthly revenue - the school district with 8.6% of total revenue and the City municipal government at 3.2%. Historically, the City collects over 99% of its billed monthly utility charges for storm drainage.

Historic Net Pledged Revenues

Based on the 2004 revenues and expenditures of the Storm Drainage Fund and using the combined actual debt service requirements of the City's outstanding storm drainage utility revenue bonds and the debt service requirements of the bonds, the net pledged revenues available for debt service in 2004 would have covered the combined average annual debt service requirements of the bonds approximately 2.65 times and would have covered the combined maximum debt service of the bonds approximately 2.21 times.

Changes in Storm Drainage Fees

Since 1987, the City has increased the overall storm drainage fees fifteen times. The average increase in the total fees is as follows:

<u>Year</u>	<u>Increase</u>	<u>Year</u>	<u>Increase</u>	<u>Year</u>	<u>Increase</u>
1988	15 %	1994	7 %	2000	10 %
1989	27	1995	21	2001	9
1990	19	1996	0	2002	45
1991	16	1997	1	2003	10
1992	21	1998	2	2004	10
1993	8	1999	0	2005	0

A 3% increase is anticipated in 2006, and a 3% increase is projected for 2007.

Prior to November of 1998, storm drainage utility fees varied by basin depending on drainage problems and improvements needed in each basin. Beginning in November of 1998, the fees were assessed uniformly on a city-wide basis and improvements are to be prioritized and constructed based on the needs of the City as a whole.

**WATER UTILITY ENTERPRISE
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS SERIES 1998
SEC RULE 15c2-12 INFORMATION – CUSTOMER BASE, RATE STRUCTURE, AND ENFORCEMENT
(UNAUDITED)**

Customer Base

The water system serves a customer base that has grown as follows in the years 1995-2004:

<u>Years</u> <u>(at December 31)</u>	<u>Total Water</u> <u>Accounts</u>
1995	26,714
1996	27,797
1997	28,655
1998	29,525
1999	30,387
2000	31,758
2001	32,101
2002	32,273
2003	32,726
2004	32,889

The City classifies its water customers according to several classifications. A breakdown of the accounts based on such classifications being served as of December 31, 2004 is set forth below:

<u>Classification</u>	<u>Number of Accounts</u>	<u>Percent of Total</u> <u>Accounts</u>
Residential	30,722	93.41 %
Commercial & Industrial	2,167	6.59
Total	<u>32,889</u>	<u>100.00 %</u>

The following table sets forth the ten largest customers of the water system, which in the aggregate accounted for approximately 42.7% of total water usage during 2004:

<u>Customer</u>	<u>Water Usage</u> <u>(Millions of Gallons)</u>	<u>Percentage of</u> <u>Total Water Usage</u>
Industrial	1,307.51	16.38 %
University	677.85	8.12
City Government	345.01	4.32
Industrial	323.07	4.05
School District	262.71	3.29
Hospital	172.97	2.17
Water District	141.93	1.78
County Government	119.32	1.49
Mobile Home Park	46.28	0.58
Mobile Home Park	41.21	0.52

**WATER UTILITY ENTERPRISE
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS SERIES 1998
SEC RULE 15c2-12 INFORMATION – CUSTOMER BASE, RATE STRUCTURE, AND ENFORCEMENT
(UNAUDITED)
(Continued)**

Water Rate Structure

The City's water rate structure is administered in substantial compliance with the "cost of service" method endorsed by the American Water Works Association. Under the cost of service method, an effort is made to establish equitable charges which reflect the true costs of serving various classes of customers.

The 2003 water rates were structured to provide stronger price incentives for conservation. A 5-tier rate structure was adopted for single family residential and duplex customers and seasonal rates were adopted for commercial and multi-family residential customers. The 2003 water rates were established to recover a 6% increase in revenue after an assumed 15% system wide reduction in water use. In 2004, City Council directed staff to develop a 4-tier rate that would reduce the severity of the cost impacts for larger, single-family, and duplex residential users due to the 2003 5-tier rates. The 4-tier rate structure was adopted by City Council and went into effect May 1, 2004 and remains in effect January 1, 2005.

The following water rates remain in effect at January 1, 2005. In addition to these rates, a 6% payment in lieu of taxes ("PILOT") is added to all charges and paid to the City's general fund.

**Monthly User Charges Effective May 1, 2004
(no change to rates for 2005)**

- (1) Residential customers with one dwelling unit
 - a. *Base Charges.* Residential customers with one dwelling unit shall pay a base monthly charge of \$12.00.
 - b. *Quantity Charges.* Residential customers with one dwelling unit shall pay a monthly quantity charge as follows:

For the first 7,000 gallons used per month at \$1.68 per 1,000 gallons
For the next 6,000 gallons used per month at \$2.02 per 1,000 gallons
For the next 7,000 gallons used per month at \$2.42 per 1,000 gallons
For all additional gallons used per month at \$2.90 per 1,000 gallons
- (2) Residential customers with two dwelling units.
 - a. *Base Charges.* Residential customers with two dwelling units shall pay a base monthly charge of \$14.63.
 - b. *Quantity Charges.* Residential customers with two dwelling units shall pay a monthly quantity charge as follows:

For the first 9,000 gallons used per month at \$1.68 per 1,000 gallons
For the first 4,000 gallons used per month at \$2.02 per 1,000 gallons
For the next 7,000 gallons used per month at \$2.42 per 1,000 gallons
For all additional gallons used per month at \$2.90 per 1,000 gallons.
- (3) Residential customers with more than two dwelling units
 - a. *Base Charges.* Residential customers with more than two dwelling units shall pay a base monthly charge of \$12.00 for the first dwelling unit and \$4.00 for the second and each additional dwelling unit.
 - b. *Quantity Charges.* Residential Customers with more than two dwelling units shall pay a monthly charge of \$1.742 per 1,000 gallons used in the winter season months of November through April. They shall pay a monthly quantity charge of \$2.178 per 1,000 gallons used in the summer season months of May through October.

(continued)

**WATER UTILITY ENTERPRISE
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS SERIES 1998
SEC RULE 15c2-12 INFORMATION – CUSTOMER BASE, RATE STRUCTURE, AND ENFORCEMENT
(UNAUDITED)
(Continued)**

Metered Rates – Nonresidential

- (1) *Base Charges.* Nonresidential customers shall pay a base monthly charge based on meter size as follows:

<u>Meter Size (inches)</u>	<u>Monthly Base Charge</u>
¾	\$ 10.64
1	29.69
1 ½	80.73
2	121.66
3	185.56
4	291.31
6	565.11
8	998.32

- (2) *Quantity Charges.* Nonresidential customers shall pay a monthly quantity charge of \$1.48 per 1,000 gallons used in the winter season months of November through April. They shall pay a monthly quantity charge of \$1.85 per 1,000 gallons used in the summer season months of May through October.

- (3) *Charges for Excess Use.* Monthly water use in excess of the amounts specified in the following table shall be billed at \$2.127 per 1,000 gallons used in the winter season months of November through April. Monthly water use in excess of the amounts specified below shall be billed at \$2.659 per 1,000 gallons used in the summer season months of May through October.

<u>Meter Size inches)</u>	<u>Specified Amount (gallons per month)</u>
¾	100,000
1	300,000
1 ½	625,000
2	1,200,000
3	1,400,000
4	2,500,000

Plant Investment Fees. The plant investment fee is a one-time charge assessed for the purpose of recovering the pro-rata portion of the capital cost of the water system attributable to the customer. The PILOT referred to previously is not assessed on plant investment fees. Proceeds of the plant investment fee are accounted for as contributed capital of the water system, rather than as operating revenue. The City Council adopted the following plant investment fee schedule, which took effect January 1, 1999. Revised plant investment fees are proposed for implementation January 1, 2006.

(continued)

WATER UTILITY ENTERPRISE
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS SERIES 1998
SEC RULE 15c2-12 INFORMATION – CUSTOMER BASE, RATE STRUCTURE, AND ENFORCEMENT
(UNAUDITED)
(Continued)

Residential

<u>Dwelling Category</u>	<u>Plant Investment Fee</u>
Single Family	\$610 plus \$0.32 per square foot of lot area
Duplex, Multi-Family, Mobile Home	\$490 per living unit plus \$0.27 per square foot of lot area

Nonresidential

<u>Water Meter Size</u> <u>(inches)</u>	<u>Plant Investment Fee</u>
¾	\$4,600
1	15,300
1½	31,200
2	53,600
3	103,100
Greater than 3	Based on estimated peak day demand

Enforcement

The City's collections of water charges historically have been in excess of 99%. Unpaid water charges constitute a perpetual lien on the property to which service was delivered. Customers with delinquent active accounts are sent delinquency notices after 38 days. The City may discontinue water and electric service on delinquent accounts. Sometimes liens are filed while the delinquent customer is still an active account. Customers who have moved from the address where service was supplied and left the account owing to the City are typically assigned to a collection agency.

Contributed Capital

Several significant categories of receipts of the Water Fund which are pledged to the payment of the Bonds are accounted for as contributed capital rather than as revenue. The following table presents receipts of major categories of contributed capital by the Water Fund for the past ten years:

<u>Year</u>	<u>Contributions In</u> <u>Aid of</u> <u>Construction</u>	<u>Cash</u> <u>Contributed In</u> <u>Lieu of Water</u> <u>Rights</u>	<u>Anheuser-Busch</u> <u>Water Rights</u> <u>Payments</u>	<u>Plant Investment</u> <u>Fees</u>	<u>Anheuser-Busch</u> <u>Master Agreement</u> <u>Payments</u>	<u>Anheuser-Busch</u> <u>Capacity</u> <u>Payments</u>	<u>Total Contributed</u> <u>Capital</u>
1995	\$ 38,399	\$ 254,448	\$ 157,202	\$ 2,241,275	\$ 357,808	\$ 89,786	\$ 3,138,918
1996	61,540	461,110	171,712	2,623,455	382,208	98,073	3,798,098
1997	46,795	446,304	176,400	1,973,473	399,827	100,751	3,143,550
1998	63,502	515,881	195,789	2,831,789	422,605	111,825	4,141,391
1999	155,575	892,775	207,605	3,564,144	441,238	134,778	5,396,115
2000	749,706	1,937,344	222,553	2,684,818	467,579	144,482	6,206,482
2001	161,750	3,794,884	238,577	3,573,347	491,082	154,885	8,414,525
2002	100,014	2,248,992	255,754	2,754,287	524,211	166,037	6,049,295
2003	61,629	2,939,693	177,991	3,123,052	655,526	274,169	7,232,060
2004	47,288	4,832,672	293,909	3,098,205	677,102	190,806	9,139,982

WATER UTILITY ENTERPRISE
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS SERIES 1998
SEC RULE 15c2-12 INFORMATION – COLLECTIONS AND OPERATING HISTORY (UNAUDITED)

Collections

The following table sets forth the historical Water System user rates, plant investment fees, other fees and charges, and investment earnings:

	Water System Income (2000-2004)				
	2000	2001	2002	2003	2004
User charges for services	\$ 20,051,104	\$ 20,893,357	\$ 21,184,847	\$ 22,307,739	\$ 21,525,416
Plant investment fees	2,681,952	3,538,955	2,719,895	2,729,645	3,067,154
Other fees & charges	4,324,855	6,006,674	4,050,428	5,107,257	6,678,029
Investment earnings	1,985,259	1,788,938	1,549,276	960,218	869,287
Total Water System Revenue	\$ 29,043,170	\$ 32,227,924	\$ 29,504,446	\$ 31,104,859	\$ 32,139,886

Operating History of the Water Fund

The financial section of this Comprehensive Annual Financial Report contains financial statements of the City and the Water Fund as of and for the year ended December 31, 2004. The following sets forth the operating history of the Water Fund for the years ended December 31, 2000 through 2004:

	Comparative Statement of Revenues, Expenses and Changes in Fund Equity				
	For the Years Ended December 31, 2000 - 2004				
	2000	2001	2002	2003	2004
Operating Revenues					
Charges for services	\$ 20,051,104	\$ 20,893,357	\$ 21,184,847	\$ 22,307,739	\$ 21,525,416
Operating Expenses					
Administrative charge	1,915,037	2,092,750	2,488,527	2,359,878	2,478,211
Personal services	3,883,226	4,124,863	4,318,081	4,350,621	5,047,626
Contractual services	1,750,256	1,874,606	1,988,625	3,085,480	2,376,937
Commodities	1,033,015	985,714	1,000,692	941,356	968,092
Other	1,972,477	2,021,133	2,090,733	2,194,825	2,091,188
Depreciation	4,388,688	4,798,421	4,914,341	4,996,089	5,374,100
Total Operating Expense	14,942,699	15,897,487	16,800,999	17,928,249	18,336,154
Operating Income	5,108,405	4,995,870	4,383,848	4,379,490	3,189,262
Nonoperating Revenues (Expenses)					
Other revenue	800,325	777,475	710,441	598,670	597,024
Earnings on investments	1,985,259	1,788,938	1,549,276	960,218	869,287
Net increase (decrease) in the fair value of investments	240,146	346,323	162,713	(244,015)	(309,008)
Gain(loss)on fixed asset sales		353,629	10,587	6,172	8,177
Interest expense	(3,410,726)	(3,135,666)	(2,204,759)	(2,301,472)	(2,277,744)
Other expenses	(64,907)	(64,907)	(307,091)	(46,751)	(46,751)
Total Nonoperating Revenues (Expenses)	(449,903)	65,792	(78,833)	(1,027,178)	(1,159,015)
Income Before Contributions					
Transfers	4,658,502	5,061,662	4,305,015	3,352,312	2,030,247
Capital contributions	6,206,482	8,414,525	6,049,295	7,232,060	9,139,982
Operating transfers out	(191,440)	(145,290)	(69,000)	(69,000)	(69,000)
	6,015,042	8,269,235	5,980,295	7,163,060	9,070,982
Change in Net Assets	10,673,544	13,330,897	10,285,310	10,515,372	11,101,229
Net Assets--Jan. 1	110,695,881	121,919,656	150,837,810	161,123,120	171,638,492
Net Assets--Dec. 31	\$ 121,369,425	\$ 135,250,553	\$ 161,123,120	\$ 171,638,492	\$ 182,739,721

**WATER UTILITY ENTERPRISE
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS SERIES 1998
SEC RULE 15c2-12 INFORMATION – DEBT STRUCTURE OF THE WATER FUND (UNAUDITED)**

Debt Structure of the Water Fund

As of December 31, 2004, the Net Revenue of the Water Fund serviced the following obligations:

<u>Name of Issue</u>	<u>Originally Authorized</u>	<u>Outstanding Principal</u>
General Obligation Water Bonds, Series 2002A	\$ 19,255,000	\$ 13,455,000
Water Revenue Bond, Series 1997	10,125,300	7,200,946
Water Revenue Refunding and Improvement Bonds, Series 1998	31,580,000	24,730,000
Water Revenue Bond, Series 1999	4,998,395	3,877,971
Water Subordinate, 2004	2,476,446	2,412,533
Capital Lease Obligation, 1999	<u>333,700</u>	<u>-</u>
Total	<u><u>\$ 68,768,841</u></u>	<u><u>\$ 51,676,450</u></u>

**TRANSPORTATION SERVICES SPECIAL REVENUE FUND
HIGHWAY USERS TAX REVENUE REFUNDING BONDS SERIES 1998
SEC RULE 15c2-12 INFORMATION – HISTORICAL STATE FUND REVENUES (UNAUDITED)**

City's Historical State Fund Revenues

The City's revenues from State Fund distributions for the calendar years indicated were as follows:

<u>Year</u>	<u>Receipts</u>	<u>% Increase</u>
1995	\$ 2,171,192	6.3 %
1996	2,335,766	7.6
1997	2,577,044	10.3
1998	2,889,902	12.1
1999	3,050,174	5.5
2000	3,182,852	4.3
2001	3,264,212	2.6
2002	3,282,312	0.6
2003	3,184,979	-3.0
2004	3,461,882	8.7

Source: City of Fort Collins Accounting Division

**DDA TAX INCREMENT REVENUE AND REFUNDING BONDS
REVENUE BOND COVERAGE
LAST TEN YEARS (UNAUDITED)**

**DOWNTOWN DEVELOPMENT AUTHORITY
TAX INCREMENT REVENUE REFUNDING BONDS**

Tax Year	Budget Year	Base Valuation			Collection Rate		
		Total Assessed Valuation	Base Valuation ¹	Incremental Valuation ²	Incremental Ad Valorem Taxes Levied	Tax Increment Revenues Collected	Collection Rate ⁴
1995	1996	\$ 38,614,850	\$ 27,484,960	\$ 11,129,890	\$ 1,009,232	\$ 989,617	98.06 %
1996	1997	40,239,025	27,484,955	12,754,070	1,200,874	1,179,210	98.20
1997	1998	45,246,900	30,649,130	14,597,770	1,331,708	1,303,769	97.90
1998	1999	48,220,070	30,180,790	18,039,280	1,647,606	1,614,654	98.00
1999	2000	56,193,740	34,920,370	21,273,370	1,834,913	1,800,013	98.10
2000	2001	55,704,050 ³	34,895,490	20,808,560	1,920,014	1,881,614	98.00
2001	2002	62,451,390	39,107,570	23,343,820	2,111,614	2,074,822	98.26
2002	2003	68,941,400	38,944,210	29,997,190	2,702,941	2,643,643	97.81
2003	2004	70,187,630	39,450,390	30,737,240	2,792,356	2,736,509	98.00
2004	2005	69,859,780	39,450,390	30,409,390	2,764,553	1,638,279	59.26 ⁵

¹

The base valuation is recalculated by the County Assessor during any year in which there is a general reassessment of property.

² Taxes generated from the incremental valuation are collected in the following year.

³ Decrease in assessed valuation primarily attributable to one business relocating outside of District.

⁴ The County Treasurer generally allocates delinquencies to levies made against the base valuation rather than the incremental valuation and remits to the City for deposit in the Tax Increment Fund 100% of the taxes levied less the County Treasurer's 2% collection fee.

⁵ Collections through April 30, 2005

Source: County Assessor's Office

**CALCULATION OF THE RATIO OF PLEDGED
REVENUES TO DEBT SERVICE REQUIREMENTS OF THE BONDS**

	Tax Increment	Debt Service Requirements			Coverage ¹
	Revenues	Principal	Interest	Total	
1995	\$ 883,727	\$ 400,000	\$ 726,798	\$ 1,126,798	0.78 %
1996	989,617	450,000	706,023	1,156,023	0.86
1997	1,179,210	760,000	677,860	1,437,860	0.82
1998	1,303,769	830,000	634,585	1,464,585	0.89
1999	1,614,654	650,000	589,048	1,239,048	1.30
2000	1,800,013	720,000	548,820	1,268,820	1.42
2001	1,881,614	640,000	450,450	1,090,450	1.73
2002	2,044,871	1,005,000	336,160	1,341,160	1.52
2003	2,438,656	1,080,000	292,800	1,372,800	1.78
2004	2,534,305	1,150,000	364,137	1,514,137	1.67

¹

The Bonds are also secured by a contingent pledge of the Sales and Use Tax Revenues.

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