

CITY OF MONTE VISTA, COLORADO

FINANCIAL STATEMENTS

December 31, 2007

CITY OF MONTE VISTA, COLORADO
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Monte Vista, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Monte Vista, Colorado, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund and the major special revenue funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, schedules, and reports listed in the table of contents as supplementary information 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 statements and the Local Highway Finance Report 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.

Wall, Smith, Bateman and Associates, Inc.

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

June 23, 2008

CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007

As management of the City of Monte Vista, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City of Monte Vista for the fiscal year ended December 31, 2007.

In compliance with Statement Number 34 also known as GASB34, we present this report titled Management's Discussion and Analysis, or MD&A. This discussion and analysis of the City of Monte Vista's financial performance provides an overview of the City's financial activities for two fiscal years ending December 31, 2006 and December 31, 2007.

We encourage readers to consider the information presented here in conjunction with additional information furnished in the City's financial statements, which follows this section.

Financial Highlights

- As of December 31, 2007, the City of Monte Vista has government-wide net assets totaling \$5,993,550. Of this amount, net assets related to governmental activities total \$4,065,288 and net assets related to business-type activities total \$1,928,262. Total net assets of the City increased by \$628,200, or 11.7%, compared to 2006.
- Net assets of the City's governmental activities increased \$614,305, from 2006 while net assets of the City's business-type activities increased \$13,895.
- Primary Government General revenue items, primarily taxes, account for \$2,105,629 or 46.6% of all revenues. Primary Government Program revenues, in the form of charges for services, grants and contributions, accounted for \$2,415,312 or 53.4% of total revenues.
- The City's general revenues increased \$33,075, while program revenues decreased by \$1,399,018 compared to 2006. Approximately \$1,358,495, or 97%, of the decrease came from grants and contributions, due to a decrease in grant activity and funding.
- The City had \$2,727,172 in expenses related to governmental activities in 2007, an increase of \$333,061 or 13.9% over the prior year. Expenses in business-type activities decreased by \$8,703 (from \$1,174,272 in 2006 to \$1,165,569 in 2007). Total revenues of \$4,520,941 were adequate to provide for the above expenses.
- At the end of 2007, the City's governmental funds reported combined ending fund balances of \$1,476,916, an increase of \$76,471 in comparison with the end of 2006. Of this total amount, \$771,290 or 52% is available for spending at the City's discretion (unreserved fund balance).

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. We present two years of information, as recommended by GASB, so that the reader can review trends in the City's financial position and activities. The City of Monte Vista's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers a broad overview of the City of Monte Vista's financial activities in a manner similar to a private sectors business.

The *statement of net assets* presents information on all of the City of Monte Vista's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City of Monte Vista's net assets changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future calendar periods (e.g., uncollected property taxes, sales tax, and earned but unused employees' vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Monte Vista that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Monte Vista include general government, public safety, health and welfare, highway and streets, culture and recreation, economic development, and interest on long-term debt. The business-type activities of the City of Monte Vista include city service utility.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Monte Vista, 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 two categories: governmental funds, and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's annual financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Monte Vista maintains six separate major governmental funds. Individual fund information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the (1) General Fund, (2) the Recreation Fund, (3) the Capital Improvement Fund, (4) Grant Fund, (5) the Capital Projects Fund, (6) and the Debt Service Fund. Individual fund information for the nonmajor funds is presented as supplemental information after the notes section of this report.

CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007

The City of Monte Vista adopts an annual budget for each of the individual governmental funds. A budgetary comparison schedule for each major fund is included in the fund financial statements to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported as other supplemental information and can be found after the notes section of this report.

Proprietary Funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City of Monte Vista maintains one type of proprietary fund called enterprise funds. Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The City of Monte Vista uses an enterprise fund to account for water and sewer operations of the City. This fund is known as the City Service Utility Fund.

Notes to the Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data in the government-wide and fund financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents other supplementary information concerning the City's nonmajor funds. The combining statements of the non-major governmental funds are presented after the notes to the financial statements.

Government-wide Financial Analysis

The focus of this financial analysis is on comparisons of the activities of the current year (2007) with those of the prior year (2006) and comparison of balances at year-end (December 31) for the same two years.

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Monte Vista, assets exceeded liabilities by \$5,993,550 at December 31, 2007. Of this amount, \$705,626 is restricted for various purposes including the TABOR emergency reserve as required by the Colorado State Statutes.

The City's combined net assets for the governmental and business-type funds increased by \$628,200 from 2006 to 2007. Of this total amount, governmental net assets increased by \$614,305 and business-type net assets increased by \$13,895.

The City's net assets can be separated into three primary categories: 1) Invested in capital assets, net of related debt, 2) Restricted assets, and 3) Unrestricted assets.

The largest portion of the City's net assets reflects its investment of \$3,719,382 in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure); less any related outstanding debt used to acquire those assets. The City of Monte Vista uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

As previously stated, restricted assets of \$705,626 represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,568,542, unrestricted net assets, may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007**

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, for government activities, as well as for the business-type activities.

Table 1 provides a summary of the City's net assets at December 31 for the years 2006 and, 2007. Additional information is presented in the statement of net assets.

City of Monte Vista Net Assets						
	Governmental Activities		Business-type Activities		Total Government	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Current and other assets	\$ 1,975,520	\$ 1,930,491	\$ 1,058,324	\$ 1,116,625	\$ 3,033,844	\$ 3,047,116
Noncurrent and Capital assets	<u>4,229,594</u>	<u>4,648,932</u>	<u>1,770,229</u>	<u>1,681,130</u>	<u>5,999,823</u>	<u>6,330,062</u>
Total Assets	\$ 6,205,114	\$ 6,579,423	\$ 2,828,553	\$ 2,797,755	\$ 9,033,667	\$ 9,377,178
Current Liabilities	\$ 729,055	\$ 639,937	\$ 74,764	\$ 89,113	\$ 803,819	\$ 729,050
Noncurrent Liabilities	<u>2,025,076</u>	<u>1,874,198</u>	<u>839,422</u>	<u>780,380</u>	<u>2,864,498</u>	<u>2,654,578</u>
Total Liabilities	\$ 2,754,131	\$ 2,514,135	\$ 914,186	\$ 869,493	\$ 3,668,317	\$ 3,383,628
Net assets						
Investment in capital assets,						
net of related debt	\$ 2,266,203	\$ 2,805,461	\$ 946,907	\$ 913,921	\$ 3,213,110	\$ 3,719,382
Restricted for:						
TABOR	\$ 93,703	\$ 82,000	\$ -	\$ -	\$ 93,703	\$ 82,000
Capital Projects	378,685	278,699	-	-	378,685	278,699
Debt Service	324,701	344,927	-	-	324,701	344,927
Unrestricted	<u>387,691</u>	<u>554,201</u>	<u>967,460</u>	<u>1,014,341</u>	<u>1,355,151</u>	<u>1,568,542</u>
Total Net Assets	\$ 3,450,983	\$ 4,065,288	\$ 1,914,367	\$ 1,928,262	\$ 5,365,350	\$ 5,993,550

Governmental Activities

The City's governmental activities have been accounted for in seven departmental categories: 1) General Government, 2) Public Safety, 3) Health and Welfare, 4) Highway and Streets, 5) Culture and Recreation, 6) Urban/Economic Development, and 7) Interest on long-term Debt.

Governmental activity expenses totaled \$2,727,172, an increase of \$330,061 compared to 2006. Major expenses included in this amount are; \$927,151 from public safety, \$738,342 from general government, \$400,764 from culture and recreation, and \$399,748 from highway and streets. City funding for governmental activities was derived from \$2,394,369 in general revenue, primarily taxes, and program revenues contributed \$947,108. Program revenue funds were secured from \$320,265 in charges for services, \$346,300 in operating grants and contributions, and \$280,543 in capital grants and contributions, a total decrease of \$1,222,874, compared to 2006. Capital grants and contributions was the greatest source of the decrease, due to a decrease in grant projects.

CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007

Business-type Activities

As mentioned earlier, business-type activities are funded in large part through the assignment of user fees imposed on external parties in exchange for services. Business-type activities net assets increased by \$13,895 in 2007. Charges for services account for a majority of the increase.

Table 2 provides a summary of the changes in net assets for the years 2006 and 2007. Additional information is presented in the Statement of Activities.

	City of Monte Vista Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total Government-wide	
	2006	2007	2006	2007	2006	2007
Revenues						
Program Revenues:						
Charges for services	\$ 333,993	\$ 320,265	\$ 1,485,799	\$ 1,459,004	1,819,792	1,779,269
Operating Grants and Contributions	273,330	346,300	-	-	273,330	346,300
Capital Grants & Contributions	1,698,842	280,543	28,505	9,200	1,727,347	289,743
General Revenues:						
Taxes						
General Property Taxes - net	295,932	297,474	-	-	295,932	297,474
Sales and use taxes	1,412,513	1,425,627	-	-	1,412,513	1,425,627
Franchise taxes	168,092	157,239	-	-	168,092	157,239
Other taxes	84,125	76,752	-	-	84,125	76,752
Investment income	57,087	56,562	29,414	39,354	86,501	95,916
Miscellaneous	18,639	52,496	613	125	19,252	52,621
Operating transfers	62,748	170,054	(62,748)	(170,054)	-	-
PILT Transfers	158,165	158,165	(158,165)	(158,165)	-	-
Total Revenue	\$ 4,563,466	\$ 3,341,477	\$ 1,323,418	\$ 1,179,464	\$ 5,886,884	\$ 4,520,941
Expenses						
General Government	\$ 1,193,996	\$ 738,342	\$ -	\$ -	\$ 1,193,996	\$ 738,342
Public Safety	396,702	927,151	-	-	396,702	927,151
Health and Welfare	74,197	89,856	-	-	74,197	89,856
Highway and Streets	330,054	399,748	-	-	330,054	399,748
Culture and Recreation	295,971	400,764	-	-	295,971	400,764
Urban Development	11,327	55,664	-	-	11,327	55,664
Interest on long term debt	91,864	115,647	-	-	91,864	115,647
City Service Utility	-	-	1,174,272	1,165,569	1,174,272	1,165,569
Total Expenses	\$ 2,394,111	\$ 2,727,172	\$ 1,174,272	\$ 1,165,569	\$ 3,568,383	\$ 3,892,741
Change in Net Assets	\$ 2,169,355	\$ 614,305	\$ 149,146	\$ 13,895	\$ 2,318,501	\$ 628,200
Net Assets - Beginning	\$ 1,281,628	\$ 3,450,983	\$ 1,765,221	\$ 1,914,367	\$ 3,046,849	\$ 5,365,350
Net Assets - Ending	\$ 3,450,983	\$ 4,065,288	\$ 1,914,367	\$ 1,928,262	\$ 5,365,350	\$ 5,993,550

CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007

Financial Analysis of the Government's Funds

The City of Monte Vista uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal and state requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City of Monte Vista include the General Fund, Recreation Fund, Grant Fund, Capital Improvement Fund, Capital Projects Fund, Debt Service Fund, and other nonmajor funds. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,476,916, an increase of \$76,471 from the prior year ending fund balances. Of this amount \$771,290 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved; not available for spending because it has been committed as follows:

Reserved for Capital Projects	\$278,699
Reserved for Debt Service	\$344,927
Tabor Emergency Reserve	\$ 82,000

Revenue. Revenues in governmental funds decreased from \$4,500,718 to \$3,171,102, a decrease of \$1,329,616 from the prior year. The majority of the decrease (\$1,408,271) was in intergovernmental revenue, due to a decrease in grant funds, while other revenues increased by \$78,655. Of total revenue received in 2007; \$1,949,829 (61%) was generated by tax revenue, \$809,517 (26%) by intergovernmental revenue, \$147,200 (5%) by charges for services, and \$264,556 (8%) by other sources.

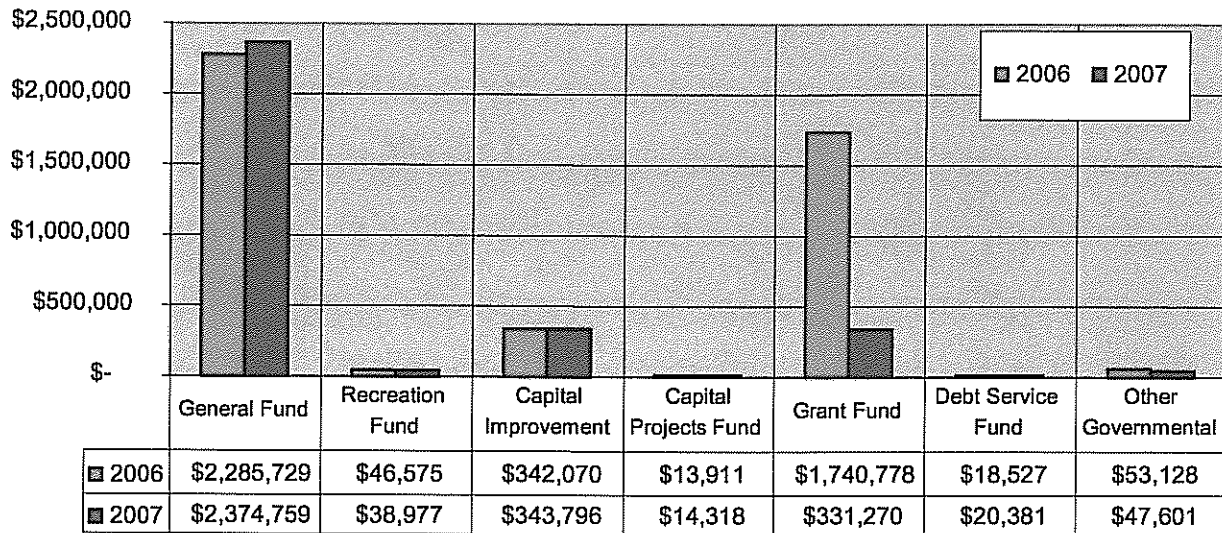
The General Fund is the primary operating governmental fund of the City. At the end of the current fiscal year, the fund balance for the General Fund was \$555,654; an increase of \$21,943 compared to last year's ending balance.

General Fund revenues increased by \$89,030 compared to 2006. Of this amount, tax revenue decreased by \$5,231; licenses and permits decreased by \$1,290; intergovernmental revenue increased by \$59,280; charges for services increased by \$7,126; fines and forfeits decreased by \$9,803; and interest and miscellaneous increased by \$38,948.

**CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007**

Chart 1 provides a summary of revenues by governmental funds for the years 2006 and 2007. Additional information for year ending December 31, 2007 is presented in the Statement of Revenues, Expenditures, and Changes in fund Balances.

**Revenues by Governmental Funds Comparison for Year Ending
December 31, 2006 and December 31, 2007**



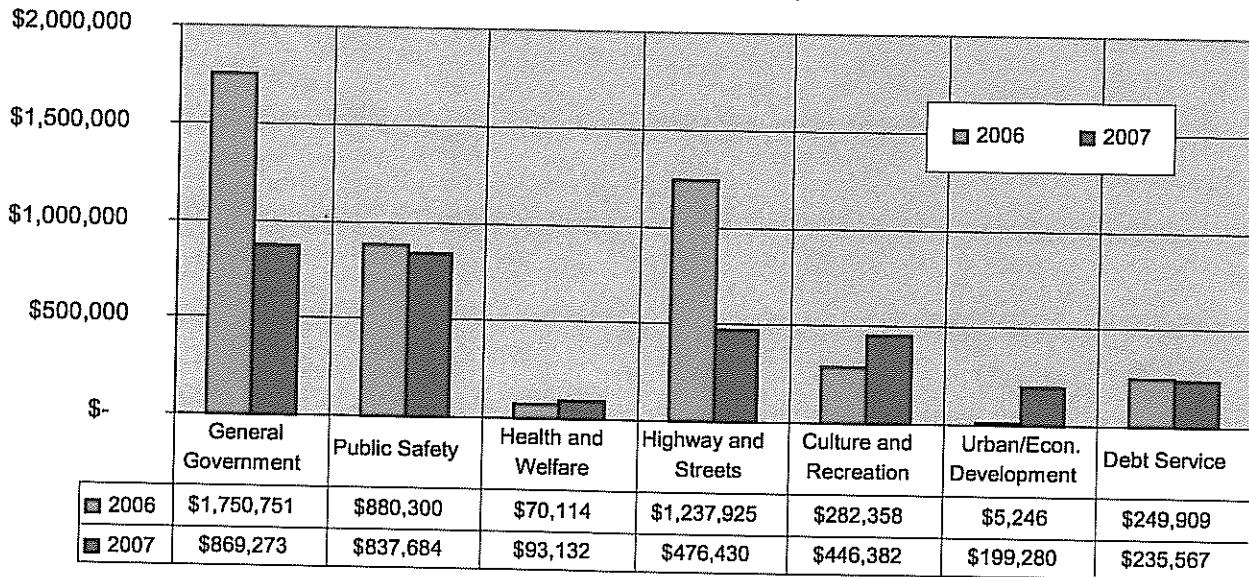
Expenditures. The governmental funds experienced a decrease of \$1,318,855 in expenditures bringing the total expenditures for the fiscal year to \$3,157,748. The majority of the decrease is attributed to decreased grant projects in the following areas, \$961,485 (general government) and \$875,111 (highways and streets).

Urban/Economic Development expenditures totaled \$199,280, an increase of \$194,034 compared to 2006. The increase is attributed to the implementation of the new Mainstreet Program (\$105,120) and the downtown revitalization grant project (\$91,679).

**CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007**

Chart 2 provides a summary of expenditures by governmental activity for the years 2006 and 2007. Additional information for year ending December 31, 2007 is presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**Expenditures by Governmental Funds Comparison for Year Ending
December 31, 2006 and December 31, 2007**



Proprietary Funds. The City's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail. At December 31, 2007, net assets for the City Utility Service Fund were \$1,928,262, an increase of \$13,895 from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the General Fund budget was amended from an original budget expenditure total of \$2,342,928 to a final budget of \$2,441,537. The original revenue budget of \$2,369,266 was also amended to a final budget of \$2,443,466. All recommended amendments for budget changes came from the Finance Department and City Manager to City Council via Ordinance as required.

- Net budget increases for expenditures of \$98,609 is defined as follows: \$39,768 for Mainstreet Program, \$13,500 for election costs, \$26,750 matching funds for Ski Hi planning grant, \$7,800 matching funds for FAA grant, and \$10,791 transfer to Recreation Fund. At December 31, 2007, the General Fund underspent its budgeted expenditures by \$3,763 (does not include transfers). Total expenditures increased by \$221,881 compared to the previous fiscal year.
- Net budget increases for revenues of \$74,200 were due to the addition of the following revenues not previously budgeted for in the General Fund; \$20,000 in dangerous building permits, \$7,200 in refund of expenditures, \$27,000 in Mainstreet donations and fund raisers, and \$20,000 in fund balance. Actual revenues in the General Fund exceeded final budget by \$37,393 (does not include other financing sources). Total revenue received during fiscal year 2007 was \$89,030 greater than the previous fiscal year.

CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007

Capital Assets

The City's capital assets for its governmental and business-type activities as of December 31, 2007 total \$6,311,235 (net of accumulated depreciation). Capital assets include land, construction in progress, water rights, buildings, improvements, water and sewer treatment plants, transmission and distribution, equipment, and vehicles. Additional information is provided in Note 5 to the financial statement.

Table 3 provides a summary of the City's capital assets (net of accumulated depreciation).

City of Monte Vista Capital Assets (net of accumulated depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land	\$ 360,475	\$ 363,613	\$ 22,000	\$ 22,000	\$ 382,475	\$ 385,613
Construction in Progress	-	201,627	-	-	-	201,627
Water Rights	-	-	129,751	129,751	129,751	129,751
Buildings	934,272	890,457	12,118	10,277	946,390	900,734
Infrastructure	1,594,713	1,808,235	-	-	1,594,713	1,808,235
Improvements-Bldg	328,881	313,789	-	-	328,881	313,789
Improvements-Other	68,771	131,057	-	-	68,771	131,057
W/S Treatment Plant	-	-	155,494	102,687	155,494	102,687
Transmission & Distrib.	-	-	1,307,316	1,252,023	1,307,316	1,252,023
Equipment	712,459	655,914	101,799	98,869	814,258	754,783
Vehicles	230,023	284,240	21,626	46,696	251,649	330,936
	<u>\$ 4,229,594</u>	<u>\$ 4,648,932</u>	<u>\$ 1,750,104</u>	<u>\$ 1,662,303</u>	<u>\$ 5,979,698</u>	<u>\$ 6,311,235</u>

Major capital additions during 2007 include the following:

- The acquisition of a pavilion and playground equipment for Chapman Park; total project cost of \$81,052. In 2008 the pavilion will be erected and a walking path will be installed.
- Major improvements at the Monte Vista Municipal Airport, partly funded by an FAA grant. Project cost of \$245,552 includes improvements to runway, apron and installation of a new fence.
- Construction in progress for the revitalization of First Avenue partly funded by Energy Impact Assistance Funds and Federal Enhancement Funds. The revitalization project includes streetscaping, lighting, traffic calming, and improving pedestrian mobility. Project costs for FY2007 total \$149,697. The anticipated date of completion is fiscal year 2010.
- East Drive sewer and water extension project; construction cost of \$192,301.

Additional information on the City's capital assets can be found in Note 5 to the Basic Financial Statements.

Debt Administration

At year end, the City of Monte Vista's long-term debt obligations totaled \$2,898,300. Of this amount, \$2,060,560 relates to governmental activities and \$837,740 relates to business-type activities. Bonds payable include a Series 1998 Sales Tax Revenue Bond payable to the Depository Trust Company, New York, New York. These bonds will be called on December 1, 2008, and the City will issue new bonds. Capital lease payables include notes payable to San Luis Valley Federal Bank and Harco Leasing Company. Notes payable include notes to Colorado Water Resource and Power Development Authority and State of Colorado, Department of Local Affairs. Compensated absences include: employee sick leave accrued prior to February 1, 2004 and not thereafter and unused vacation accrued up to a maximum allowable. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

**CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007**

Table 4 provides a summary of the City's long-term debt obligations at December 31, 2007.

City of Monte Vista Long-Term Debt						
	Governmental Activities		Business-type Activities		Total	
	2006	2007	2007	2006	2006	2007
Bonds Payable	\$ 1,910,000	\$ 1,790,000	\$ -	\$ -	\$ 1,910,000	\$ 1,790,000
Notes Payable	18,275	-	803,197	748,382	821,472	748,382
Capital Leases Payable	35,116	53,471	-	-	35,116	53,471
Compensated Absences	215,665	217,089	91,040	89,358	306,705	306,447
Total	<u>\$ 2,179,056</u>	<u>\$ 2,060,560</u>	<u>\$ 894,237</u>	<u>\$ 837,740</u>	<u>\$ 3,073,293</u>	<u>\$ 2,898,300</u>

Economic Factors and Next Year's Budgets

After reaching financial stability in 2005 the City now faces an unpredictable future. The nation-wide economic downturn has impacted an already tenuous economy in the San Luis Valley, which includes Monte Vista. General Fund revenues remain flat and are anticipated to decline slightly from previous years. The loss of several businesses is being realized in sales tax collections. Though City reserves are adequate to meet short-term contingencies, they remain below optimal levels as defined by the Finance Director and City Manager.

The City anticipated increases in energy costs but did not anticipate the current rate of increase to be so drastic. The unexpected large increases in energy costs will continue to have negative impacts in the City's ability to undertake much needed infrastructure projects. As an example; the cost of asphalt now means the Public Works Department can do half as much asphalt work for one-third more cost than in previous years.

To assist in determining service levels and meet community wants and needs, the City has completed a Parks & Recreation Master Plan, updated its Master Infrastructure Plan, and will undertake a city-wide Master Plan in 2008. Also in 2008, the City will complete a rate study that will determine utility rates for the next five years. The City will also complete a compensation study in 2008. Preliminary results indicate the city wage structure for most positions are below market value. The cost of bringing wages to market value may not be as easily accomplished as previously determined. The Parks & Recreation Master Plan has identified in excess of \$10,000,000 in potential projects while the Master Infrastructure Plan has identified over \$46,000,000 in improvements. To help meet the infrastructure demands, in 2008 the city refinanced the Series 1998 Sales Tax Bonds. The interest rate was reduced and the City utilized excess sales tax capacity to generate an additional \$2,000,000 for street related projects. The yearly debt payment increased from approximately \$217,000 a year to \$280,000 yearly – an increase the City determined acceptable.

The City's financial capacity is well below thresholds necessary to fund infrastructure projects. The median family income in Monte Vista is well below the state and federal "low income" thresholds; thereby, reducing the potential for local generation of capital to fund large bond issues. The City has been very successful in obtaining grants, but the total infrastructure costs far exceed normal grant maximums. It will be necessary to develop public/private partnerships where feasible. More importantly, the City needs to aggressively pursue new business and industry in order to generate new revenue streams to meet future operational and capital improvement requirements.

In summary, the short term financial projections indicate the City must continue to be conservative in its spending patterns while working diligently to identify and pursue additional revenue sources. The fiscal crisis of 2003, while severe, provided city staff and elected officials a learning opportunity that did not go unlearned. The City Council and City staff have recognized the current economic trends and are preparing the City to meet the current challenges while continuing to plan for the future.

**CITY OF MONTE VISTA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007**

Requests for Information

This financial report is designed to provide a general overview of the City of Monte Vista's finances for all those with an interest in the government's finance. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Monte Vista
Don Van Wormer, City Manager
Debbie Phillips, Finance Director
4 Chico Camino
Monte Vista, Colorado 81144
719-852-5926

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CITY OF MONTE VISTA, COLORADO
BASIC FINANCIAL STATEMENTS

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CITY OF MONTE VISTA, COLORADO
STATEMENT OF NET ASSETS
December 31, 2007

	<u>Primary Government</u>		TOTAL
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,241,911	\$ 1,012,396	\$ 2,254,307
Accounts Receivable	35,820	30,537	66,357
Allowance for Doubtful Accounts	(23,980)	-	(23,980)
Property Taxes Receivable	347,017	-	347,017
Due from Other Governments	197,520	-	197,520
Due from County Treasurer	132,203	14,574	146,777
Inventory of Materials and Supplies	-	59,118	59,118
Total Current Assets	<u>1,930,491</u>	<u>1,116,625</u>	<u>3,047,116</u>
Noncurrent Assets:			
Unamortized Bond Issuance Costs	-	18,827	18,827
Capital Assets:			
Land	363,613	22,000	385,613
Construction in Progress	201,627	-	201,627
Infrastructure	2,011,231	-	2,011,231
Water Rights	-	129,751	129,751
Buildings	2,683,130	46,018	2,729,148
Building Improvements	581,877	-	581,877
Other Improvements	414,754	-	414,754
Equipment	1,348,677	499,290	1,847,967
Treatment Plant	-	4,275,923	4,275,923
Transmission and Distribution	-	3,185,215	3,185,215
Vehicles and Heavy Road Equipment	923,988	194,555	1,118,543
Less: Accumulated Depreciation/Depletion	(3,879,965)	(6,690,449)	(10,570,414)
Total Noncurrent Assets	<u>4,648,932</u>	<u>1,681,130</u>	<u>6,330,062</u>
TOTAL ASSETS	<u>6,579,423</u>	<u>2,797,755</u>	<u>9,377,178</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	93,318	23,670	116,988
Other Payables	2,571	8,083	10,654
Deferred Tax Revenue	347,017	-	347,017
Deferred Revenue	10,669	-	10,669
Bonds Payable	125,000	-	125,000
Capital Leases Payable	50,623	-	50,623
Notes Payable	-	57,360	57,360
Compensated Absences	10,739	-	10,739
Total Current Liabilities	<u>639,937</u>	<u>89,113</u>	<u>729,050</u>
Noncurrent Liabilities:			
Bonds Payable	1,665,000	-	1,665,000
Capital Leases Payable	2,848	-	2,848
Notes Payable	-	691,022	691,022
Compensated Absences	206,350	89,358	295,708
Total Noncurrent Liabilities	<u>1,874,198</u>	<u>780,380</u>	<u>2,654,578</u>
TOTAL LIABILITIES	<u>2,514,135</u>	<u>869,493</u>	<u>3,383,628</u>

See Notes to the Basic Financial Statements

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CITY OF MONTE VISTA, COLORADO
STATEMENT OF NET ASSETS
December 31, 2007

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,805,461	913,921	3,719,382
Restricted for:			
TABOR	82,000	-	82,000
Capital Projects	278,699	-	278,699
Debt Service	344,927	-	344,927
Unrestricted	554,201	1,014,341	1,568,542
TOTAL NET ASSETS	\$ 4,065,288	\$ 1,928,262	\$ 5,993,550

CITY OF MONTE VISTA, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 738,342	\$ 147,422	\$ 110,867	\$ 280,543
Public safety	927,151	34,215	7,420	-
Health and Welfare	89,856	90,322	-	-
Highways and streets	399,748	10,197	152,508	-
Culture and Recreation	400,764	38,109	75,505	-
Urban/Economic Development	55,664	-	-	-
Interest on long-term debt	115,647	-	-	-
Total Governmental Activities	<u>2,727,172</u>	<u>320,265</u>	<u>346,300</u>	<u>280,543</u>
Business-Type Activities:				
City Service Utility	1,165,569	1,459,004	-	9,200
Total Business-Type Activities	<u>1,165,569</u>	<u>1,459,004</u>	<u>-</u>	<u>9,200</u>
Total Primary Government	<u>\$ 3,892,741</u>	<u>\$ 1,779,269</u>	<u>\$ 346,300</u>	<u>\$ 289,743</u>

General Revenues:

Taxes:

 General Property Taxes - Net

 Sales and Use Taxes

 Franchise Taxes

 Other Taxes

Investment Income

Miscellaneous

Operating Transfers

PILT Transfers

Total General Revenues and Special Items

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government

Governmental Activities	Business-Type Activities	TOTAL
\$ (199,510)	\$ -	\$ (199,510)
(885,516)	-	(885,516)
466	-	466
(237,043)	-	(237,043)
(287,150)	-	(287,150)
(55,664)	-	(55,664)
(115,647)	-	(115,647)
<u>(1,780,064)</u>	<u>-</u>	<u>(1,780,064)</u>
<u>-</u>	<u>302,635</u>	<u>302,635</u>
<u>-</u>	<u>302,635</u>	<u>302,635</u>
<u>(1,780,064)</u>	<u>302,635</u>	<u>(1,477,429)</u>
297,474	-	297,474
1,425,627	-	1,425,627
157,239	-	157,239
76,752	-	76,752
56,562	39,354	95,916
52,496	125	52,621
170,054	(170,054)	-
158,165	(158,165)	-
<u>2,394,369</u>	<u>(288,740)</u>	<u>2,105,629</u>
614,305	13,895	628,200
<u>3,450,983</u>	<u>1,914,367</u>	<u>5,365,350</u>
<u>\$ 4,065,288</u>	<u>\$ 1,928,262</u>	<u>\$ 5,993,550</u>

CITY OF MONTE VISTA, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>GENERAL FUND</u>	<u>RECREATION FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>GRANT FUND</u>
ASSETS				
Cash and Cash Equivalents	\$ 372,930	\$ 16,008	\$ 190,942	\$ -
Accounts Receivable	35,734	86	-	-
Allowance for Doubtful Accounts	(23,980)	-	-	-
Property Taxes Receivable	347,017	-	-	-
Due From Grant Fund	18,392	-	-	-
Due From Other Governments	96,383	-	61,806	39,331
Due From County Treasurer	132,203	-	-	-
TOTAL ASSETS	<u>\$ 978,679</u>	<u>\$ 16,094</u>	<u>\$ 252,748</u>	<u>\$ 39,331</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 63,968	\$ 8,131	\$ -	\$ 20,939
Other Payables	2,571	-	-	-
Due to General Fund	-	-	-	18,392
Deferred Property Tax Revenue	347,017	-	-	-
Deferred Revenue	9,469	1,200	-	-
TOTAL LIABILITIES	<u>423,025</u>	<u>9,331</u>	<u>-</u>	<u>39,331</u>
FUND BALANCE				
Fund Balance				
Reserved				
Debt Service Reserve	-	-	-	-
Tabor Emergency Reserve	82,000	-	-	-
Unreserved				
Undesignated reported in:				
General Fund	473,654	-	-	-
Special Revenue Funds	-	6,763	252,748	-
Capital Projects Fund	-	-	-	-
TOTAL FUND BALANCE	<u>555,654</u>	<u>6,763</u>	<u>252,748</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 978,679</u>	<u>\$ 16,094</u>	<u>\$ 252,748</u>	<u>\$ 39,331</u>

See Notes to the Basic Financial Statements

CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 278,699	\$ 344,927	\$ 38,405	\$ 1,241,911
-	-	-	35,820
-	-	-	(23,980)
-	-	-	347,017
-	-	-	18,392
-	-	-	197,520
-	-	-	132,203
<u>\$ 278,699</u>	<u>\$ 344,927</u>	<u>\$ 38,405</u>	<u>\$ 1,948,883</u>
\$ -	\$ -	\$ 280	\$ 93,318
-	-	-	2,571
-	-	-	18,392
-	-	-	347,017
-	-	-	10,669
<u>-</u>	<u>-</u>	<u>280</u>	<u>471,967</u>
-	344,927	-	344,927
-	-	-	82,000
-	-	-	473,654
-	-	38,125	297,636
<u>278,699</u>	<u>-</u>	<u>-</u>	<u>278,699</u>
<u>278,699</u>	<u>344,927</u>	<u>38,125</u>	<u>1,476,916</u>
<u>\$ 278,699</u>	<u>\$ 344,927</u>	<u>\$ 38,405</u>	<u>\$ 1,948,883</u>

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CITY OF MONTE VISTA, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET ASSETS
December 31, 2007

Total governmental fund balances	\$	1,476,916
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,648,932
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	(1,790,000)	
Capital Leases Payable	(53,471)	
Compensated Absences	(217,089)	
	(2,060,560)	(2,060,560)
Net assets of governmental activities	\$	<u>4,065,288</u>

CITY OF MONTE VISTA, COLORADO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>GENERAL FUND</u>	<u>RECREATION FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>GRANT FUND</u>
REVENUES				
Taxes	\$ 1,612,280	\$ -	\$ 337,549	\$ -
Licenses and Permits	8,034	-	-	-
Intergovernmental Revenue	431,520	-	-	331,267
Charges for Services	109,267	37,933	-	-
Fines and Forfeits	75,235	-	-	-
Interest and Miscellaneous	138,423	1,044	6,247	3
TOTAL REVENUE	<u>2,374,759</u>	<u>38,977</u>	<u>343,796</u>	<u>331,270</u>
EXPENDITURES				
General Government	647,479	-	-	221,794
Public Safety	830,025	-	-	7,659
Health and Welfare	93,132	-	-	-
Highways and Streets	343,852	-	18,274	-
Culture and Recreation	186,264	173,260	-	77,050
Urban/Economic Development	105,120	-	-	91,679
Debt Service	17,702	-	822	-
TOTAL EXPENDITURES	<u>2,223,574</u>	<u>173,260</u>	<u>19,096</u>	<u>398,182</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>151,185</u>	<u>(134,283)</u>	<u>324,700</u>	<u>(66,912)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assets	321	-	-	-
Operating Transfers In	85,108	146,409	-	66,912
Operating Transfers Out	(214,671)	(11,612)	(216,888)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(129,242)</u>	<u>134,797</u>	<u>(216,888)</u>	<u>66,912</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	21,943	514	107,812	-
Fund Balance at Beginning of Year	<u>533,711</u>	<u>6,249</u>	<u>144,936</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 555,654</u>	<u>\$ 6,763</u>	<u>\$ 252,748</u>	<u>\$ -</u>

See Notes to the Basic Financial Statements

CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 1,949,829
-	-	-	8,034
-	-	46,730	809,517
-	-	-	147,200
-	-	-	75,235
<u>14,318</u>	<u>20,381</u>	<u>871</u>	<u>181,287</u>
<u>14,318</u>	<u>20,381</u>	<u>47,601</u>	<u>3,171,102</u>
-	-	-	869,273
-	-	-	837,684
-	-	-	93,132
114,304	-	-	476,430
-	-	9,808	446,382
-	-	2,481	199,280
-	217,043	-	235,567
<u>114,304</u>	<u>217,043</u>	<u>12,289</u>	<u>3,157,748</u>
<u>(99,986)</u>	<u>(196,662)</u>	<u>35,312</u>	<u>13,354</u>
-	-	-	321
-	216,888	2,300	517,617
-	-	(11,650)	(454,821)
-	216,888	(9,350)	63,117
(99,986)	20,226	25,962	76,471
<u>378,685</u>	<u>324,701</u>	<u>12,163</u>	<u>1,400,445</u>
<u>\$ 278,699</u>	<u>\$ 344,927</u>	<u>\$ 38,125</u>	<u>\$ 1,476,916</u>

CITY OF MONTE VISTA, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

Net change in fund balances - total governmental funds \$ 76,471

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

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

Fixed asset purchases	\$	824,723	
Depreciation expense		(405,385)	
Excess of capital outlay over depreciation			419,338

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Repayment of principal include:

Bonds Payable	\$	120,000	
Notes Payable		18,275	
Capital Leases Payable		(18,355)	
Total principal payments			119,920

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

Compensated Absences		(1,424)	

Change in net assets of governmental funds	\$	614,305	

CITY OF MONTE VISTA, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
REVENUES				POSITIVE
				(NEGATIVE)
Taxes				
General Property Taxes, Net	\$ 296,900	\$ 296,900	\$ 297,474	\$ 574
Specific Ownership Tax	50,000	50,000	54,829	4,829
Sales Tax	1,055,000	1,055,000	1,088,078	33,078
Severance Tax	10,000	10,000	-	(10,000)
Franchise Tax	169,000	169,000	157,239	(11,761)
Occupational Tax	12,000	12,000	10,696	(1,304)
Airport Gas Tax	1,300	1,300	3,964	2,664
Total Taxes	<u>1,594,200</u>	<u>1,594,200</u>	<u>1,612,280</u>	<u>18,080</u>
Licenses and Permits				
Liquor Licenses	3,000	3,000	2,000	(1,000)
Other Licenses and Permits	6,400	6,400	6,034	(366)
Total Licenses and Permits	<u>9,400</u>	<u>9,400</u>	<u>8,034</u>	<u>(1,366)</u>
Intergovernmental Revenue				
State Grants	96,000	96,000	71,538	(24,462)
Payment In Lieu of Taxes	158,165	158,165	158,165	-
Additional Motor Vehicle Fees	17,000	17,000	17,296	296
Cigarette Tax	6,000	6,000	7,263	1,263
Highway User Tax	121,501	121,501	130,044	8,543
County Road and Bridge Fund	22,000	22,000	22,464	464
Miscellaneous Grants	-	-	24,750	24,750
Total Intergovernmental Revenue	<u>420,666</u>	<u>420,666</u>	<u>431,520</u>	<u>10,854</u>
Charges for Services				
Police Security	9,000	9,000	8,880	(120)
Pest Control Collections	89,100	89,100	89,883	783
Airport Charges/Rentals	8,700	8,700	9,565	865
Miscellaneous	1,000	21,000	939	(20,061)
Total Charges for Services	<u>107,800</u>	<u>127,800</u>	<u>109,267</u>	<u>(18,533)</u>
Fines and Forfeits				
Court Fines and Forfeits	66,000	66,000	69,655	3,655
Jail Charges	500	500	5,580	5,080
Total Fines and Forfeits	<u>66,500</u>	<u>66,500</u>	<u>75,235</u>	<u>8,735</u>
Interest and Miscellaneous				
Interest on Investments	8,000	8,000	14,544	6,544
Rent	48,000	48,000	46,433	(1,567)
Refund of Expenditures	3,000	10,200	10,197	(3)
Pension Forfeitures	-	-	15,870	15,870
Donations and Contributions	16,000	43,000	42,387	(613)
Miscellaneous Revenue	9,600	9,600	8,992	(608)
Total Interest and Miscellaneous	<u>84,600</u>	<u>118,800</u>	<u>138,423</u>	<u>19,623</u>
TOTAL REVENUES	<u>2,283,166</u>	<u>2,337,366</u>	<u>2,374,759</u>	<u>37,393</u>

See Notes to the Basic Financial Statements

CITY OF MONTE VISTA, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2007

EXPENDITURES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
General Government				
City Council	37,217	37,217	33,744	3,473
Judicial	48,135	48,135	43,976	4,159
Election	6,500	20,000	14,589	5,411
City Clerk	66,738	66,738	71,386	(4,648)
City Manager	96,211	96,211	99,304	(3,093)
Finance Director	70,752	70,752	69,979	773
City Attorney	38,450	38,450	37,785	665
Building Inspector	33,498	33,498	54,080	(20,582)
Municipal Building	26,300	26,300	29,410	(3,110)
City Shop	12,330	12,330	10,235	2,095
Purchasing and General Services	127,800	127,800	109,400	18,400
Leased Building	55,557	55,557	53,498	2,059
Airport	16,734	16,734	17,793	(1,059)
Grants to Others	800	800	2,300	(1,500)
Total General Government	637,022	650,522	647,479	3,043
Public Safety				
Police Department	660,291	660,291	629,935	30,356
Police Support	200,553	200,553	200,090	463
Total Public Safety	860,844	860,844	830,025	30,819
Health and Welfare				
Animal Control	43,590	43,590	41,882	1,708
Pest Control	36,495	36,495	51,250	(14,755)
Total Health and Welfare	80,085	80,085	93,132	(13,047)
Highways and Streets				
Streets	266,693	266,693	283,134	(16,441)
Street Lighting	52,000	52,000	60,718	(8,718)
Total Highways and Streets	318,693	318,693	343,852	(25,159)
Culture and Recreation				
Parks	196,487	196,487	186,264	10,223
Urban/Economic Development				
Main Street	63,638	103,406	105,120	(1,714)
Debt Service	17,300	17,300	17,702	(402)
TOTAL EXPENDITURES	2,174,069	2,227,337	2,223,574	3,763

See Notes to the Basic Financial Statements

CITY OF MONTE VISTA, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Excess (Deficiency) of Revenues Over Expenditures	109,097	110,029	151,185	41,156
OTHER FINANCING SOURCES (USES)				
Sale of Assets	-	-	321	321
Transfers In	86,100	86,100	85,108	(992)
Transfers Out	(168,859)	(214,200)	(214,671)	(471)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(82,759)</u>	<u>(128,100)</u>	<u>(129,242)</u>	<u>(1,142)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	26,338	(18,071)	21,943	40,014
Fund Balance at Beginning of Year	<u>-</u>	<u>20,000</u>	<u>533,711</u>	<u>513,711</u>
Fund Balance at End of Year	<u>\$ 26,338</u>	<u>\$ 1,929</u>	<u>\$ 555,654</u>	<u>\$ 553,725</u>

CITY OF MONTE VISTA, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
RECREATION FUND
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Charges for Services				
Youth Sports	\$ 10,000	\$ 10,000	\$ 13,572	\$ 3,572
Adult Softball	6,500	6,500	3,025	(3,475)
Sponsor Fees	600	600	3,055	2,455
Building Rent	18,000	18,000	13,828	(4,172)
Vending Machine Revenue	400	400	141	(259)
Outdoor Recreation	1,500	1,500	3,195	1,695
Special Events	-	-	1,117	1,117
	<u>37,000</u>	<u>37,000</u>	<u>37,933</u>	<u>933</u>
Total Charges for Services				
Interest and Miscellaneous				
Refund of Expenditures	700	700	600	(100)
Miscellaneous Revenue	100	100	444	344
	<u>800</u>	<u>800</u>	<u>1,044</u>	<u>244</u>
Total Interest and Miscellaneous				
TOTAL REVENUES	<u>37,800</u>	<u>37,800</u>	<u>38,977</u>	<u>1,177</u>
EXPENDITURES				
Culture and Recreation				
Administration	58,706	62,497	64,070	(1,573)
Recreation	53,074	57,074	51,840	5,234
Ski Hi Park	38,329	41,329	45,337	(4,008)
Ski Hi Pool	10,100	10,100	10,613	(513)
Grants In Aid	1,400	1,400	1,400	-
	<u>161,609</u>	<u>172,400</u>	<u>173,260</u>	<u>(860)</u>
Total Culture and Recreation				
TOTAL EXPENDITURES	<u>161,609</u>	<u>172,400</u>	<u>173,260</u>	<u>(860)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(123,809)</u>	<u>(134,600)</u>	<u>(134,283)</u>	<u>317</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	136,409	147,200	146,409	(791)
Transfers Out	(12,600)	(12,600)	(11,612)	988
	<u>123,809</u>	<u>134,600</u>	<u>134,797</u>	<u>197</u>
TOTAL OTHER FINANCING SOURCES (USES)				
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	-	-	514	514
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>6,249</u>	<u>6,249</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,763</u>	<u>\$ 6,763</u>

See Notes to the Basic Financial Statements

CITY OF MONTE VISTA, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes				
Sales Tax	\$ 340,000	\$ 340,000	\$ 337,549	\$ (2,451)
Interest on Investments	4,000	4,000	6,247	2,247
TOTAL REVENUES	<u>344,000</u>	<u>344,000</u>	<u>343,796</u>	<u>(204)</u>
EXPENDITURES				
Highways and Streets				
Street Equipment	25,000	25,000	18,274	6,726
Debt Service				
Lease Payments	-	-	822	(822)
TOTAL EXPENDITURES	<u>25,000</u>	<u>25,000</u>	<u>19,096</u>	<u>5,904</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>319,000</u>	<u>319,000</u>	<u>324,700</u>	<u>5,700</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(216,893)	(216,893)	(216,888)	5
TOTAL OTHER FINANCING SOURCES (USES)	<u>(216,893)</u>	<u>(216,893)</u>	<u>(216,888)</u>	<u>5</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	102,107	102,107	107,812	5,705
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>144,936</u>	<u>144,936</u>
Fund Balance at End of Year	<u>\$ 102,107</u>	<u>\$ 102,107</u>	<u>\$ 252,748</u>	<u>\$ 150,641</u>

CITY OF MONTE VISTA, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GRANT FUND
For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental Revenue				
Airport Grants	\$ 153,900	\$ 288,571	\$ 214,373	\$ (74,198)
First Avenue Improvement Grant	360,000	360,000	66,170	(293,830)
Other Grants	26,400	57,700	45,724	(11,976)
Other Local Revenue	-	5,000	5,000	-
Total Intergovernmental Revenue	540,300	711,271	331,267	(380,004)
Interest on Investments	-	-	3	3
TOTAL REVENUES	540,300	711,271	331,270	(380,001)
EXPENDITURES				
General Government				
Airport Grant	157,800	300,271	221,794	78,477
Public Safety	19,000	19,000	7,659	11,341
Culture and Recreation				
GOCO Master Plan Grant	5,000	27,000	26,996	4
EIAF Ski Hi Park Master Plan Grant	7,500	50,500	50,054	(446)
Total Culture and Recreation	12,500	77,500	77,050	450
Urban/Economic Development				
First Avenue Improvement Grant	382,500	382,500	91,679	290,821
TOTAL EXPENDITURES	571,800	779,271	398,182	381,089
Excess (Deficiency) of Revenues Over Expenditures	(31,500)	(68,000)	(66,912)	1,088
OTHER FINANCING SOURCES (USES)				
Transfer In	31,500	68,000	66,912	1,088
TOTAL OTHER FINANCING SOURCES (USES)	31,500	68,000	66,912	1,088
Excess (deficiency) of Revenues Over Expenditures and Other Sources (Uses)	-	-	-	-
Fund Balances at Beginning of Year	-	-	-	-
Fund Balances at End of Year	\$ -	\$ -	\$ -	\$ -

See Notes to the Basic Financial Statements

**CITY OF MONTE VISTA, COLORADO
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS
 December 31, 2007**

**CITY SERVICE
 UTILITY FUND**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	1,012,396
Accounts Receivable		30,537
Due From County Treasurer		14,574
Inventory		59,118
Total Current Assets		1,116,625

Noncurrent Assets:

Land		22,000
Water Rights		129,751
Buildings		46,018
Equipment		499,290
Treatment Plant		4,275,923
Transmission and Distribution		3,185,215
Vehicles		194,555
Accumulated Depreciation		(6,690,449)
Bond Issue Costs		38,949
Accumulated Amortization		(20,122)
Total Noncurrent Assets		1,681,130

TOTAL ASSETS

2,797,755

LIABILITIES

Current Liabilities:

Accounts Payable		23,670
Notes Payable		57,360
Accrued Interest Payable		8,083
Total Current Liabilities		89,113

Noncurrent Liabilities:

Notes Payable		691,022
Accrued Compensated Absences		89,358
Total Noncurrent Liabilities		780,380

TOTAL LIABILITIES

869,493

NET ASSETS

Invested in Capital Assets, Net of Related Debt		913,921
Unrestricted		1,014,341

TOTAL NET ASSETS

\$ 1,928,262

**CITY OF MONTE VISTA, COLORADO
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET ASSETS
 December 31, 2007**

	<u>CITY SERVICE UTILITY FUND</u>
OPERATING REVENUES	
Charges for Services	\$ 1,451,925
Miscellaneous	7,204
Total Operating Revenues	<u>1,459,129</u>
OPERATING EXPENSES	
Personnel Services	573,174
Supplies	24,561
Fuel	12,502
Communications and Postage	19,318
Insurance and Bonds	37,612
Utilities	86,187
Rents and Payments	48
Professional Services	112,272
Travel	2,438
Repairs and Maintenance	30,114
Depreciation	185,382
Equipment	28,241
Uniform Maintenance	1,049
Miscellaneous	16,546
Total Operating Expenses	<u>1,129,444</u>
Operating Income (Loss)	329,685
NONOPERATING REVENUES (EXPENSES)	
Payment in Lieu of Taxes	(158,165)
Interest on Investments	39,354
Interest Expense	(36,125)
Total Nonoperating Revenues (Expenses)	<u>(154,936)</u>
Income (Loss) Before Other Revenue and Operating Transfers	174,749
CAPITAL CONTRIBUTIONS (Water and Sewer Taps)	9,200
OPERATING TRANSFERS	
Transfers Out	(170,054)
Total Operating Transfers	<u>(170,054)</u>
Changes in Net Assets	13,895
Net Assets at beginning of year	<u>1,914,367</u>
Net Assets at end of year	<u>\$ 1,928,262</u>

See Notes to the Basic Financial Statements

**CITY OF MONTE VISTA, COLORADO
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2007**

	<u>CITY SERVICE UTILITY FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$ 1,452,399
Cash Paid to Employees	(574,856)
Cash Paid to Suppliers/Vendors	<u>(352,737)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>524,806</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash Transferred (to)/from Other Funds	(170,054)
Cash Paid to Other Funds for Taxes	<u>(158,165)</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>(328,219)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Fixed Assets	(97,581)
Principal Payments	(54,815)
Cash Received from Capital Contributions (Tap Fees)	9,200
Interest Paid	<u>(36,125)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(179,321)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>39,354</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>39,354</u>
NET INCREASE (DECREASE) IN CASH	56,620
CASH AT BEGINNING OF YEAR	<u>955,776</u>
CASH AT END OF YEAR	<u><u>\$ 1,012,396</u></u>
OPERATING INCOME (LOSS)	\$ 329,685
Adjustments to Reconcile Net Income to Net Cash Provided	
by Operating Activities	
Depreciation expense	185,382
Amortization expense	1,298
(Increase) Decrease in accounts receivable	(6,473)
(Increase) Decrease in due from county treasurer	(257)
(Increase) Decrease in inventory	5,049
Increase (Decrease) in accounts payable	11,804
Increase (Decrease) in compensated absences	<u>(1,682)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 524,806</u></u>

See Notes to the Basic Financial Statements

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CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Primary Government

The City of Monte Vista was incorporated July 19, 1886. On March 22, 1922, the City was reorganized as a Home Rule City under Article 20 of the Colorado Constitution. The current City Charter was adopted at a special election held December 20, 1921. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

Component Units

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

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

The City of Monte Vista administers the Monte Vista Urban Renewal Authority. The Authority is blended into the City's financial statements as a Special Revenue Fund.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental funds:

- The **General Fund** is the general operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Recreation Fund** is used to account for activities provided for community programs. Sources of revenue consist of membership dues, and registration fees for programs.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

- The *Capital Improvement Fund* is used for the collection of the one percent sales tax to pay the Series 1998 Sales Tax Revenue Bonds.
- The *Grant Fund* is used to account for the various grants the City receives. The monies may be expended only for the purposes defined by the granting agency
- The *Capital Projects Fund* is used to account for the expenditure of the Series 1998 Sales Tax Revenue Bond monies on capital projects throughout the City.
- The *Debt Service Fund* is used for the annual payment and reserve funds required by the Series 1998 Sales Tax Revenue Bond.

The City reports the following major enterprise fund:

- The *City Service Utility Fund* accounts for user charges and expenses for operating, financing, and maintaining the City's water and sewer systems.

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

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

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

Cash and investments for all funds, excluding investments in the Debt Service and Capital Improvement funds, are pooled into one common account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at year end. An individual fund's pooled cash and cash investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities that are owned by the specific accounts noted above are also considered to be "cash equivalents". Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General fund and interfund payables of the deficit fund.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments are recorded at fair market value.

The investments recorded in the Debt Service Fund are restricted as a bond reserve according to the bond requirements.

Investments held by the City are recorded at fair market value.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the County. Property tax revenue is recognized by the City to the extent it results in a current receivable.

The 2007 property tax levy due January 1, 2008 has been recorded in the financial statements as a receivable and a corresponding deferred revenue in the financial statements.

Inventory

Inventories held by all funds except the City Service Utility Fund have been recorded as expenditures at the time of purchase. Enterprise Fund inventories are stated at cost.

Capital Assets

Capital Assets include land, buildings, improvements, machinery and equipment, cars and road vehicles, and infrastructure (roads, bridges, underground pipe, traffic signals, etc.) are reported in the applicable governmental activities column in the Government-wide Financial Statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	15 – 50
Improvements – Building	15 – 40
Improvements – Other	10 – 40
Machinery and Equipment	5 – 15
Cars and Road Vehicles	5 – 7
Infrastructure	15 – 50

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The City is not required to retroactively report infrastructure assets.

Compensated Absences

The City employees are entitled to 40 to 168 hours of vacation leave each year. The number of hours received depend upon the number of completed years of service. Unused vacation leave may accumulate up to a maximum of the entitled annual vacation. Any vacation leave accrued in excess of the maximum allowable accrued vacation leave will be lost to the employee and shall not be deemed an obligation of the City.

The City employees receive 144 hours of sick leave each year. Unused sick hours accumulate up to 240 hours. Upon termination, employees are only eligible to be paid for sick leave accumulated prior to February 1, 2004 (at the rate of pay at that time) and not thereafter.

All vacation and sick leave pay is accrued when incurred in the Government-wide Financial Statements. A liability is reported in governmental funds only if they have matured, for example as a result of employee resignations or retirements.

The maximum amount of compensatory time that shall be accrued is 24 hours. Any employee reaching the maximum amount of compensatory time above will be paid overtime for hours in excess of the 24 hours at the end of each fiscal year.

Long-Term Obligations

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

Interest Capitalization

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

Deferred Revenue

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

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

Encumbrances

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

Fund Equity

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

Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

Formal budgetary integration is employed as a management control device for all funds of the City. The governmental funds budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). The proprietary funds budgets are adopted using the same accounting methods as governmental fund types; this procedure follows Colorado State Statute, but is not in accordance with GAAP.

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The City Council adopted supplemental appropriations during 2007. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

Stewardship

The Recreation Fund exceeded budgeted expenditures for the year ending December 31, 2007. This over budget condition is a violation of Colorado Budget Statutes.

NOTE 3 CASH, DEPOSITS AND INVESTMENTS

CASH AND DEPOSITS

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

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At December 31, 2007, \$1,844,716 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

INVESTMENTS

The City's investments are subject to interest rate, credit risk, and concentration of credit risk.

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

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

Credit Risk

The City's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The City's investment policy allows for the City to invest in local government investment pools. As of December 31, 2007, the local government investment pool (COLOTRUST) in which the City had invested, was rated AAA by Standard & Poor's.

Cash on Hand and in Banks		\$ 1,931,372
COLOTRUST	<u>\$ 322,935</u>	
Cash and Investments in Custody of Others		<u>322,935</u>
 Total Deposits and Investments		 <u><u>\$ 2,254,307</u></u>

Interest Rate Risk

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

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

Restrictions on Cash and Investments

Cash of \$82,706 in the City Service Utility Fund is restricted by ordinance for water acquisition. Cash investments of \$344,927 in the Debt Service Fund are contractually restricted for service of the City's bonds. Cash and investments of \$278,699 in the Capital Projects Fund are contractually restricted for capital construction projects

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City reports interfund balances between its grant fund and general fund because the grants are accounted for on a cost reimbursement basis. The general fund must provide the funds until the reimbursement comes from the grantor. Interfund balances are generally expected to be repaid within one year of the financial statement date.

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
General Fund	Grant Fund	\$ 18,392

Interfund transfers during the year ended December 31, 2007 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Conservation Trust Fund	\$ 10,700
	City Service Utility Fund	62,796
	Recreation Fund	11,612
		<u>85,108</u>
Recreation Fund	General Fund	146,409
Grant Fund	General Fund	65,962
	Conservation Trust Fund	950
		<u>66,912</u>
Urban Renewal Fund	General Fund	2,300
Debt Service Fund	Capital Improvement Fund	216,888
Governmental Activities	City Service Utility Fund	107,258
	TOTALS	<u>\$ 624,875</u>

The General Fund transferred monies for operation into the Recreation Fund and the Urban Renewal Authority Funds.

The City Services Utility Fund and Recreation Fund transferred rent charges for services into the General Fund for rent and a portion of administrative supplies and services.

The General Fund and Conservation Trust Fund transferred grant matching funds into the Grant Fund. In addition, the Conservation Trust Fund transferred grant matching funds into the General Fund.

The Capital Improvement Fund transferred \$216,888 into the Debt Service Fund for payment on the Series 1998 Sales Tax Revenue Bonds.

The City Service Utility Fund transferred \$107,258 in infrastructure to the governmental activities for improvements done to East Drive as part of a water and sewer project.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	BALANCE 12/31/2006	Additions	Deletions	BALANCE 12/31/2007
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 360,475	\$ 3,138	\$ -	\$ 363,613
Construction in Progress	-	201,627	-	201,627
Total capital assets not being depreciated	<u>360,475</u>	<u>204,765</u>	<u>-</u>	<u>565,240</u>
Capital assets being depreciated				
Buildings	2,683,130	-	-	2,683,130
Infrastructure	1,618,015	393,216	-	2,011,231
Improvements - Building	572,674	9,203	-	581,877
Improvements - Other	340,858	73,896	-	414,754
Machinery and Equipment	1,304,755	43,922	-	1,348,677
Cars and Road Vehicles	824,267	99,721	-	923,988
Total capital assets being depreciated	<u>7,343,699</u>	<u>619,958</u>	<u>-</u>	<u>7,963,657</u>
Less accumulated depreciation for:				
Buildings	1,748,858	43,815	-	1,792,673
Infrastructure	23,302	179,694	-	202,996
Improvements - Building	243,793	24,295	-	268,088
Improvements - Other	272,087	11,610	-	283,697
Machinery and Equipment	592,296	100,467	-	692,763
Cars and Road Vehicles	594,244	45,504	-	639,748
Total accumulated depreciation	<u>3,474,580</u>	<u>405,385</u>	<u>-</u>	<u>3,879,965</u>
Total Capital Assets being depreciated, net	<u>3,869,119</u>	<u>214,573</u>	<u>-</u>	<u>4,083,692</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	<u>\$ 4,229,594</u>	<u>\$ 419,338</u>	<u>\$ -</u>	<u>\$ 4,648,932</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 22,000	\$ -	\$ -	\$ 22,000
Water Rights	129,751	-	-	129,751
Total capital assets not being depreciated	<u>151,751</u>	<u>-</u>	<u>-</u>	<u>151,751</u>
Capital assets being depreciated				
Buildings and Shops	46,018	-	-	46,018
Equipment	488,220	11,070	-	499,290
Water and Sewer Treatment Plant	4,260,903	15,020	-	4,275,923
Transmission and Distribution	3,146,124	39,091	-	3,185,215
Vehicles	162,155	32,400	-	194,555
Total capital assets being depreciated	<u>8,103,420</u>	<u>97,581</u>	<u>-</u>	<u>8,201,001</u>
Less: accumulated depreciation				
	<u>6,505,067</u>	<u>185,382</u>	<u>-</u>	<u>6,690,449</u>
Total Capital Assets being depreciated, net	<u>1,598,353</u>	<u>(87,801)</u>	<u>-</u>	<u>1,510,552</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET				
	<u>\$ 1,750,104</u>	<u>\$ (87,801)</u>	<u>\$ -</u>	<u>\$ 1,662,303</u>

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

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

Governmental activities:	
General Government	\$ 91,540
Public Safety	89,467
Health and Welfare	5,224
Highways and Streets	137,342
Culture and Recreation	44,872
Urban Development	6,081
Leased Buildings	30,859
Total depreciation expense - governmental activities	<u>\$ 405,385</u>
Business-type activities:	
City Service Utility	\$ 115,714
Wastewater Treatment Facility	67,827
Leased Buildings	1,841
Total depreciation expense - business-type activities	<u>\$ 185,382</u>

NOTE 6 OPERATING LEASES

The City has entered into an operating lease arrangement for several copy machines.

The future minimum rental payments under all operating leases outstanding at December 31, 2007 are as follows:

2008	\$ 5,281
2009	5,281
2010	<u>2,641</u>
	<u>\$ 13,203</u>

Rental Expense for the operating lease for the year ended December 31, 2007 was approximately \$5,281.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

	Ending Balance 12/31/2006	Additions	Deletions	Ending Balance 12/31/2007	Due Within One Year
Governmental activities:					
Bonds Payable	\$ 1,910,000	\$ -	\$ 120,000	\$ 1,790,000	\$ 125,000
Notes Payable	18,275	-	18,275	-	-
Capital Leases Payable	35,116	66,313	47,958	53,471	50,623
Compensated Absences	215,665	1,424	-	217,089	10,739
	<u>\$ 2,179,056</u>	<u>\$ 67,737</u>	<u>\$ 186,233</u>	<u>\$ 2,060,560</u>	<u>\$ 186,362</u>
Governmental activities					
Business-type activities:					
Notes Payable	\$ 803,197	\$ -	\$ 54,815	\$ 748,382	\$ 57,360
Compensated Absences	91,040	-	1,682	89,358	-
	<u>\$ 894,237</u>	<u>\$ -</u>	<u>\$ 56,497</u>	<u>\$ 837,740</u>	<u>\$ 57,360</u>
Business-type activities					

GOVERNMENTAL ACTIVITIES:

Bonds Payable

Series 1998 Sales Tax Revenue Bonds are payable to the Depository Trust Company, New York, New York, in various annual installments that include interest at varying rates. Bonds are secured by a first lien on one-half of the City's 2% sales tax, which is required to be deposited into the Capital Improvement Fund. The bonds are paid out of the Debt Service Fund. These bonds will be called on December 1, 2008 according to the Series 2008 Private Placement Sales Tax Revenue Refunding and Improvement Bonds issued April 8, 2008.

As of December 31, 2007, the City had \$220,629 in a trust account held in a separate account with COLOTRUST. This amount has been reserved for debt service in the Debt Service Fund.

The annual debt service for the bonds is as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2008	\$ 1,790,000	\$ 91,373	\$ 1,881,373
	<u>\$ 1,790,000</u>	<u>\$ 91,373</u>	<u>\$ 1,881,373</u>

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

Capital Leases Payable

Lease payable to San Luis Valley Federal Bank, payable in monthly installments of \$1,433.47, including interest at 5.35%. Final payment due in 2009, collateralized by two 2007 Ford Crown Victoria Police Interceptor Cars. Payments are made from the General Fund. These cars are recorded in the fixed assets of the government-wide financial statements at \$47,628 less accumulated depreciation of \$13,608. \$ 19,411

Lease payable to Harco Leasing Company, Inc., payable in annual installments of \$35,967.13, including interest at 5.60%. Final payment due in 2008, collateralized by a 2006 International 7400 truck. Payments are made from the General Fund. This lease is recorded in the fixed assets of the government-wide financial statements at \$99,721 less accumulated depreciation of \$6,648. 34,060

Total Leases Payable \$ 53,471

The annual debt service for the capital leases is as follows:

YEAR	PRINCIPAL	INTEREST	TOTALS
2008	\$ 50,623	\$ 2,545	\$ 53,168
2009	<u>2,848</u>	<u>20</u>	<u>2,868</u>
	<u>\$ 53,471</u>	<u>\$ 2,565</u>	<u>\$ 56,036</u>

BUSINESS-TYPE ACTIVITIES:

Notes Payable

Note payable to Colorado Water Resource and Power Development Authority, payable in semi-annual installments of \$37,446, including interest at 4.50%. Final payment due in 2019. This debt is recorded in the City Service Utility Fund. \$ 666,647

Note payable to the State of Colorado, Department of Local Affairs, payable in annual installments of \$16,048, including interest at 5.00%. Final payment due in 2023. This debt is recorded in the City Service Utility Fund. 81,735

Total Notes Payable \$ 748,382

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

The annual debt service for the notes payable is as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2008	\$ 57,360	\$ 33,581	\$ 90,941
2009	60,024	30,917	90,941
2010	62,812	28,129	90,941
2011	65,729	25,212	90,941
2012	68,783	22,158	90,941
2013-2017	326,207	64,788	390,995
2018-2019	107,467	4,872	112,339
	<u>\$ 748,382</u>	<u>\$ 209,657</u>	<u>\$ 958,039</u>

NOTE 8 PENSION PLANS

Defined Contribution Plans

The City offers a 401A defined contribution plan through ICMA Retirement Corporation. This plan is available to all eligible full-time City employees, except sworn police officers. The total payroll for 2007, other than police employees was \$1,116,186 and the total covered payroll was \$1,038,466. The City is required to contribute 8% of covered payroll and the employee is required to contribute nothing. The employees become 100% vested in the City's contribution and earnings after three years of service. The eight percent contribution for 2007 was \$83,077 for the City and 33 employees were participating in the plan.

The City police pension plan is in a 401A defined contribution plan through ICMA Retirement Corporation. Under this plan, the City contributes 14.2% of qualified employee earnings. Employee contributions of 6.2% are determined by the employer in accordance with IRC rules. The total covered payroll for the police pension plan was \$422,962. The 14.2% contribution for 2007 was \$60,030 for the City, and the 6.2% contribution for 2007 was \$26,210 for the employees. There were 13 employees participating in the plan. Employees are automatically vested in their contributions and they become fully vested in the City's contributions and earnings after five years of service.

The financial report can be obtained by writing to ICMA Retirement Corporation, 777 North Capital Street NE, Washington DC, 20002-4240 or by calling 1-800-669-7400.

Deferred Compensation Plan

The City offers a deferred compensation plan through ICMA Retirement Corporation under Internal Revenue Code 457. Participation in this plan is voluntary for all City employees. The City does not contribute to this plan.

The financial report can be obtained by writing to ICMA Retirement Corporation, 777 North Capital Street NE, Washington DC, 20002-4240 or by calling 1-800-669-7400.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

NOTE 9 SEGMENT INFORMATION FOR ENTERPRISE FUND

Because several of the segments are provided for in one fund, several items cannot be allocated between each segment. Therefore, a condensed statement of net assets and statement of cash flows, as well as some line items have been omitted in the segment information.

The following is a summary of operating income and expense information on the various segments of the Enterprise Funds.

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenue	\$ 748,064	\$ 711,065	\$ 1,459,129
Operating Expense	467,502	476,560	944,062
Depreciation Expense	46,346	139,036	185,382
Total Operating Expense	<u>513,848</u>	<u>615,596</u>	<u>1,129,444</u>
OPERATING INCOME (LOSS)	234,216	95,469	329,685
Nonoperating Revenues (Expenses)	(61,734)	(93,202)	(154,936)
Capital Contributions	3,200	6,000	9,200
Operating Transfers	<u>(138,656)</u>	<u>(31,398)</u>	<u>(170,054)</u>
NET INCOME (LOSS)	<u>\$ 37,026</u>	<u>\$ (23,131)</u>	<u>\$ 13,895</u>
Property, Plant and Equipment			
Additions	\$ 57,991	\$ 39,590	\$ 97,581
Accumulated Depreciation	\$ 1,876,932	\$ 4,813,517	\$ 6,690,449
Notes Payable	\$ 374,191	\$ 374,191	\$ 748,382

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

NOTE 10 RISK MANAGEMENT

Colorado Intergovernmental Risk Sharing Agency (CIRSA)

The City is exposed to various risks of loss related to property and casualty losses. The City participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a public entity risk pool currently operating as a common risk management and insurance program for member governments. All Colorado municipalities, which are members of the Colorado Municipal League, are eligible to participate in CIRSA. The City pays an annual contribution to CIRSA for its property and casualty, and workers' compensation insurance coverage. CIRSA is designed to be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention that is determined each policy year. There have been significant reductions in insurance coverage. Settled claims from these risks have not exceeded insurance coverage for the current year or the three prior years.

At December 31, 2007, CIRSA had assets of \$66,291,264, liabilities of \$32,691,419 (including \$21,424,801 reserved for unpaid losses and loss adjustment expenses, net of excess insurance recoverables) and net assets of \$33,599,845. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2007 amounted to \$26,490,950 and total expenses were \$20,125,102, resulting in an excess of revenues over expenses of \$6,365,848.

NOTE 11 TABOR EMERGENCY RESERVE

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

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

The voters of the City passed a ballot issue in 1997 allowing for the retention of revenues generated in excess of the limits imposed by the amendment.

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

The amendment also requires voter approval for any long-term financing entered into by the City.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

NOTE 12 JOINT VENTURE

San Luis Valley Regional Solid Waste Authority

The San Luis Valley Regional Solid Waste Authority was created by an intergovernmental agreement between Rio Grande County and Alamosa County on April 14, 1995, pursuant to the authority granted by C.R.S. 29-1-203. It has been designated as a joint venture under the provisions of GASB Statement No. 14. Its purpose is to provide the citizens of both counties an integrated municipal solid waste disposal facility in accordance with provision of C.R.S. 30-20-1005.

The Authority is governed by a Board of Directors consisting of five members as follows: one Rio Grande County Commissioner, one Alamosa County Commissioner, one director appointed by the City of Alamosa, one director appointed by the City of Monte Vista, and one director who is a member of the Rio Grande County Land Use or administrative staff as appointed by the Rio Grande County Commissioners.

It is the intent of the counties that the initial funding of the Authority by each county be provided on a loan basis in substantially the same proportion that the population of each county bears to the combined population of both counties. Alamosa and Rio Grande Counties may provide additional funding at any time in the future if they choose to do so by resolution.

The City of Monte Vista is not exposed to any closure or post-closure expenses.

The most recent audited financial statements of the authority report total assets of \$3,231,210, total liabilities of \$354,181, and net assets of \$2,877,029 at December 31, 2007.

The San Luis Valley Regional Solid Waste Authority issues publicly available annual financial statements. That report may be obtained by writing to the San Luis Valley Regional Solid Waste Authority, PO Box 861, Monte Vista, Colorado 81144.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Litigation – The City is currently the defendant in lawsuits arising principally in the normal course of operations. In the opinion of legal counsel, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

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

Sales Tax Revenue Bonds – On April 3, 2008, the City Council adopted an ordinance authorizing the issue of Sales Tax Revenue Refunding and Improvement Bonds, Series 2008 in the aggregate principal amount of \$3,680,000 for the purpose of refunding the outstanding principal of \$1,790,000 of the Series 1998 Bonds which contain a call date of December 1, 2008.

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CITY OF MONTE VISTA, COLORADO

SUPPLEMENTARY INFORMATION

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

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**CITY OF MONTE VISTA, COLORADO
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

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

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

Urban Renewal Authority Fund – This fund is used to account for the activities of the Urban Renewal Authority.

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**CITY OF MONTE VISTA, COLORADO
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2007**

	CONSERVATION TRUST FUND	URBAN RENEWAL AUTHORITY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 29,653	\$ 8,752	\$ 38,405
TOTAL ASSETS	\$ 29,653	\$ 8,752	\$ 38,405
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ -	\$ 280	\$ 280
TOTAL LIABILITIES	-	280	280
FUND BALANCE			
Fund Balance Unreserved Undesignated	29,653	8,472	38,125
TOTAL FUND BALANCE	29,653	8,472	38,125
TOTAL LIABILITIES AND FUND BALANCE	\$ 29,653	\$ 8,752	\$ 38,405

CITY OF MONTE VISTA, COLORADO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	CONSERVATION TRUST FUND	URBAN RENEWAL AUTHORITY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Intergovernmental Revenue	\$ 46,730	\$ -	\$ 46,730
Interest and Miscellaneous	586	285	871
TOTAL REVENUE	<u>47,316</u>	<u>285</u>	<u>47,601</u>
EXPENDITURES			
Culture and Recreation	9,808	-	9,808
Urban/Economic Development	-	2,481	2,481
TOTAL EXPENDITURES	<u>9,808</u>	<u>2,481</u>	<u>12,289</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>37,508</u>	<u>(2,196)</u>	<u>35,312</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	2,300	2,300
Operating Transfers Out	(11,650)	-	(11,650)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,650)</u>	<u>2,300</u>	<u>(9,350)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	25,858	104	25,962
Fund Balance at Beginning of Year	<u>3,795</u>	<u>8,368</u>	<u>12,163</u>
Fund Balance at End of Year	<u>\$ 29,653</u>	<u>\$ 8,472</u>	<u>\$ 38,125</u>

CITY OF MONTE VISTA, COLORADO
OTHER SCHEDULES AND REPORTS

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CITY OF MONTE VISTA, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Interest and Miscellaneous	\$ 8,000	\$ 8,000	\$ 14,318	\$ 6,318
TOTAL REVENUE	<u>8,000</u>	<u>8,000</u>	<u>14,318</u>	<u>6,318</u>
EXPENDITURES				
Street Repair and Maintenance	60,000	115,000	114,304	696
TOTAL EXPENDITURES	<u>60,000</u>	<u>115,000</u>	<u>114,304</u>	<u>696</u>
Excess (Deficiency) of Revenues Over Expenditures	(52,000)	(107,000)	(99,986)	7,014
Fund Balance at Beginning of Year	<u>52,000</u>	<u>107,000</u>	<u>378,685</u>	<u>271,685</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,699</u>	<u>\$ 278,699</u>

CITY OF MONTE VISTA, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Interest on Investments	\$ 13,000	\$ 13,000	\$ 20,381	\$ 7,381
TOTAL REVENUES	<u>13,000</u>	<u>13,000</u>	<u>20,381</u>	<u>7,381</u>
EXPENDITURES				
Debt Service				
Principal Payments	120,000	120,000	120,000	-
Interest Payments	96,893	96,893	96,893	-
Administrative Services	200	200	150	50
Total Debt Service	<u>217,093</u>	<u>217,093</u>	<u>217,043</u>	<u>50</u>
TOTAL EXPENDITURES	<u>217,093</u>	<u>217,093</u>	<u>217,043</u>	<u>50</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(204,093)</u>	<u>(204,093)</u>	<u>(196,662)</u>	<u>7,431</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>216,893</u>	<u>216,893</u>	<u>216,888</u>	<u>5</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>216,893</u>	<u>216,893</u>	<u>216,888</u>	<u>5</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	12,800	12,800	20,226	7,426
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>324,701</u>	<u>324,701</u>
Fund Balance at End of Year	<u>\$ 12,800</u>	<u>\$ 12,800</u>	<u>\$ 344,927</u>	<u>\$ 332,127</u>

CITY OF MONTE VISTA, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST FUND
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental Revenue				
State Lottery Proceeds	\$ 42,000	\$ 42,000	\$ 46,730	\$ 4,730
Interest on Investments	50	50	586	536
TOTAL REVENUES	<u>42,050</u>	<u>42,050</u>	<u>47,316</u>	<u>5,266</u>
EXPENDITURES				
Culture and Recreation	7,000	11,000	9,808	1,192
TOTAL EXPENDITURES	<u>7,000</u>	<u>11,000</u>	<u>9,808</u>	<u>1,192</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>35,050</u>	<u>31,050</u>	<u>37,508</u>	<u>6,458</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(12,050)	(14,000)	(11,650)	2,350
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,050)</u>	<u>(14,000)</u>	<u>(11,650)</u>	<u>2,350</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	23,000	17,050	25,858	8,808
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>3,795</u>	<u>3,795</u>
Fund Balance at End of Year	<u>\$ 23,000</u>	<u>\$ 17,050</u>	<u>\$ 29,653</u>	<u>\$ 12,603</u>

CITY OF MONTE VISTA, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
URBAN RENEWAL AUTHORITY FUND
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Interest on Investments	\$ 95	\$ 95	\$ 285	\$ 190
TOTAL REVENUES	<u>95</u>	<u>95</u>	<u>285</u>	<u>190</u>
EXPENDITURES				
Urban/Economic Development				
Urban Renewal	1,800	1,800	1,502	298
Transportation Museum	500	1,595	979	616
Total Urban/Economic Development	<u>2,300</u>	<u>3,395</u>	<u>2,481</u>	<u>914</u>
TOTAL EXPENDITURES	<u>2,300</u>	<u>3,395</u>	<u>2,481</u>	<u>914</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,205)</u>	<u>(3,300)</u>	<u>(2,196)</u>	<u>1,104</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>2,300</u>	<u>2,300</u>	<u>2,300</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,300</u>	<u>2,300</u>	<u>2,300</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	95	(1,000)	104	1,104
Fund Balance at Beginning of Year	<u>-</u>	<u>1,000</u>	<u>8,368</u>	<u>7,368</u>
Fund Balance at End of Year	<u>\$ 95</u>	<u>\$ -</u>	<u>\$ 8,472</u>	<u>\$ 8,472</u>

CITY OF MONTE VISTA, COLORADO
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
CITY SERVICE UTILITY FUND
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
OPERATING REVENUES				
Charges for Services				
Water Charges	\$ 667,500	\$ 730,500	\$ 745,138	\$ 14,638
Sewer Charges	725,000	725,000	695,737	(29,263)
Storm Drain Fee	10,950	10,950	11,050	100
	<u>1,403,450</u>	<u>1,466,450</u>	<u>1,451,925</u>	<u>(14,525)</u>
Total Charges for Services				
Miscellaneous	6,200	6,200	7,204	1,004
	<u>1,409,650</u>	<u>1,472,650</u>	<u>1,459,129</u>	<u>(13,521)</u>
Total Operating Revenues				
OPERATING EXPENSES				
Personnel Services	569,842	569,842	573,174	(3,332)
Supplies	37,500	37,500	24,561	12,939
Fuel	13,000	13,000	12,502	498
Communications and Postage	17,300	17,300	19,318	(2,018)
Insurance and Bonds	39,000	39,000	37,612	1,388
Utilities	115,500	115,500	86,187	29,313
Rents and Payments	300	300	48	252
Professional Services	138,500	138,500	112,272	26,228
Travel	4,800	4,800	2,438	2,362
Repairs and Maintenance	91,300	185,300	30,114	155,186
Small Equipment and Repairs	62,500	62,500	28,241	34,259
Uniform Maintenance	1,450	1,450	1,049	401
Miscellaneous	13,750	13,750	16,546	(2,796)
	<u>1,104,742</u>	<u>1,198,742</u>	<u>944,062</u>	<u>254,680</u>
Total Operating Expenses				
Operating Income (Loss)	<u>304,908</u>	<u>273,908</u>	<u>515,067</u>	<u>241,159</u>
NONOPERATING REVENUES (EXPENSES)				
Payment in Lieu of Taxes	(158,165)	(158,165)	(158,165)	-
Interest on Accounts	18,000	18,000	39,354	21,354
Debt Service	(91,900)	(91,900)	(93,485)	(1,585)
	<u>(232,065)</u>	<u>(232,065)</u>	<u>(212,296)</u>	<u>19,769</u>
Total Nonoperating Revenues (Expenses)				
Income Before Contributions and Transfers	72,843	41,843	302,771	260,928
Capital Contributions				
Sewer Tap Fees	7,500	7,500	6,000	(1,500)
Water Tap Fees	4,000	4,000	3,200	(800)
	<u>11,500</u>	<u>11,500</u>	<u>9,200</u>	<u>(2,300)</u>
Total Capital Contributions				

CITY OF MONTE VISTA, COLORADO
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
CITY SERVICE UTILITY FUND
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
OPERATING TRANSFERS				
Transfers Out	(62,800)	(62,800)	(170,054)	(107,254)
Total Operating Transfers	<u>(62,800)</u>	<u>(62,800)</u>	<u>(170,054)</u>	<u>(107,254)</u>
Net Income (Loss) - Budget Basis	21,543	(9,457)	141,917	<u>\$ 151,374</u>
Add: Principal Payments			57,360	
Less: Depreciation			<u>(185,382)</u>	
Net Income (Loss)		(9,457)	13,895	
Net Assets at Beginning of Year	<u>-</u>	<u>20,000</u>	<u>1,914,367</u>	
Net Assets at End of Year	<u>\$ 21,543</u>	<u>\$ 10,543</u>	<u>\$ 1,928,262</u>	

LOCAL HIGHWAY FINANCE REPORT

City or County:
Monte Vista
YEAR ENDING :
December 2007

This Information From The Records Of (example - City of _ or County of _) Prepared By:
Phone: Vicki Bever

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	114,304
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	227,248
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	4,148
2. General fund appropriations		b. Snow and ice removal	19,621
3. Other local imposts (from page 2)	249,603	c. Other	
4. Miscellaneous local receipts (from page 2)	28,961	d. Total (a. through c.)	23,769
5. Transfers from toll facilities		4. General administration & miscellaneous	60,583
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	425,904
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	278,564	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	147,340	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	425,904	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	425,904

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

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		425,904	425,904		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2007

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	109,306	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	28,961
1. Sales Taxes	67,510	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	72,787	g. Other Misc. Receipts	
6. Total (1. through 5.)	140,297	h. Other	
c. Total (a. + b.)	249,603	i. Total (a. through h.)	28,961
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	130,044	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	17,296	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	17,296	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	147,340	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		114,304	114,304
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	114,304	114,304
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	114,304	114,304
			(Carry forward to page 1)

Notes and Comments: