

**CITY OF MONTE VISTA, COLORADO**

**FINANCIAL STATEMENTS**

**December 31, 2006**

**CITY OF MONTE VISTA, COLORADO**  
**TABLE OF CONTENTS**  
**December 31, 2006**

	<u>PAGE</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Governmental Fund Financial Statements:	
Balance Sheet	17
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities	22
Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
General Fund	23
Parks and Recreation Fund	25
Capital Improvement Fund	26
Grant Fund	27
Statement of Revenues, Expenses and Changes in Fund Net Assets	28
Statement of Cash Flows	29
Notes to the Basic Financial Statements	30
Supplementary Information:	
Combining Statements of Nonmajor Governmental Funds:	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48
Other Schedules and Reports:	
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Capital Projects Fund	50
Debt Service Fund	51
Conservation Trust Fund	52
Urban Renewal Fund	53
Schedules of Revenues, Expenses and Changes in Net Assets – Budget and Actual	
City Service Utility Fund	54
Schedule of Expenditures of Federal Awards	56
Report of Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	59
Schedule of Findings and Questioned Costs	61
Corrective Action Plan	63
Local Highway Finance Report	65

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and City Council  
City of Monte Vista  
Monte Vista, Colorado 81144

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Monte Vista, Colorado, as of December 31, 2006, and the respective budgetary comparison information 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2007 on our consideration of the City of Monte Vista's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements, schedules as listed in the table of contents, the schedule of expenditures of federal awards 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 19, 2007

## **CITY OF MONTE VISTA, COLORADO MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2006.

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, 2005 and December 31, 2006.

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

### **Financial Highlights**

- As of December 31, 2006 the City of Monte Vista has government-wide net assets totaling \$5,365,350. Of this amount, net assets related to governmental activities total \$3,450,983 and net assets related to business-type activities total \$1,914,367. Total net assets of the city increased \$2,318,501, or 76%, compared to 2005.
- Net assets of the city's governmental activities increased \$2,169,355, from 2005 while net assets of the city's business-type activities increased \$149,146.
- General revenue items, primarily taxes, account for \$2,202,598 or 37% of all revenues. Program revenues in the form of charges for services, grants and contributions, accounted for \$3,684,286 or 63% of total revenues.
- The City's general revenues increased \$115,644, while Program Revenues increased \$1,557,389 compared to 2005. Approximately \$1,550,216, or 99%, of the increase came from Capital Grants and Contributions.
- The City had \$2,394,111 in expenses related to governmental activities in 2006, an increase of \$123,133 or 5% over the prior year. Expenses in Business-type activities decreased by \$71,071 (from \$1,245,343 in 2005 to \$1,174,272 in 2006). Total revenues of \$5,886,884 were adequate to provide for the above expenses.
- The city completed several grant projects during 2006. Major grants awarded to the City for fiscal 2006 include:
  - ✓ U.S. Department of Housing and Urban Development awarded the City of Monte Vista a Community Development Block Grant for the purpose of new street construction in the amount of \$590,733.
  - ✓ U.S. Department of Transportation awarded the City \$540,943, the project involved rehabilitation of the airport taxiway and reconstruction of the existing apron area.
  - ✓ The City received \$485,026 from the State of Colorado Department of Local Government in the form of an Energy and Mineral Impact Assistance Grant. The grant project consisted of developing a digital trunked radio (DTR) tower site.

### **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

### 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 sector 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*) 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, urban 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 Parks and 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.

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.

## **CITY OF MONTE VISTA, COLORADO MANAGEMENT'S DISCUSSION AND ANALYSIS**

*Proprietary Funds.* The City of Monte Vista maintains two types of proprietary 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 its city service utility fund, leased building fund, and nonmajor funds. During 2005 the city closed the Leased Building Fund and the Health and Welfare Fund since they were no longer in use. Fiscal year ending December 31, 2005 was the last year these funds were reported in proprietary funds.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City of Monte Vista's various functions. The Internal Service Fund is used to account for the costs of health insurance for the other funds on a cost-reimbursement basis. Because this service predominately benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

### **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.

### **Government-wide Financial Analysis**

The focus of this financial analysis is on comparisons of the activities of the current year (2006) with those of the prior year (2005) and comparison of balances at year-end (December 31) for the same two years.

The City's combined net assets for the governmental and business-type funds increased \$2,318,501 from 2005 to 2006. The increase is made up of the following:

- Governmental net assets increased by \$2,169,355 at the end of 2006, of which \$1,593,290 (73%) was attributable to infrastructure additions, primarily funded by grant contributions. In addition, machinery and equipment increased by \$445,719, funded by grant contributions for the purpose of developing a functional digital trunked radio (DTR) tower site. Business-type net assets increased by \$149,146. The City's overall financial position improved during calendar year 2006.

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 \$5,365,350 at December 31, 2006. Of this amount, \$797,089 is restricted for various purposes including the TABOR emergency reserve as required by the Colorado State Statutes.

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

**CITY OF MONTE VISTA, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

City of Monte Vista Net Assets						
	Governmental Activities		Business-type Activities		Total Government	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Current and other assets	\$ 1,712,778	\$ 1,851,864	\$ 763,720	\$ 1,058,324	\$ 2,476,498	\$ 2,910,188
Noncurrent and Capital assets	<u>2,328,710</u>	<u>4,229,594</u>	<u>2,040,608</u>	<u>1,770,229</u>	<u>4,369,318</u>	<u>5,999,823</u>
<b>Total Assets</b>	<b>\$ 4,041,488</b>	<b>\$ 6,081,458</b>	<b>\$ 2,804,328</b>	<b>\$ 2,828,553</b>	<b>\$ 6,845,816</b>	<b>\$ 8,910,011</b>
Current Liabilities	\$ 585,680	\$ 605,399	\$ 91,521	\$ 74,764	\$ 677,201	\$ 680,163
Noncurrent Liabilities	<u>2,174,180</u>	<u>2,025,076</u>	<u>947,586</u>	<u>839,422</u>	<u>3,121,766</u>	<u>2,864,498</u>
<b>Total Liabilities</b>	<b>\$ 2,759,860</b>	<b>\$ 2,630,475</b>	<b>\$ 1,039,107</b>	<b>\$ 914,186</b>	<b>\$ 3,798,967</b>	<b>\$ 3,544,661</b>
Net assets						
Investment in capital assets, net of related debt	\$ 254,902	\$ 2,266,203	\$ 1,103,959	\$ 946,907	\$ 1,358,861	\$ 3,213,110
Restricted for:						
TABOR	\$ 72,000	\$ 93,703	\$ -	\$ -	\$ 72,000	93,703
Capital Projects	364,774	378,685	-	-	364,774	378,685
Debt Service	306,174	324,701	-	-	306,174	324,701
Compensated Absences	-	-	-	-	-	-
Unrestricted	<u>283,778</u>	<u>387,691</u>	<u>661,262</u>	<u>967,460</u>	<u>945,040</u>	<u>1,355,151</u>
<b>Total Net Assets</b>	<b>\$ 1,281,628</b>	<b>\$ 3,450,983</b>	<b>\$ 1,765,221</b>	<b>\$ 1,914,367</b>	<b>\$ 3,046,849</b>	<b>\$ 5,365,350</b>

**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 Development, and 7) Interest on long-term Debt.

Governmental activity expenses totaled \$2,394,111. Major expenses included in this amount are; \$1,193,996 from general government, \$330,054 from highway and streets, \$396,702 from public safety, and \$295,971 from culture and recreation. City funding for governmental activities was derived from \$2,393,484 (52%) in general revenue and program revenues contributed 2,169,982 (48%). Program revenue funds were secured from \$333,993 in charges for services and \$1,698,842 in capital grants and contributions.

Total revenues collected for governmental activities improved by \$1,037,240 (23%) compared to the prior fiscal year. Capital Grants and Contributions was the greatest source of the increase.

**CITY OF MONTE VISTA, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 \$149,146 in 2006.

*Table 2 provides a summary of the changes in net assets for the years 2005 and 2006. 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	
	2005	2006	2005	2006	2005	2006
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 320,572	\$ 333,993	\$ 1,454,180	\$ 1,485,799	1,774,752	1,819,792
Operating Grants and Contributions	175,014	137,147	-	-	175,014	137,147
Capital Grants & Contributions	111,400	1,698,842	65,731	28,505	177,131	1,727,347
<b>General Revenues:</b>						
<b>Taxes</b>						
General Property Taxes - net	276,311	295,932	-	-	276,311	295,932
Sales and use taxes	1,392,770	1,412,513	-	-	1,392,770	1,412,513
Highway users taxes	120,930	136,183	-	-	120,930	136,183
Franchise taxes	164,436	168,092	-	-	164,436	168,092
Other taxes	71,296	84,125	-	-	71,296	84,125
Investment income	16,818	57,087	5,982	29,414	22,800	86,501
Miscellaneous	10,242	18,639	3,055	613	13,297	19,252
Operating transfers	708,272	62,748	(683,158)	(62,748)	25,114	-
PILT Transfers	158,165	158,165	(158,165)	(158,165)	-	-
<b>Total Revenue</b>	<b>\$ 3,526,226</b>	<b>\$ 4,563,466</b>	<b>\$ 687,625</b>	<b>\$ 1,323,418</b>	<b>\$ 4,213,851</b>	<b>\$ 5,886,884</b>
<b>Expenses</b>						
General Government	\$ 411,262	\$ 1,193,996	\$ -	\$ -	\$ 411,262	\$ 1,193,996
Public Safety	904,069	396,702	-	-	904,069	396,702
Health and Welfare	63,247	74,197	-	-	63,247	74,197
Highway and Streets	347,376	330,054	-	-	347,376	330,054
Culture and Recreation	407,530	295,971	-	-	407,530	295,971
Urban Development	24,107	11,327	-	-	24,107	11,327
Interest on long term debt	113,387	91,864	-	-	113,387	91,864
City Service Utility	-	-	1,136,475	1,174,272	1,136,475	1,174,272
Leased Building	-	-	108,868	-	108,868	-
<b>Total Expenses</b>	<b>\$ 2,270,978</b>	<b>\$ 2,394,111</b>	<b>\$ 1,245,343</b>	<b>\$ 1,174,272</b>	<b>\$ 3,516,321</b>	<b>\$ 3,568,383</b>
<b>Change in Net Assets</b>	<b>\$ 1,255,248</b>	<b>\$ 2,169,355</b>	<b>\$ (557,718)</b>	<b>\$ 149,146</b>	<b>\$ 697,530</b>	<b>\$ 2,318,501</b>
<b>Net Assets - Beginning</b>	<b>\$ 26,380</b>	<b>\$ 1,281,628</b>	<b>\$ 2,322,939</b>	<b>\$ 1,765,221</b>	<b>\$ 2,349,319</b>	<b>\$ 3,046,849</b>
<b>Net Assets - Ending</b>	<b>\$ 1,281,628</b>	<b>\$ 3,450,983</b>	<b>\$ 1,765,221</b>	<b>\$ 1,914,367</b>	<b>\$ 3,046,849</b>	<b>\$ 5,365,350</b>

**CITY OF MONTE VISTA, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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.

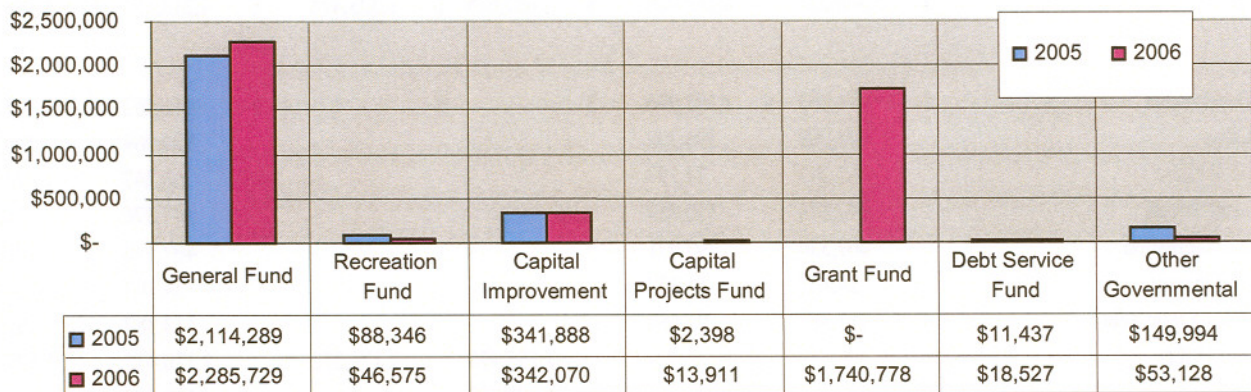
*Governmental Funds.* The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve 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, Parks & 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 \$1,400,445, an increase of \$134,491 from the prior year ending fund balances. Of this amount \$603,356 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	\$378,685
Reserved for Debt Service	\$324,701
Tabor Emergency Reserve	\$ 93,703

*Revenue.* Revenues in Governmental funds increased from \$2,708,352 to \$4,500,718, an increase of \$1,792,366 from the prior year. The majority of the increase (\$1,677,134) was due to grant revenue. Of total revenue received in 2006; \$2,164,278 (48%) was generated by intergovernmental revenue, \$1,953,036 (43%) by tax revenue, \$141,797 (3%) by charges for services, and \$241,607 (6%) by other sources.

*Chart 1 provides a summary of Revenues by governmental funds for the years 2005 and 2006. Additional information for year ending December 31, 2006 is presented in the statement of Revenues, Expenditures, and Changes in fund Balances.*

**Revenues by Governmental Funds Comparison for Year Ending  
December 31, 2005 and December 31, 2006**

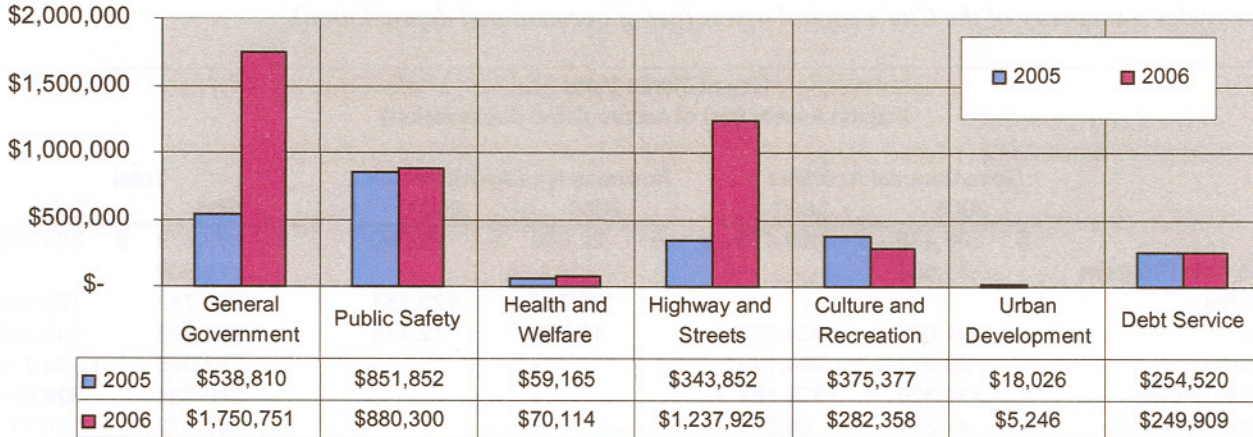


*Expenditures.* The governmental funds experienced an increase of \$2,035,001 in expenditures bringing the total expenditures for the fiscal year to \$4,476,603. The majority of the increase is attributed to increased grant projects in the following areas, \$1,211,941 (general government) and \$894,073 (highways and streets).

**CITY OF MONTE VISTA, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Chart 2 provides a summary of Expenditures by governmental activity for the years 2005 and 2006. Additional information for year ending December 31, 2006 is presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**Expenditures by Governmental Funds Comparison for Year Ending  
December 31, 2005 and December 31, 2006**



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 \$533,711; an increase of \$274,458 compared to last year's ending balance.

General Fund revenues increased \$171,440 or 8% as compared to 2005. Of this amount, interest and miscellaneous increased by \$72,604 and tax collections increased by \$60,323.

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, 2006 net assets for the City Utility Service Fund were \$1,914,367, an increase of \$149,146 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 \$2,173,893 to a final budget of \$2,193,893. All recommended amendments for budget changes came from the Finance Department and City Manager to City Council via Ordinance as required. For the General Fund, the original budget for revenues was \$2,198,546 and the final budget was \$2,224,334.
- Actual revenue exceeded estimated revenues by a total of \$198,123. The majority of the excess was in tax revenue (\$96,720), followed by interest and miscellaneous revenue (\$41,992). Total revenue received during fiscal year 2006 was \$171,440 greater than the previous fiscal year (does not include other financing sources).
- At December 31, 2006, the General Fund under-spent its budgeted expenditures by \$19,865 (does not include transfers). The majority of this savings was in the leased building department.

**CITY OF MONTE VISTA, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Assets**

The City's capital assets for its governmental and business-type activities as of December 31, 2006 total \$5,979,698 (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	
	2005	2006	2005	2006	2005	2006
Land	\$ 360,475	\$ 360,475	\$ 22,000	\$ 22,000	\$ 382,475	\$ 382,475
Construction in Progress	111,569	-	-	-	111,569	-
Water Rights	-	-	129,751	129,751	129,751	129,751
Buildings	891,004	934,272	13,959	12,118	904,963	946,390
Infrastructure	23,072	1,594,713	-	-	23,072	1,594,713
Improvements-Bldg	330,325	328,881	-	-	330,325	328,881
Improvements-Other	47,372	68,771	-	-	47,372	68,771
W/S Treatment Plant	-	-	349,366	155,494	349,366	155,494
Transmission & Distrib.	-	-	1,392,985	1,307,316	1,392,985	1,307,316
Equipment	339,543	712,459	107,395	101,799	446,938	814,258
Vehicles	225,349	230,023	2,429	21,626	227,778	251,649
	<u>\$ 2,328,709</u>	<u>\$ 4,229,594</u>	<u>\$ 2,017,885</u>	<u>\$ 1,750,104</u>	<u>\$ 4,346,594</u>	<u>\$ 5,979,698</u>

Major capital additions during 2006 include:

Governmental Activities

- **Buildings:**
  - Radio Tower Building \$ 93,824
- **Vehicles:**
  - Ford Crown Victoria (2) \$ 47,628
- **Equipment:**
  - Generator \$ 15,407
  - Enocre Mower \$ 9,500
  - Computers \$ 29,610
  - 800 MHZ DTRS Site Radio \$185,632
  - Radio Microwave Equipment \$ 95,075
  - Radio Generator \$ 25,025
  - Radio Tower \$ 85,470
- **Improvements:**
  - Tennis Court Improvement \$ 14,078
  - Ski Hi Park Fence Improvements \$ 7,500
  - 3<sup>rd</sup> and 4<sup>th</sup> Fence Project \$ 8,697
- **Building Improvements:**
  - Carpet for Leased Building (Valley Wide) \$ 21,687

**CITY OF MONTE VISTA, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- **Infrastructure:**

Skin Patch Lariat Road	\$ 5,757
Asphalt/Various Streets	\$ 24,365
Third, Fourth and Fifth Street Grant	\$909,361
Airport Apron & Ramp Reconstruction	\$653,807
<b>Total Additions Governmental Activities</b>	<b><u>\$2,232,423</u></b>

Business-type activities

- **Vehicles:**

2006 Ford Crown Victoria	\$ 23,814
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- **Equipment:**

Computers	\$ 14,584
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- **Transmission and Distribution:**

Water Meters	<u>\$ 6,959</u>
<b>Total Additions Business-Type</b>	<b><u>\$ 45,357</u></b>

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 \$3,073,293. Of this amount \$2,179,056 relates to governmental activities and \$894,237 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. Notes payable include several notes payable to Sunflower Bank. 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 6 to the financial statements.

*Table 4 provides a summary of the City's Long-term debt obligations at December 31, 2006.*

	City of Monte Vista Long-Term Debt					
	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Bonds Payable	\$ 2,025,000	\$ 1,910,000	\$ -	\$ -	\$ 2,025,000	\$ 1,910,000
Notes Payable	48,808	18,275	915,226	803,197	964,034	821,472
Capital Leases Payable	-	35,116	-	-	-	35,116
Compensated Absences	<u>239,228</u>	<u>215,665</u>	<u>91,531</u>	<u>91,040</u>	<u>330,759</u>	<u>306,705</u>
<b>Total</b>	<b><u>\$ 2,313,036</u></b>	<b><u>\$ 2,179,056</u></b>	<b><u>\$ 1,006,757</u></b>	<b><u>\$ 894,237</u></b>	<b><u>\$ 3,319,793</u></b>	<b><u>\$ 3,073,293</u></b>

**CITY OF MONTE VISTA, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Year's Budgets**

After several years of financial uncertainty, the city in 2003 recorded a balanced budget. In 2006, the city fund balances are adequate but not at the levels city administration would like. The city has reserves enough to cover operations for a short period in the event of catastrophic revenue shortfalls. Revenues in all non-utility funds remain flat but stable. The utility funds have seen and will continue to experience rate increases through 2007 when the city will re-evaluate utility rate structures. Operationally the city will continue to provide adequate services though not at pre 2003 levels.

In 2005, the city retired a short-term debt obligation several years early providing over \$75,000 in additional operating capacity. The municipal pool closed indefinitely in 2006 resulting in a savings over \$100,000 annually. The city will continue to pursue cost savings and work towards early retirement of debt.

The city has completed feasibility studies and master plans for the Park & Recreation facilities. The purpose of the plans and studies is to provide the city council and staff blueprints for the future with the associated costs of achieving the goals and objectives set forth in the plans.

An updated Master Infrastructure Plan (MIP) is scheduled for completion by the end of 2007. The MIP will provide the city with a ten-year plan to include priorities and costs for the repair, maintenance and long-range planning for all infrastructure projects.

The city will continue reviewing cost centers with the intention of developing a more concise cost reporting system. In addition, the city has begun examining the way the city conducts business. It is the intent of the city administration to have the city become more entrepreneurial and responsive to customer needs through the design and implementation of performance measuring that gauges the cost and effectiveness of city services.

In summary, the city is well on the way to financial recovery, with adequate service levels provided at a reasonable cost. The city continues to explore opportunities to become more cost effective and efficient, while increasing service levels without increasing costs.

**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

**CITY OF MONTE VISTA, COLORADO**  
**BASIC FINANCIAL STATEMENTS**

CITY OF BOULDER, COLORADO

PARTICIPANT STATEMENTS

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**CITY OF MONTE VISTA, COLORADO**  
**STATEMENT OF NET ASSETS**  
**December 31, 2006**

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 1,070,946	\$ 955,776	\$ 2,026,722
Accounts Receivable	9,224	24,064	33,288
Property Taxes Receivable	303,148	-	303,148
Due from Other Funds	123,656	-	123,656
Due from Other Governments	347,341	-	347,341
Due from County Treasurer	121,205	14,317	135,522
Inventory of Materials and Supplies	-	64,167	64,167
<b>Total Current Assets</b>	<u>1,975,520</u>	<u>1,058,324</u>	<u>3,033,844</u>
<b>Noncurrent Assets:</b>			
Unamortized Bond Issuance Costs	-	20,125	20,125
<b>Capital Assets:</b>			
Land	360,475	22,000	382,475
Infrastructure	1,618,015	-	1,618,015
Water Rights	-	129,751	129,751
Buildings	2,683,130	46,018	2,729,148
Building Improvements	572,674	-	572,674
Other Improvements	340,858	-	340,858
Equipment	1,304,755	488,220	1,792,975
Treatment Plant	-	4,260,903	4,260,903
Transmission and Distribution	-	3,146,124	3,146,124
Vehicles and Heavy Road Equipment	824,267	162,155	986,422
Less: Accumulated Depreciation/Depletion	(3,474,580)	(6,505,067)	(9,979,647)
<b>Total Noncurrent Assets</b>	<u>4,229,594</u>	<u>1,770,229</u>	<u>5,999,823</u>
<b>TOTAL ASSETS</b>	<u>6,205,114</u>	<u>2,828,553</u>	<u>9,033,667</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	132,769	11,866	144,635
Other Payables	3,012	8,083	11,095
Due to Other Funds	123,656	-	123,656
Deferred Tax Revenue	303,148	-	303,148
Deferred Revenue	12,490	-	12,490
Bonds Payable	120,000	-	120,000
Capital Leases Payable	15,705	-	15,705
Notes Payable	18,275	54,815	73,090
<b>Total Current Liabilities</b>	<u>729,055</u>	<u>74,764</u>	<u>803,819</u>
<b>Noncurrent Liabilities:</b>			
Bonds Payable	1,790,000	-	1,790,000
Capital Leases Payable	19,411	-	19,411
Notes Payable	-	748,382	748,382
Compensated Absences	215,665	91,040	306,705
<b>Total Noncurrent Liabilities</b>	<u>2,025,076</u>	<u>839,422</u>	<u>2,864,498</u>
<b>TOTAL LIABILITIES</b>	<u>2,754,131</u>	<u>914,186</u>	<u>3,668,317</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,266,203	946,907	3,213,110
<b>Restricted for:</b>			
TABOR	93,703	-	93,703
Capital Projects	378,685	-	378,685
Debt Service	324,701	-	324,701
Unrestricted	387,691	967,460	1,355,151
<b>TOTAL NET ASSETS</b>	<u>\$ 3,450,983</u>	<u>\$ 1,914,367</u>	<u>\$ 5,365,350</u>

See Notes to the Basic Financial Statements

**CITY OF MONTE VISTA, COLORADO**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,193,996	\$ 143,973	\$ 44,778	\$ 1,098,309
Public safety	396,702	42,242	-	-
Health and Welfare	74,197	90,830	-	-
Highways and streets	330,054	8,198	22,344	590,733
Culture and Recreation	295,971	48,750	70,025	9,800
Urban Development	11,327	-	-	-
Interest on long-term debt	91,864	-	-	-
<b>Total Governmental Activities</b>	<b>2,394,111</b>	<b>333,993</b>	<b>137,147</b>	<b>1,698,842</b>
<b>Business-Type Activities:</b>				
City Service Utility	1,174,272	1,485,799	-	28,505
<b>Total Business-Type Activities</b>	<b>1,174,272</b>	<b>1,485,799</b>	<b>-</b>	<b>28,505</b>
<b>Total Primary Government</b>	<b>\$ 3,568,383</b>	<b>\$ 1,819,792</b>	<b>\$ 137,147</b>	<b>\$ 1,727,347</b>

**General Revenues:**

Taxes:

General Property Taxes - Net

Sales and Use Taxes

Highway User 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**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>TOTAL</b>
\$ 93,064	\$ -	\$ 93,064
(354,460)	-	(354,460)
16,633	-	16,633
291,221	-	291,221
(167,396)	-	(167,396)
(11,327)	-	(11,327)
(91,864)	-	(91,864)
<u>(224,129)</u>	<u>-</u>	<u>(224,129)</u>
-	340,032	340,032
-	340,032	340,032
<u>(224,129)</u>	<u>340,032</u>	<u>115,903</u>
295,932	-	295,932
1,412,513	-	1,412,513
136,183	-	136,183
168,092	-	168,092
84,125	-	84,125
57,087	29,414	86,501
18,639	613	19,252
62,748	(62,748)	-
158,165	(158,165)	-
<u>2,393,484</u>	<u>(190,886)</u>	<u>2,202,598</u>
2,169,355	149,146	2,318,501
<u>1,281,628</u>	<u>1,765,221</u>	<u>3,046,849</u>
<u>\$ 3,450,983</u>	<u>\$ 1,914,367</u>	<u>\$ 5,365,350</u>

**CITY OF MONTE VISTA, COLORADO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2006**

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>GENERAL FUND</u>	<u>PARKS AND RECREATION FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>GRANT FUND</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 240,035	\$ 27,245	\$ 87,628	\$ -
Accounts Receivable	9,038	186	-	-
Property Taxes Receivable	303,148	-	-	-
Due From Grant Fund	123,656	-	-	-
Due From Other Governments	92,136	-	57,308	197,897
Due From County Treasurer	121,205	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 889,218</u>	<u>\$ 27,431</u>	<u>\$ 144,936</u>	<u>\$ 197,897</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 49,347	\$ 8,692	\$ -	\$ 74,241
Other Payables	3,012	-	-	-
Due to General Fund	-	-	-	123,656
Deferred Property Tax Revenue	303,148	-	-	-
Deferred Revenue	-	12,490	-	-
<b>TOTAL LIABILITIES</b>	<u>355,507</u>	<u>21,182</u>	<u>-</u>	<u>197,897</u>
<b>FUND BALANCE</b>				
Fund Balance				
Reserved				
Capital Projects Reserve	-	-	-	-
Debt Service Reserve	-	-	-	-
Tabor Emergency Reserve	93,703	-	-	-
Unreserved				
Undesignated	440,008	6,249	144,936	-
<b>TOTAL FUND BALANCE</b>	<u>533,711</u>	<u>6,249</u>	<u>144,936</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 889,218</u>	<u>\$ 27,431</u>	<u>\$ 144,936</u>	<u>\$ 197,897</u>

POLICE DEPARTMENT  
 POLICE DEPARTMENT  
 POLICE DEPARTMENT  
 POLICE DEPARTMENT

CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 378,685	\$ 324,701	\$ 12,652	\$ 1,070,946
-	-	-	9,224
-	-	-	303,148
-	-	-	123,656
-	-	-	347,341
-	-	-	121,205
<u>\$ 378,685</u>	<u>\$ 324,701</u>	<u>\$ 12,652</u>	<u>\$ 1,975,520</u>

\$ -	\$ -	\$ 489	\$ 132,769
-	-	-	3,012
-	-	-	123,656
-	-	-	303,148
-	-	-	12,490
<u>-</u>	<u>-</u>	<u>489</u>	<u>575,075</u>

378,685	-	-	378,685
-	324,701	-	324,701
-	-	-	93,703
<u>-</u>	<u>-</u>	<u>12,163</u>	<u>603,356</u>
<u>378,685</u>	<u>324,701</u>	<u>12,163</u>	<u>1,400,445</u>
<u>\$ 378,685</u>	<u>\$ 324,701</u>	<u>\$ 12,652</u>	<u>\$ 1,975,520</u>

**CITY OF MONTE VISTA, COLORADO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO THE STATEMENT OF NET ASSETS**  
**December 31, 2006**

<b>Total governmental fund balances</b>		\$ 1,400,445
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.		4,229,594
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	(1,910,000)	
Notes Payable	(18,275)	
Capital Leases Payable	(35,116)	
Compensated Absences	(215,665)	
	(2,179,056)	(2,179,056)
<b>Net assets of governmental activities</b>		<b>\$ 3,450,983</b>

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**CITY OF MONTE VISTA, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2006**

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>GENERAL FUND</u>	<u>PARKS AND RECREATION FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>GRANT FUND</u>
<b>REVENUES</b>				
Taxes	\$ 1,617,511	\$ -	\$ 335,525	\$ -
Licenses and Permits	9,324	-	-	-
Intergovernmental Revenue	372,240	-	-	1,739,538
Charges for Services	102,141	39,656	-	-
Fines and Forfeits	85,038	-	-	-
Interest and Miscellaneous	99,475	6,919	6,545	1,240
<b>TOTAL REVENUE</b>	<u>2,285,729</u>	<u>46,575</u>	<u>342,070</u>	<u>1,740,778</u>
<b>EXPENDITURES</b>				
General Government	567,322	-	-	1,183,279
Public Safety	880,300	-	-	-
Health and Welfare	70,114	-	-	-
Highways and Streets	345,342	-	17,472	875,111
Culture and Recreation	107,430	152,370	-	-
Urban Development	-	-	1,000	24
Debt Service	31,185	-	1,656	-
<b>TOTAL EXPENDITURES</b>	<u>2,001,693</u>	<u>152,370</u>	<u>20,128</u>	<u>2,058,414</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>284,036</u>	<u>(105,795)</u>	<u>321,942</u>	<u>(317,636)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	47,628	-	-	-
Operating Transfers In	89,100	123,632	-	315,650
Operating Transfers Out	(146,306)	(14,638)	(501,874)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(9,578)</u>	<u>108,994</u>	<u>(501,874)</u>	<u>315,650</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	274,458	3,199	(179,932)	(1,986)
<b>Fund Balance at Beginning of Year</b>	<u>259,253</u>	<u>3,050</u>	<u>324,868</u>	<u>1,986</u>
<b>Fund Balance at End of Year</b>	<u>\$ 533,711</u>	<u>\$ 6,249</u>	<u>\$ 144,936</u>	<u>\$ -</u>

CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 1,953,036
-	-	-	9,324
-	-	52,000	2,163,778
-	-	-	141,797
-	-	-	85,038
13,911	18,527	1,128	147,745
13,911	18,527	53,128	4,500,718
-	150	-	1,750,751
-	-	-	880,300
-	-	-	70,114
-	-	-	1,237,925
-	-	22,558	282,358
-	-	4,222	5,246
-	217,068	-	249,909
-	217,218	26,780	4,476,603
13,911	(198,691)	26,348	24,115
-	-	-	47,628
-	217,218	6,000	751,600
-	-	(26,034)	(688,852)
-	217,218	(20,034)	110,376
13,911	18,527	6,314	134,491
364,774	306,174	5,849	1,265,954
\$ 378,685	\$ 324,701	\$ 12,163	\$ 1,400,445

**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, 2006**

**Net change in fund balances - total governmental funds** \$ 134,491

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	\$	2,120,855	
Depreciation expense		(219,971)	
Excess of capital outlay over depreciation			1,900,884

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:

Capital Lease Proceeds	\$	(47,628)	
Bonds Payable		115,000	
Notes Payable		30,533	
Capital Leases Payable		12,512	
Total principal payments			110,417

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			23,563

**Change in net assets of governmental funds** \$ 2,169,355

**CITY OF MONTE VISTA, COLORADO**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	<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>
<b>REVENUES</b>				
Taxes				
General Property Taxes, Net	\$ 297,460	\$ 297,460	\$ 295,932	\$ (1,528)
Specific Ownership Tax	50,000	50,000	53,545	3,545
Sales Tax	1,000,000	1,000,000	1,076,988	76,988
Severance Tax	-	10,331	10,331	-
Franchise Tax	150,000	150,000	168,092	18,092
Occupational Tax	11,500	11,500	11,151	(349)
Airport Gas Tax	1,500	1,500	1,472	(28)
<b>Total Taxes</b>	<u>1,510,460</u>	<u>1,520,791</u>	<u>1,617,511</u>	<u>96,720</u>
Licenses and Permits				
Liquor Licenses	2,500	2,500	3,280	780
Other Licenses and Permits	8,800	8,800	6,044	(2,756)
<b>Total Licenses and Permits</b>	<u>11,300</u>	<u>11,300</u>	<u>9,324</u>	<u>(1,976)</u>
Intergovernmental Revenue				
DOLA Administration Grant	15,000	15,000	12,000	(3,000)
Payment In Lieu of Taxes	158,165	158,165	158,165	-
Additional Motor Vehicle Fees	17,000	17,000	17,227	227
Cigarette Tax	8,000	8,000	7,626	(374)
Highway User Tax	124,659	124,659	136,183	11,524
County Road and Bridge Fund	25,000	25,000	22,344	(2,656)
Miscellaneous Grants	-	9,857	9,857	-
Airport Leases	8,500	8,500	8,838	338
<b>Total Intergovernmental Revenue</b>	<u>356,324</u>	<u>366,181</u>	<u>372,240</u>	<u>6,059</u>
Charges for Services				
Police Security	10,000	10,000	11,055	1,055
Pest Control Collections	86,500	86,500	89,036	2,536
Weed Control Collections	2,000	2,000	1,794	(206)
Airport Gas Sales	300	300	256	(44)
<b>Total Charges for Services</b>	<u>98,800</u>	<u>98,800</u>	<u>102,141</u>	<u>3,341</u>
Fines and Forfeits				
Court Fines and Forfeits	62,000	73,600	84,948	11,348
Jail Charges	500	500	90	(410)
<b>Total Fines and Forfeits</b>	<u>62,500</u>	<u>74,100</u>	<u>85,038</u>	<u>10,938</u>
Rent	52,000	52,000	48,683	(3,317)
Interest and Miscellaneous				
Interest on Investments	1,700	1,700	15,792	14,092
Refund of Expenditures	2,000	2,000	8,198	6,198
Pension Forfeitures	-	-	14,888	14,888
Miscellaneous Revenue	5,100	5,100	11,914	6,814
<b>Total Interest and Miscellaneous</b>	<u>8,800</u>	<u>8,800</u>	<u>50,792</u>	<u>41,992</u>
<b>TOTAL REVENUES</b>	<u>2,100,184</u>	<u>2,131,972</u>	<u>2,285,729</u>	<u>153,757</u>

See Notes to the Basic Financial Statements

**CITY OF MONTE VISTA, COLORADO**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>EXPENDITURES</b>				
General Government				
City Council	44,355	44,355	42,092	2,263
Judicial	43,517	43,517	45,950	(2,433)
Main Street	30,645	30,645	25,517	5,128
City Clerk	64,692	64,692	62,201	2,491
City Manager	104,701	104,701	105,664	(963)
Finance Director	90,659	90,659	86,308	4,351
City Attorney	38,450	38,450	39,111	(661)
Building Inspector	48,815	48,815	39,435	9,380
Municipal Building	27,909	27,909	29,847	(1,938)
City Shop	11,518	11,518	9,223	2,295
Leased Building	121,832	121,832	80,474	41,358
Grants in Aid - SLV Info Center	1,500	1,500	1,500	-
Total General Government	<u>628,593</u>	<u>628,593</u>	<u>567,322</u>	<u>61,271</u>
Public Safety				
Police Department	670,533	670,533	657,910	12,623
Police Support	192,999	192,999	222,390	(29,391)
Total Public Safety	<u>863,532</u>	<u>863,532</u>	<u>880,300</u>	<u>(16,768)</u>
Health and Welfare				
Animal Control	46,494	46,494	39,374	7,120
Pest Control	24,844	24,844	30,740	(5,896)
Total Health and Welfare	<u>71,338</u>	<u>71,338</u>	<u>70,114</u>	<u>1,224</u>
Highways and Streets				
Streets	289,112	289,112	293,348	(4,236)
Street Lighting	51,000	51,000	51,994	(994)
Total Highways and Streets	<u>340,112</u>	<u>340,112</u>	<u>345,342</u>	<u>(5,230)</u>
Culture and Recreation				
Airport	12,360	12,360	18,502	(6,142)
Parks	70,476	70,476	88,928	(18,452)
Total Culture and Recreation	<u>82,836</u>	<u>82,836</u>	<u>107,430</u>	<u>(24,594)</u>
Debt Service	35,147	35,147	31,185	3,962
<b>TOTAL EXPENDITURES</b>	<u>2,021,558</u>	<u>2,021,558</u>	<u>2,001,693</u>	<u>19,865</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>78,626</u>	<u>110,414</u>	<u>284,036</u>	<u>173,622</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	-	-	47,628	47,628
Sale of Assets	2,000	2,000	-	(2,000)
Transfers In	90,362	90,362	89,100	(1,262)
Transfers Out	(152,335)	(172,335)	(146,306)	26,029
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(59,973)</u>	<u>(79,973)</u>	<u>(9,578)</u>	<u>70,395</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	18,653	30,441	274,458	244,017
<b>Fund Balance at Beginning of Year</b>	-	-	259,253	259,253
<b>Fund Balance at End of Year</b>	<u>\$ 18,653</u>	<u>\$ 30,441</u>	<u>\$ 533,711</u>	<u>\$ 503,270</u>

See Notes to the Basic Financial Statements

**CITY OF MONTE VISTA, COLORADO**  
**PARKS AND RECREATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Charges for Services				
Youth Sports	\$ 12,000	\$ 12,000	\$ 8,955	\$ (3,045)
Adult Softball	7,700	7,700	6,230	(1,470)
Sponsor Fees	1,200	1,200	820	(380)
Building Rent	18,000	18,000	21,254	3,254
Vending Machine Revenue	-	-	122	122
Outdoor Recreation	1,000	1,000	2,275	1,275
	<u>39,900</u>	<u>39,900</u>	<u>39,656</u>	<u>(244)</u>
Total Charges for Services				
Interest and Miscellaneous				
Refund of Expenditures	700	700	5,675	4,975
Miscellaneous Revenue	2,750	2,750	1,244	(1,506)
	<u>3,450</u>	<u>3,450</u>	<u>6,919</u>	<u>3,469</u>
Total Interest and Miscellaneous				
<b>TOTAL REVENUES</b>	<u>43,350</u>	<u>43,350</u>	<u>46,575</u>	<u>3,225</u>
<b>EXPENDITURES</b>				
Culture and Recreation				
Administration	30,739	32,939	35,496	(2,557)
Recreation	63,932	69,732	66,446	3,286
Ski Hi Park	34,300	38,300	41,847	(3,547)
Ski Hi Pool	-	8,000	7,681	319
Grants In Aid	900	900	900	-
	<u>129,871</u>	<u>149,871</u>	<u>152,370</u>	<u>(2,499)</u>
Total Culture and Recreation				
<b>TOTAL EXPENDITURES</b>	<u>129,871</u>	<u>149,871</u>	<u>152,370</u>	<u>(2,499)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(86,521)</u>	<u>(106,521)</u>	<u>(105,795)</u>	<u>726</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease on Baseball Field	5,000	5,000	-	(5,000)
Sale of Assets	500	500	-	(500)
Transfer EIAF/Match	(10,000)	(10,000)	(2,026)	7,974
Transfer to Leased Building Fund	(12,614)	(12,614)	(12,612)	2
Transfer from General Fund	103,635	123,635	123,632	(3)
	<u>86,521</u>	<u>106,521</u>	<u>108,994</u>	<u>2,473</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>86,521</u>	<u>106,521</u>	<u>108,994</u>	<u>2,473</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	-	-	3,199	3,199
<b>Fund Balance at Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>3,050</u>	<u>3,050</u>
<b>Fund Balance at End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,249</u>	<u>\$ 6,249</u>

See Notes to the Basic Financial Statements

**CITY OF MONTE VISTA, COLORADO**  
**CAPITAL IMPROVEMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	<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>
<b>REVENUES</b>				
Taxes	\$ 326,000	\$ 326,000	\$ 335,525	\$ 9,525
Interest on Investments	1,000	1,000	6,545	5,545
<b>TOTAL REVENUES</b>	<u>327,000</u>	<u>327,000</u>	<u>342,070</u>	<u>15,070</u>
<b>EXPENDITURES</b>				
Urban Development				
Seniors Transportation	1,000	1,000	1,000	-
Street Equipment	22,189	22,189	17,472	4,717
Total Urban Development	<u>23,189</u>	<u>23,189</u>	<u>18,472</u>	<u>4,717</u>
Debt Service				
Lease Payments	-	-	1,656	(1,656)
Total Debt Service	<u>-</u>	<u>-</u>	<u>1,656</u>	<u>(1,656)</u>
<b>TOTAL EXPENDITURES</b>	<u>23,189</u>	<u>23,189</u>	<u>20,128</u>	<u>3,061</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>303,811</u>	<u>303,811</u>	<u>321,942</u>	<u>18,131</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(369,591)</u>	<u>(507,218)</u>	<u>(501,874)</u>	<u>5,344</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(369,591)</u>	<u>(507,218)</u>	<u>(501,874)</u>	<u>5,344</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(65,780)	(203,407)	(179,932)	23,475
<b>Fund Balance at Beginning of Year</b>	<u>65,780</u>	<u>206,000</u>	<u>324,868</u>	<u>118,868</u>
<b>Fund Balance at End of Year</b>	<u>\$ -</u>	<u>\$ 2,593</u>	<u>\$ 144,936</u>	<u>\$ 142,343</u>

See Notes to the Basic Financial Statements

**CITY OF MONTE VISTA, COLORADO**  
**GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Intergovernmental Revenue				
Radio Tower Grant	\$ -	\$ 485,100	\$ 485,026	\$ (74)
Airport Grant	769,700	769,700	555,266	(214,434)
First Avenue Improvement Grant	1,500,000	500,000	58,017	(441,983)
Pool Upgrade	118,530	118,530	-	(118,530)
Street Construction	492,700	624,983	590,733	(34,250)
Other Grants	9,800	87,300	45,496	(41,804)
Other Revenue	-	5,000	5,000	-
	<u>2,890,730</u>	<u>2,590,613</u>	<u>1,739,538</u>	<u>(851,075)</u>
Total Intergovernmental Revenue				
Donations	10,000	10,000	-	(10,000)
Interest on Investments	400	800	1,240	440
	<u>2,901,130</u>	<u>2,601,413</u>	<u>1,740,778</u>	<u>(860,635)</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
General Government				
Infrastructure Improvements	2,333,600	1,333,600	632,952	700,648
Capital Outlay	3,100	488,300	494,826	(6,526)
Professional Services	-	102,500	50,400	52,100
Miscellaneous	-	300	5,101	(4,801)
	<u>2,336,700</u>	<u>1,924,700</u>	<u>1,183,279</u>	<u>741,421</u>
Total General Government				
Highways and Streets				
Infrastructure Improvements	645,073	914,983	875,111	39,872
	<u>645,073</u>	<u>914,983</u>	<u>875,111</u>	<u>39,872</u>
Total Highways and Streets				
Urban Development	128,730	118,730	24	118,706
	<u>128,730</u>	<u>118,730</u>	<u>24</u>	<u>118,706</u>
Total Urban Development				
<b>TOTAL EXPENDITURES</b>	<u>3,110,503</u>	<u>2,958,413</u>	<u>2,058,414</u>	<u>899,999</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(209,373)</u>	<u>(357,000)</u>	<u>(317,636)</u>	<u>39,364</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	207,873	355,500	315,650	39,850
	<u>207,873</u>	<u>355,500</u>	<u>315,650</u>	<u>39,850</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				
Excess (deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(1,500)	(1,500)	(1,986)	(486)
<b>Fund Balances at Beginning of Year</b>	<u>1,500</u>	<u>1,500</u>	<u>1,986</u>	<u>486</u>
<b>Fund Balances at End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Basic Financial Statements

**CITY OF MONTE VISTA, COLORADO**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**December 31, 2006**

	<u>CITY SERVICE UTILITY FUND</u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 1,480,366
Miscellaneous	6,061
<b>Total Operating Revenues</b>	<u>1,486,427</u>
<b>OPERATING EXPENSES</b>	
Personnel Services	499,759
Supplies	21,323
Fuel	10,765
Communications and Postage	15,616
Insurance and Bonds	40,734
Utilities	81,905
Professional Services	89,879
Travel	2,389
Uniform Maintenance	813
Repairs and Maintenance	20,510
Depreciation	315,736
Equipment	22,185
Miscellaneous	11,170
<b>Total Operating Expenses</b>	<u>1,132,784</u>
Operating Income (Loss)	<u>353,643</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Payment in Lieu of Taxes	(158,165)
Interest on Investments	29,414
EIAF Study Grant	3,190
Interest Expense	(41,488)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(167,049)</u>
Income (Loss) Before Other Revenue and Operating Transfers	186,594
<b>CAPITAL CONTRIBUTIONS (Water and Sewer Taps)</b>	25,300
<b>OPERATING TRANSFERS</b>	
Transfers Out	(62,748)
<b>Total Operating Transfers</b>	<u>(62,748)</u>
Changes in Net Assets	149,146
<b>Net Assets at beginning of year</b>	<u>1,765,221</u>
<b>Net Assets at end of year</b>	<u>\$ 1,914,367</u>

**CITY OF MONTE VISTA, COLORADO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES**  
**For the Year Ended December 31, 2006**

	<u>CITY SERVICE UTILITY FUND</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received From Customers	\$ 1,484,528
Cash Paid to Employees	(500,250)
Cash Paid to Suppliers/Vendors	(330,451)
	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>653,827</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Cash Transferred (to)/from Other Funds	(62,748)
Cash Paid to Other Funds for Taxes	(158,165)
	<hr/>
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>(220,913)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Fixed Assets	(45,357)
Principal Payments	(112,029)
Cash Received from Grants	3,190
Cash Received from Capital Contributions (Tap Fees)	25,300
Interest Paid	(42,139)
	<hr/>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(171,035)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	29,414
	<hr/>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>29,414</u>
NET INCREASE (DECREASE) IN CASH	291,293
<b>CASH AT BEGINNING OF YEAR</b>	<u>664,483</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 955,776</u></u>
<b>OPERATING INCOME (LOSS)</b>	\$ 353,643
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>	
Depreciation expense	315,736
(Increase) Decrease in accounts receivable	(1,880)
(Increase) Decrease in due from county treasurer	(19)
(Increase) Decrease in inventory	(1,412)
Increase (Decrease) in accounts payable	(11,750)
Increase (Decrease) in compensated absences	(491)
	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 653,827</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, 2006**

**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.

Based on aforementioned criteria, the City of Monte Vista has no component units.

**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, 2006**

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 **Parks and Recreation Fund** is used to account for activities provided for community parks and recreation programs. Sources of revenue consist of membership dues, swimming pool admissions, and registration fees for programs.

**CITY OF MONTE VISTA, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

- 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 *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 *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 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, 2006**

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 2006 property tax levy due January 1, 2007 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, 2006**

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, 2006**

***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 2006.

**CITY OF MONTE VISTA, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

**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, 2006, \$1,908,087 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, 2006**

***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, 2006, 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		\$ 1,723,036
COLOTRUST	<u>\$ 303,686</u>	
Cash and Investments in Custody of Others		<u>303,686</u>
 Total Deposits and Investments		 <u><u>\$ 2,026,722</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 \$58,087 in the City Service Utility Fund is restricted by ordinance for water acquisition. Cash investments of \$324,701 in the Debt Service Fund are contractually restricted for service of the City's bonds. Cash and investments of \$378,685 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, 2006**

**NOTE 4 INTERFUND TRANSFERS**

Interfund receivable and payable balances at December 31, 2006 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Conservation Trust Fund	\$ 13,740
	City Service Utility Fund	62,748
	Parks & Recreation Fund	12,612
		<u>89,100</u>
Parks & Recreation Fund	General Fund	123,632
Grant Fund	General Fund	16,674
	Capital Improvement Fund	284,656
	Parks & Recreation Fund	2,026
	Conservation Trust Fund	12,294
		<u>315,650</u>
Urban Renewal Fund	General Fund	6,000
Debt Service Fund	Capital Improvement Fund	<u>217,218</u>
	<b>TOTALS</b>	<b><u><u>\$ 751,600</u></u></b>

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

The Conservation Trust fund transferred the lottery funds received into the General Fund where the Parks funds were spent in accordance with State Statute.

The City Services Utility Fund and Parks and Recreation Fund transferred rent charges for services into the General Fund.

The General Fund, Conservation Trust Fund, Capital Improvement Fund and Parks and Recreation Fund transferred grant matching funds into the Grant Fund.

The Capital Improvement Fund transferred \$217,218 into the Debt Service Fund for payment on the Series 1998 Sales Tax Revenue Bonds.

**CITY OF MONTE VISTA, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 5 CAPITAL ASSETS**

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

	BALANCE 12/31/2005	Additions	Deletions	BALANCE 12/31/2006
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 360,475	\$ -	\$ -	\$ 360,475
Construction in Progress	111,569	-	(111,569)	-
Total capital assets not being depreciated	<u>472,044</u>	<u>-</u>	<u>(111,569)</u>	<u>360,475</u>
Capital assets being depreciated				
Buildings	2,589,306	93,824	-	2,683,130
Infrastructure	24,725	1,593,290	-	1,618,015
Improvements - Building	550,987	21,687	-	572,674
Improvements - Other	310,582	30,276	-	340,858
Machinery and Equipment	859,036	445,719	-	1,304,755
Cars and Road Vehicles	776,639	47,628	-	824,267
Total capital assets being depreciated	<u>5,111,275</u>	<u>2,232,424</u>	<u>-</u>	<u>7,343,699</u>
Less accumulated depreciation for:				
Buildings	1,698,301	50,557	-	1,748,858
Infrastructure	1,653	21,649	-	23,302
Improvements - Building	220,662	23,131	-	243,793
Improvements - Other	263,210	8,877	-	272,087
Machinery and Equipment	519,493	72,803	-	592,296
Cars and Road Vehicles	551,290	42,954	-	594,244
Total accumulated depreciation	<u>3,254,609</u>	<u>219,971</u>	<u>-</u>	<u>3,474,580</u>
Total Capital Assets being depreciated, net	<u>1,856,666</u>	<u>2,012,453</u>	<u>-</u>	<u>3,869,119</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 2,328,710</u>	<u>\$ 2,012,453</u>	<u>\$ (111,569)</u>	<u>\$ 4,229,594</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
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	473,636	14,584	-	488,220
Water and Sewer Treatment Plant	4,260,903	-	-	4,260,903
Transmission and Distribution	3,139,165	6,959	-	3,146,124
Vehicles	138,341	23,814	-	162,155
Total capital assets being depreciated	<u>8,058,063</u>	<u>45,357</u>	<u>-</u>	<u>8,103,420</u>
Less: accumulated depreciation				
	<u>6,189,331</u>	<u>315,736</u>	<u>-</u>	<u>6,505,067</u>
Total Capital Assets being depreciated, net	<u>1,868,732</u>	<u>(270,379)</u>	<u>-</u>	<u>1,598,353</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 2,020,483</u>	<u>\$ (270,379)</u>	<u>\$ -</u>	<u>\$ 1,750,104</u>

**CITY OF MONTE VISTA, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

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

Governmental activities:	
General Government	\$ 21,686
Public Safety	64,463
Health and Welfare	4,083
Highways and Streets	40,309
Culture and Recreation	44,691
Urban Development	6,081
Leased Buildings	38,658
Total depreciation expense - governmental activities	<u>\$ 219,971</u>
Business-type activities:	
City Service Utility	\$ 120,022
Wastewater Treatment Facility	193,872
Leased Buildings	1,842
Total depreciation expense - business-type activities	<u>\$ 315,736</u>

**NOTE 6 LONG-TERM LIABILITIES**

***Changes in Long-term Liabilities***

	Ending Balance 12/31/2005	Additions	Deletions	Ending Balance 12/31/2006	Due Within One Year
Governmental activities:					
Bonds Payable	\$ 2,025,000	\$ -	\$ 115,000	\$ 1,910,000	\$ 120,000
Notes Payable	48,808	-	30,533	18,275	18,275
Capital Leases Payable	-	47,628	12,512	35,116	15,705
Compensated Absences	239,228	-	23,563	215,665	-
Governmental activities long-term liabilities	<u>\$ 2,313,036</u>	<u>\$ 47,628</u>	<u>\$ 181,608</u>	<u>\$ 2,179,056</u>	<u>\$ 153,980</u>
Business-type activities:					
Notes Payable	\$ 915,226	\$ -	\$ 112,029	\$ 803,197	\$ 54,815
Compensated Absences	91,531	-	491	91,040	-
Business-type activities long-term liabilities	<u>\$ 1,006,757</u>	<u>\$ -</u>	<u>\$ 112,520</u>	<u>\$ 894,237</u>	<u>\$ 54,815</u>

**CITY OF MONTE VISTA, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**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. Final payment is due December 1, 2018. 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.

As of December 31, 2006, 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>
2007	\$ 120,000	\$ 96,892	\$ 216,892
2008	125,000	91,372	216,372
2009	130,000	85,560	215,560
2010	140,000	79,450	219,450
2011-2015	810,000	285,093	1,095,093
2015-2018	<u>585,000</u>	<u>62,475</u>	<u>647,475</u>
	<u>\$ 1,910,000</u>	<u>\$ 700,842</u>	<u>\$ 2,610,842</u>

***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 2006 Ford Crown Victoria Police Interceptor Cars. Payments are made from the General Fund.

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

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2007	\$ 15,705	\$ 1,497	\$ 17,202
2008	16,563	638	17,201
2009	<u>2,848</u>	<u>-</u>	<u>2,848</u>
	<u>\$ 35,116</u>	<u>\$ 2,135</u>	<u>\$ 37,251</u>

**CITY OF MONTE VISTA, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**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.	\$ 710,069
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.	<u>93,128</u>
Total Notes Payable	<u>\$ 803,197</u>

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

YEAR	PRINCIPAL	INTEREST	TOTALS
2007	\$ 54,815	\$ 36,126	\$ 90,941
2008	57,360	33,581	90,941
2009	60,024	30,917	90,941
2010	62,812	28,129	90,941
2011-2015	328,145	94,853	422,998
2016-2019	<u>240,041</u>	<u>22,083</u>	<u>262,124</u>
	<u>\$ 803,197</u>	<u>\$ 245,689</u>	<u>\$ 1,048,886</u>

**NOTE 7 PENSION PLANS**

All full-time City employees, except sworn police officers are eligible to participate in this plan. The plan is a defined contribution plan administered by the ICMA Retirement Corporation. The total payroll for 2006, other than police employees was \$978,198 and the total covered payroll was \$891,028. The City is required to contribute 8% of covered payroll and the employee is required to contribute nothing. The employees become 100% vested in their contribution and earnings and become 100% vested in the City's contribution and earnings after three years of service. The eight percent contribution for 2006 was \$71,286 for the City and 35 employees were participating in the plan.

The City police pension plan is in an ICMA Retirement Corporation Money Purchase Plan under Internal Revenue Code Section 401. 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.

**CITY OF MONTE VISTA, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

The total covered payroll for the police pension plan was \$403,132. The 14.2% contribution for 2006 was \$57,245 for the City, and the 6.2% contribution for 2006 was \$24,994 for the employees. There were 11 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.

**NOTE 8 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	\$ 732,817	\$ 753,610	\$ 1,486,427
Operating Expense	404,015	413,033	817,048
Depreciation Expense	77,910	237,826	315,736
Total Operating Expense	<u>481,925</u>	<u>650,859</u>	<u>1,132,784</u>
OPERATING INCOME (LOSS)	250,892	102,751	353,643
Nonoperating Revenues (Expenses)	(68,675)	(98,374)	(167,049)
Capital Contributions	8,800	16,500	25,300
Operating Transfers	<u>(31,374)</u>	<u>(31,374)</u>	<u>(62,748)</u>
NET INCOME (LOSS)	<u>\$ 159,643</u>	<u>\$ (10,497)</u>	<u>\$ 149,146</u>
Property, Plant and Equipment			
Additions	\$ 38,065	\$ 7,292	\$ 45,357
Accumulated Depreciation	\$ 1,808,415	\$ 4,696,652	\$ 6,505,067
Notes Payable	\$ 401,599	\$ 401,599	\$ 803,198

**CITY OF MONTE VISTA, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 9 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, 2006, CIRSA had assets of \$59,271,384, liabilities of \$32,037,387 (including \$20,167,690 reserved for unpaid losses and loss adjustment expenses, net of excess insurance recoverables) and net assets of \$27,233,997. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2006 amounted to \$24,849,720 and total expenses were \$15,980,055, resulting in an excess of revenues over expenses of \$8,869,665.

**NOTE 10 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, 2006**

**NOTE 11 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 \$2,792,626, total liabilities of \$413,021, and net assets of \$2,379,605 at December 31, 2005.

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 12 COMMITMENTS AND CONTINGENCIES**

***Litigation*** – The City is currently the defendant in a 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.

# **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, 2006**

	<u>CONSERVATION TRUST FUND</u>	<u>URBAN RENEWAL AUTHORITY FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,795	\$ 8,857	\$ 12,652
<b>TOTAL ASSETS</b>	<u>\$ 3,795</u>	<u>\$ 8,857</u>	<u>\$ 12,652</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 489	\$ 489
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>489</u>	<u>489</u>
<b>FUND BALANCE</b>			
Fund Balance			
Unreserved			
Undesignated	<u>3,795</u>	<u>8,368</u>	<u>12,163</u>
<b>TOTAL FUND BALANCE</b>	<u>3,795</u>	<u>8,368</u>	<u>12,163</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 3,795</u>	<u>\$ 8,857</u>	<u>\$ 12,652</u>

**CITY OF MONTE VISTA, COLORADO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2006**

	<b>CONSERVATION TRUST FUND</b>	<b>URBAN RENEWAL AUTHORITY FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 52,000	\$ -	\$ 52,000
Interest and Miscellaneous	387	741	1,128
<b>TOTAL REVENUE</b>	<u>52,387</u>	<u>741</u>	<u>53,128</u>
<b>EXPENDITURES</b>			
Culture and Recreation	22,558	-	22,558
Urban Development	-	4,222	4,222
<b>TOTAL EXPENDITURES</b>	<u>22,558</u>	<u>4,222</u>	<u>26,780</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>29,829</u>	<u>(3,481)</u>	<u>26,348</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	-	6,000	6,000
Operating Transfers Out	(26,034)	-	(26,034)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(26,034)</u>	<u>6,000</u>	<u>(20,034)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	3,795	2,519	6,314
<b>Fund Balance at Beginning of Year</b>	<u>-</u>	<u>5,849</u>	<u>5,849</u>
<b>Fund Balance at End of Year</b>	<u>\$ 3,795</u>	<u>\$ 8,368</u>	<u>\$ 12,163</u>

**CITY OF MONTE VISTA, COLORADO**  
**OTHER SCHEDULES AND REPORTS**

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**CITY OF MONTE VISTA, COLORADO  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Interest and Miscellaneous	\$ 1,800	\$ 1,800	\$ 13,911	\$ 12,111
<b>TOTAL REVENUE</b>	<u>1,800</u>	<u>1,800</u>	<u>13,911</u>	<u>12,111</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	1,800	1,800	13,911	12,111
<b>Fund Balance at Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>364,774</u>	<u>364,774</u>
<b>Fund Balance at End of Year</b>	<u>\$ 1,800</u>	<u>\$ 1,800</u>	<u>\$ 378,685</u>	<u>\$ 376,885</u>

**CITY OF MONTE VISTA, COLORADO**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Interest on Investments	\$ 9,600	\$ 9,600	\$ 18,527	\$ 8,927
<b>TOTAL REVENUES</b>	<u>9,600</u>	<u>9,600</u>	<u>18,527</u>	<u>8,927</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal Payments	115,000	115,000	115,000	-
Interest Payments	102,068	102,068	102,068	-
Administrative Services	150	150	150	-
Total Debt Service	<u>217,218</u>	<u>217,218</u>	<u>217,218</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>217,218</u>	<u>217,218</u>	<u>217,218</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(207,618)</u>	<u>(207,618)</u>	<u>(198,691)</u>	<u>8,927</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>217,218</u>	<u>217,218</u>	<u>217,218</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>217,218</u>	<u>217,218</u>	<u>217,218</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	9,600	9,600	18,527	8,927
<b>Fund Balance at Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>306,174</u>	<u>306,174</u>
<b>Fund Balance at End of Year</b>	<u>\$ 9,600</u>	<u>\$ 9,600</u>	<u>\$ 324,701</u>	<u>\$ 315,101</u>

**CITY OF MONTE VISTA, COLORADO**  
**CONSERVATION TRUST FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Intergovernmental Revenue				
State Lottery Proceeds	\$ 42,000	\$ 52,000	\$ 52,000	\$ -
Total Intergovernmental Revenue	42,000	52,000	52,000	-
Interest on Investments	50	50	387	337
<b>TOTAL REVENUES</b>	<u>42,050</u>	<u>52,050</u>	<u>52,387</u>	<u>337</u>
<b>EXPENDITURES</b>				
Culture and Recreation	13,000	23,000	22,558	442
<b>TOTAL EXPENDITURES</b>	<u>13,000</u>	<u>23,000</u>	<u>22,558</u>	<u>442</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>29,050</u>	<u>29,050</u>	<u>29,829</u>	<u>779</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers Out	(27,800)	(27,800)	(26,034)	1,766
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(27,800)</u>	<u>(27,800)</u>	<u>(26,034)</u>	<u>1,766</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	1,250	1,250	3,795	2,545
<b>Fund Balance at Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 1,250</u>	<u>\$ 1,250</u>	<u>\$ 3,795</u>	<u>\$ 2,545</u>

**CITY OF MONTE VISTA, COLORADO  
URBAN RENEWAL AUTHORITY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Interest on Investments	\$ 50	\$ 50	\$ 241	\$ 191
Miscellaneous	-	-	500	500
<b>TOTAL REVENUES</b>	<u>50</u>	<u>50</u>	<u>741</u>	<u>691</u>
<b>EXPENDITURES</b>				
Urban Development				
Urban Renewal	3,150	3,150	2,870	280
Transportation Museum	<u>2,900</u>	<u>2,900</u>	<u>1,352</u>	<u>1,548</u>
Total Urban Development	<u>6,050</u>	<u>6,050</u>	<u>4,222</u>	<u>1,828</u>
<b>TOTAL EXPENDITURES</b>	<u>6,050</u>	<u>6,050</u>	<u>4,222</u>	<u>1,828</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,000)</u>	<u>(6,000)</u>	<u>(3,481)</u>	<u>2,519</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	-	-	2,519	2,519
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>5,849</u>	<u>5,849</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,368</u>	<u>\$ 8,368</u>

**CITY OF MONTE VISTA, COLORADO**  
**CITY SERVICE UTILITY FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>OPERATING REVENUES</b>				
Charges for Services				
Water Charges	\$ 669,000	\$ 669,000	\$ 730,042	\$ 61,042
Sewer Charges	701,500	701,500	738,979	37,479
Storm Drain Fee	11,200	11,200	11,345	145
	<u>1,381,700</u>	<u>1,381,700</u>	<u>1,480,366</u>	<u>98,666</u>
Total Charges for Services				
Miscellaneous	8,000	8,000	6,061	(1,939)
	<u>1,389,700</u>	<u>1,389,700</u>	<u>1,486,427</u>	<u>96,727</u>
<b>Total Operating Revenues</b>				
<b>OPERATING EXPENSES</b>				
Personnel Services	541,449	541,449	499,759	41,690
Supplies	27,500	27,500	21,323	6,177
Fuel	9,900	9,900	10,765	(865)
Communications and Postage	15,100	15,100	15,616	(516)
Insurance and Bonds	39,883	39,883	40,734	(851)
Utilities	104,500	104,500	81,905	22,595
Rents and Payments	300	300	-	300
Professional Services	84,533	84,533	89,879	(5,346)
Travel	3,900	3,900	2,389	1,511
Repairs and Maintenance	80,000	80,000	20,510	59,490
Small Equipment and Repairs	73,824	73,824	22,185	51,639
Uniform Maintenance	1,450	1,450	813	637
Miscellaneous	13,800	13,800	11,170	2,630
	<u>996,139</u>	<u>996,139</u>	<u>817,048</u>	<u>179,091</u>
<b>Total Operating Expenses</b>				
Operating Income (Loss)	<u>393,561</u>	<u>393,561</u>	<u>669,379</u>	<u>275,818</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Payment in Lieu of Taxes	(158,165)	(158,165)	(158,165)	-
EIAF Study Grant	-	-	3,190	3,190
Interest on Accounts	2,000	2,000	29,414	27,414
Debt Service	(104,986)	(104,986)	(153,517)	(48,531)
	<u>(261,151)</u>	<u>(261,151)</u>	<u>(279,078)</u>	<u>(17,927)</u>
<b>Total Nonoperating Revenues (Expenses)</b>				
Income Before Contributions and Transfers	132,410	132,410	390,301	257,891
<b>Capital Contributions</b>				
Sewer Tap Fees	15,000	15,000	16,500	1,500
Water Tap Fees	8,000	8,000	8,800	800
	<u>23,000</u>	<u>23,000</u>	<u>25,300</u>	<u>2,300</u>
<b>Total Capital Contributions</b>				

**CITY OF MONTE VISTA, COLORADO**  
**CITY SERVICE UTILITY FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>OPERATING TRANSFERS</b>				
Transfers Out	(62,748)	(62,748)	(62,748)	-
<b>Total Operating Transfers</b>	<u>(62,748)</u>	<u>(62,748)</u>	<u>(62,748)</u>	<u>-</u>
Net Income (Loss) - Budget Basis	92,662	92,662	352,853	<u>\$ 260,191</u>
Add: Principal Payments			112,029	
Less: Depreciation			<u>(315,736)</u>	
Net Income (Loss)			149,146	
<b>Net Assets at Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>1,765,221</u>	
<b>Net Assets at End of Year</b>	<u>\$ 92,662</u>	<u>\$ 92,662</u>	<u>\$ 1,914,367</u>	

**CITY OF MONTE VISTA, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2006**

	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
<b>FEDERAL GRANTOR AWARDS:</b>		
1) U.S. DEPARTMENT OF TRANSPORTATION		
a) Airport Improvement Program No. 3-08-0042-06	20.106	\$ 537,919
b) Airport Improvement Program No. 3-08-0042-05	20.106	3,014
2) U.S. DEPARTMENT OF JUSTICE		
a) Bulletproof Vest Partnership Program	16.607	4,110
<b>FEDERAL GRANTOR AWARDS PASSED THROUGH THE STATE OF COLORADO:</b>		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
1) Colorado Department of Local Affairs		
a) Community Development Block Grants/State's Program	14.228	590,733
		\$ 1,135,776

**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Monte Vista, Colorado and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

City of Monte Vista had no subrecipients as of December 31, 2006.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council  
City of Monte Vista, Colorado  
Monte Vista, CO 81132

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Monte Vista, Colorado, (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

The organization does not have a complete system of internal control to prevent or detect financial misstatements. A system of internal controls includes the design, documentation, and monitoring of control activities over the application of accounting principles, antifraud programs, nonroutine transactions, financial statement preparation and the safeguarding of assets. As a result of this condition numerous audit adjustments were proposed in order to properly state the

financial statement balances. The concentration of closely related duties and responsibilities performed by a few people make it difficult to establish a complete system of internal controls and expertise over these matters. A complete system may require additional senior level finance staff.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wall, Smith, Bateman and Associates, Inc.*

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

June 19, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and City Council  
City of Monte Vista, Colorado  
Monte Vista, Colorado 81132

**Compliance**

We have audited the compliance of City of Monte Vista, Colorado, (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in Finding 06-1, in the accompanying schedule of findings and questioned costs, the City of Monte Vista did not comply with requirements regarding cash management that are applicable to its Airport Improvement Program grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Monte Vista complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal

control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Monte Vista's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the audit committee, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

June 19, 2007

**CITY OF MONTE VISTA, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Monte Vista, Colorado.
2. Significant deficiencies relating to the audit of the financial statements are reported in the "Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instance of noncompliance material to the financial statements of City of Monte Vista was disclosed during the audit.
4. One reportable condition relating to the audit of the major federal award programs is reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs for City of Monte Vista, Colorado expresses a qualified opinion on CFDA No. 20.106 - Airport Improvement Program No. 3-08-0042-06 and No. 3-08-0042-05 and an unqualified opinion on CFDA No. 14.228 – Community Development Block Grants/Small Cities Program.
6. There is one audit finding required to be reported in accordance with Section 510(a) of OMB Circular A-133 reported in this schedule.
7. The programs tested as major programs included: CFDA No. 14.228 – Community Development Block Grants/Small Cities Program, CFDA No. 20.106 – Airport Improvement Program No. 3-08-0042-06 and No. 3-08-0042-05.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Monte Vista, Colorado was determined to be a high-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

See significant deficiencies described on pages 57-58.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Material Weakness/Noncompliance**

**U.S. DEPARTMENT OF TRANSPORTATION**

**FINDING 06-1: CASH MANAGEMENT**

CFDA No. 20.106 – Airport Improvement Program 3-08-0042-06

**CITY OF MONTE VISTA, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

Grant Period – Year Ended December 31, 2006

Condition: A cash management compliance requirement listed in OMB Circular A-133 requires when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. The City of Monte Vista did not have controls in place to prevent the City from requesting reimbursement from the Federal Government for expenditures prior to the City paying for these expenditures. During the year the City requested \$540,943 in five different reimbursement requests and in all five cases the funds were requested and received prior to the disbursement of the project costs. An example is a request was made for \$286,477, twenty eight days prior to the disbursement of the funds.

Effect: The City is out of compliance with the cash management requirements of OMB Circular A-102.

Questioned Costs: None

Recommendation: We recommend the City implement procedures to pay for the project costs prior to requesting reimbursement.

Grantee Response: See Corrective Action Plan.

**D. PRIOR AUDIT FINDINGS**

None.

**CITY OF MONTE VISTA**  
**CORRECTIVE ACTION PLAN**

U.S. Department of Transportation - Oversight Agency

City of Monte Vista respectfully submits the following corrective action plan for the year ended December 31, 2006.

Independent Accountants:      Wall, Smith, Bateman and Assoc., Inc.  
   Certified Public Accountants  
   700 Main Street Suite 200, P.O. Box 809  
   Alamosa, CO 81101

Audit period:                              Year ended December 31, 2006

The findings from the December 31, 2006 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**U.S. Department of Transportation**

**Airport Improvement Program No. 3-08-0042-06 – CFDA No. 20.106**

**Finding 06-1: Cash Management**

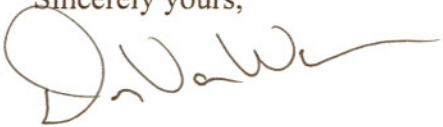
*Recommendation:* We recommend the City implement procedures to pay for the project costs prior to requesting reimbursement.

*Grantee Response:* While recognizing the auditor's concern with grant reimbursement procedures, the city also recognizes its fiduciary responsibilities. The city has in the past and will continue in the future to reimburse contractors in a timely manner. In almost all cases, contractor reimbursements occur prior to a city reimbursement request from the granting agency. The city does recognize however, future situations may occur in which substantial amounts of money for services rendered may be due to a contractor. If it is determined

contractor payment prior to grantor reimbursement affects city cash flow requirements, the city may ask for grant reimbursement prior to contractor payment. Every attempt will be made to communicate with the granting agency when such a situation may occur to ask for their advice and input. The city does not anticipate such a scenario in the near future, but it must be noted that future large capital projects costing several millions of dollars might require grant reimbursements prior to contractor payment.

If the U.S. Department of Department of Transportation, as oversight agency, has questions regarding this plan, please call

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. V. W.", with a long, sweeping horizontal line extending to the right.

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Monte Vista
	YEAR ENDING : December 2006
This Information From The Records Of (example - City of _ or County of _) City of Monte Vista	Prepared By: Vicki Bever Phone: (719) 852-5926

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

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

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

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	905,511
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	205,994
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	7,095
2. General fund appropriations		b. Snow and ice removal	5,945
3. Other local imposts (from page 2)	124,030	c. Other	
4. Miscellaneous local receipts (from page 2)	310,303	d. Total (a. through c.)	13,040
5. Transfers from toll facilities		4. General administration & miscellaneous	53,931
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	1,178,476
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	434,333	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	153,410	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	590,733	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	1,178,476	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	1,178,476

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

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	1,178,476	1,178,476		0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

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

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	64,144	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	25,647
1. Sales Taxes	10,770	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	49,116	g. Other Misc. Receipts	
6. Total (1. through 5.)	59,886	h. Other	284,656
c. Total (a. + b.)	124,030	i. Total (a. through h.)	310,303
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	136,183	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	17,227	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	590,733
f. Total (a. through e.)	17,227	g. Total (a. through f.)	590,733
4. Total (1. + 2. + 3.f)	153,410	3. Total (1. + 2.g)	
			(Carry forward to page 1)

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

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs		34,611	34,611
c. Construction:			
(1). New Facilities		840,778	840,778
(2). Capacity Improvements			0
(3). System Preservation		30,122	30,122
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	870,900	870,900
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	905,511	905,511
			(Carry forward to page 1)

Notes and Comments: