

CITY OF MONTE VISTA, COLORADO

FINANCIAL STATEMENTS

December 31, 2012



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

CITY OF MONTE VISTA, COLORADO
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INDEPENDENT AUDITORS' REPORT



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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monte Vista, Colorado, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monte Vista, Colorado, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monte Vista, Colorado's basic financial statements. The combining nonmajor fund financial statements, the schedule of expenditures and transfers out, and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of expenditures and transfers out, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Wall, Smith, Bateman Inc.
Alamosa, Colorado

April 22, 2013

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, 2012.

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, 2011 and December 31, 2012.

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

FINANCIAL HIGHLIGHTS

- Ø As of December 31, 2012, the City of Monte Vista's government-wide net position totaled \$10,714,075. Of this amount, net position related to governmental activities totals \$6,581,125 and net position for business-type activities total \$4,132,950.
- Ø Total net position for the City increased by \$405,051, or 4%, compared to 2012. Of this amount net position for governmental activities decreased by \$582,471 and net position for business-type activities increased by \$987,522.
- Ø The City of Monte Vista's general revenue and special items, primarily taxes, account for \$2,104,974 or 41% of total revenue. Program revenues, in the form of charges for services, grants and contributions, accounted for \$3,023,830 or 59% of total revenue.
- Ø Total government-wide revenues decreased by \$541,385 compared to 2011. Of this amount, the City's capital/operating grants and contributions decreased by \$498,952, general revenues increased by \$16,907 and charges for service decreased by \$59,340 compared to 2011. A majority of the decrease is attributable to a decline in grant revenue.
- Ø The Statement of Activities indicates that the City had \$3,403,850 in expenses related to governmental activities in 2012, a decrease of \$135,388 compared to the prior year. Expenses in business-type activities totaled \$1,319,903, an increase of \$33,459 compared to 2011. Total revenues of \$5,125,999 were adequate to provide for the above expenses.
- Ø At the end of 2012, the City of Monte Vista's governmental funds reported combined ending fund balances of \$2,045,651, a decrease of \$733,034 compared to 2011. Of this total amount, \$1,266,293 is restricted, \$90,210 is committed, and \$689,148 is unassigned.
- Ø The City of Monte Vista's total debt decreased by \$65,355 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This 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 sectors business.

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

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

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

Fund Financial Statements

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

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

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

The City of Monte Vista maintains four 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) Grant Fund, (3) Capital Improvement Fund, (4) and the Capital Projects Fund. Individual fund information for the nonmajor funds is presented as supplemental information after the notes section of this report. Nonmajor funds include the Recreation Fund, Debt Service Fund, Conservation Trust Fund and Urban Renewal Fund.

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

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.

Proprietary Funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City of Monte Vista maintains one type of proprietary fund called enterprise funds. Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The City of Monte Vista uses an enterprise fund to account for water and sewer operations of the City. This fund is known as the City Service Utility Fund. Effective January 1, 2013 the City is required to separate water operations from sewer operations in order to meet loan covenants with the Colorado Water Resources & Power Development. Therefore the City Service Utility Fund will no longer exist and the City will create two new accounting funds called the Water Fund and the Sewer Fund.

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The focus of this financial analysis is on comparisons of the activities of the current year (2012) with those of the prior year (2011) and comparison of balances at year-end (December 31) for the same two years.

As noted earlier, the net position 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 \$10,714,075 at December 31, 2012.

The City's net position can be separated into three primary categories: 1) Net investment in capital assets, 2) Restricted assets, and 3) Unrestricted assets.

The largest portion of the City's net position reflects its investment of \$8,043,226 in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure); less any related outstanding debt used to acquire those assets. The City of Monte Vista uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Table 1 provides a summary of the City's net position at December 31 for the years 2011 and, 2012. Additional information is presented in the statement of net position.

City of Monte Vista Net Assets						
	Governmental Activities		Business-type Activities		Total Government	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Current and other assets	\$ 3,333,114	\$ 2,712,904	\$ 1,788,921	\$ 932,349	\$ 5,122,035	\$ 3,645,253
Noncurrent and Capital assets	7,966,083	7,930,921	2,900,999	5,005,564	10,867,082	12,936,485
Total Assets	\$ 11,299,197	\$ 10,643,825	\$ 4,689,920	\$ 5,937,913	\$ 15,989,117	\$ 16,581,738
Current Liabilities	\$ 743,490	\$ 501,100	\$ 93,401	\$ 240,882	\$ 836,891	\$ 741,982
Noncurrent Liabilities	3,392,111	3,207,925	1,451,091	1,564,081	4,843,202	4,772,006
Total Liabilities	\$ 4,135,601	\$ 3,709,025	\$ 1,544,492	\$ 1,804,963	\$ 5,680,093	\$ 5,513,988
Current Deferred Inflows of Resources	\$ -	\$ 353,675	\$ -	\$ -	\$ -	\$ 353,675.00
Net Position						
Net Investment in Capital Assets	\$ 4,531,270	\$ 4,669,918	\$ 1,364,720	\$ 3,373,308	\$ 5,895,990	\$ 8,043,226
Restricted for:						
TABOR	\$ 90,000	\$ 90,000	\$ -	\$ -	\$ 90,000	\$ 90,000
Capital Projects	1,758,014	974,522	-	-	1,758,014	974,522
Debt Service	155,153	156,651	-	-	155,153	156,651
Conservation Trust	511	45,120	-	-	511	45,120
Water Acquisition	-	-	29,267	32,672	29,267	32,672
Water Chlorination Imprv.	-	-	400,000	-	400,000	-
Unrestricted	628,648	644,914	1,351,441	726,970	1,980,089	1,371,884
Total Net Position	\$ 7,163,596	\$ 6,581,125	\$ 3,145,428	\$ 4,132,950	\$ 10,309,024	\$ 10,714,075

An additional portion of the City's net position of \$1,298,965 represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,371,884 , unrestricted net position , may be used to meet the City's ongoing obligations to citizens and creditors. During the current fiscal year the City of Monte Vista's net position increased by \$405,051 .

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Analysis of Changes in Net Position

The City's combined net position for the governmental and business-type funds increased by \$405,051 from 2011 to 2012. Of this total amount, governmental net position decreased by \$582,471 and business-type net position increased by \$987,522. These increases are explained in the government and business-type activities discussion which follows the below chart.

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

Table 2 provides a summary of the changes in net position for the years 2011 and 2012. 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	
	2011	2012	2011	2012	2011	2012
Revenues						
Program Revenues:						
Charges for services	\$ 421,837	\$ 340,968	\$ 1,657,881	\$ 1,679,410	2,079,718	2,020,378
Operating Grants and Contributions	370,115	401,005	-	-	370,115	401,005
Capital Grants & Contributions	1,086,329	545,059	45,960	57,388	1,132,289	602,447
General Revenues:						
Taxes						
General Property Taxes - net	335,687	346,127	-	-	335,687	346,127
Sales and use taxes	1,433,863	1,404,724	-	-	1,433,863	1,404,724
Franchise taxes	168,084	167,429	-	-	168,084	167,429
Other taxes	55,688	68,351	-	-	55,688	68,351
Investment income	14,678	7,234	2,499	1,709	17,177	8,943
Miscellaneous	76,422	59,762	1,146	49,638	77,568	109,400
Total Revenue	<u>\$ 3,962,703</u>	<u>\$ 3,340,659</u>	<u>\$ 1,707,486</u>	<u>\$ 1,788,145</u>	<u>\$ 5,670,189</u>	<u>\$ 5,128,804</u>
Expenses						
General Government	\$ 750,009	\$ 738,777	\$ -	\$ -	\$ 750,009	\$ 738,777
Public Safety	1,107,089	1,178,385	-	-	1,107,089	1,178,385
Health and Welfare	94,029	99,584	-	-	94,029	99,584
Highway and Streets	719,587	522,247	-	-	719,587	522,247
Culture and Recreation	578,820	612,422	-	-	578,820	612,422
Urban Development	134,454	68,563	-	-	134,454	68,563
Interest on long term debt	155,250	183,872	-	-	155,250	183,872
City Service Utility	-	-	1,286,444	1,319,903	1,286,444	1,319,903
Total Expenses	<u>\$ 3,539,238</u>	<u>\$ 3,403,850</u>	<u>\$ 1,286,444</u>	<u>\$ 1,319,903</u>	<u>\$ 4,825,682</u>	<u>\$ 4,723,753</u>
Increase in net position before transfers	\$ 423,465	\$ (63,191)	\$ 421,042	\$ 468,242	\$ 844,507	\$ 405,051
Transfers						
Operating transfers in/(out)	83,408	83,408	(83,408)	(83,408)	-	-
PILT Transfers in/(out)	158,165	158,165	(158,165)	(158,165)	-	-
Contributions in/(out)	-	(760,853)	-	760,853	-	-
Total Transfers	<u>241,573</u>	<u>(519,280)</u>	<u>(241,573)</u>	<u>519,280</u>	<u>-</u>	<u>-</u>
Change in Net Position	\$ 665,038	\$ (582,471)	\$ 179,469	\$ 987,522	\$ 844,507	\$ 405,051
Net Position - 1/1/2012	<u>\$ 6,498,558</u>	<u>\$ 7,163,596</u>	<u>\$ 2,965,959</u>	<u>\$ 3,145,428</u>	<u>\$ 9,464,517</u>	<u>\$ 10,309,024</u>
Net Position - 12/31/2012	<u>\$ 7,163,596</u>	<u>\$ 6,581,125</u>	<u>\$ 3,145,428</u>	<u>\$ 4,132,950</u>	<u>\$ 10,309,024</u>	<u>\$ 10,714,075</u>

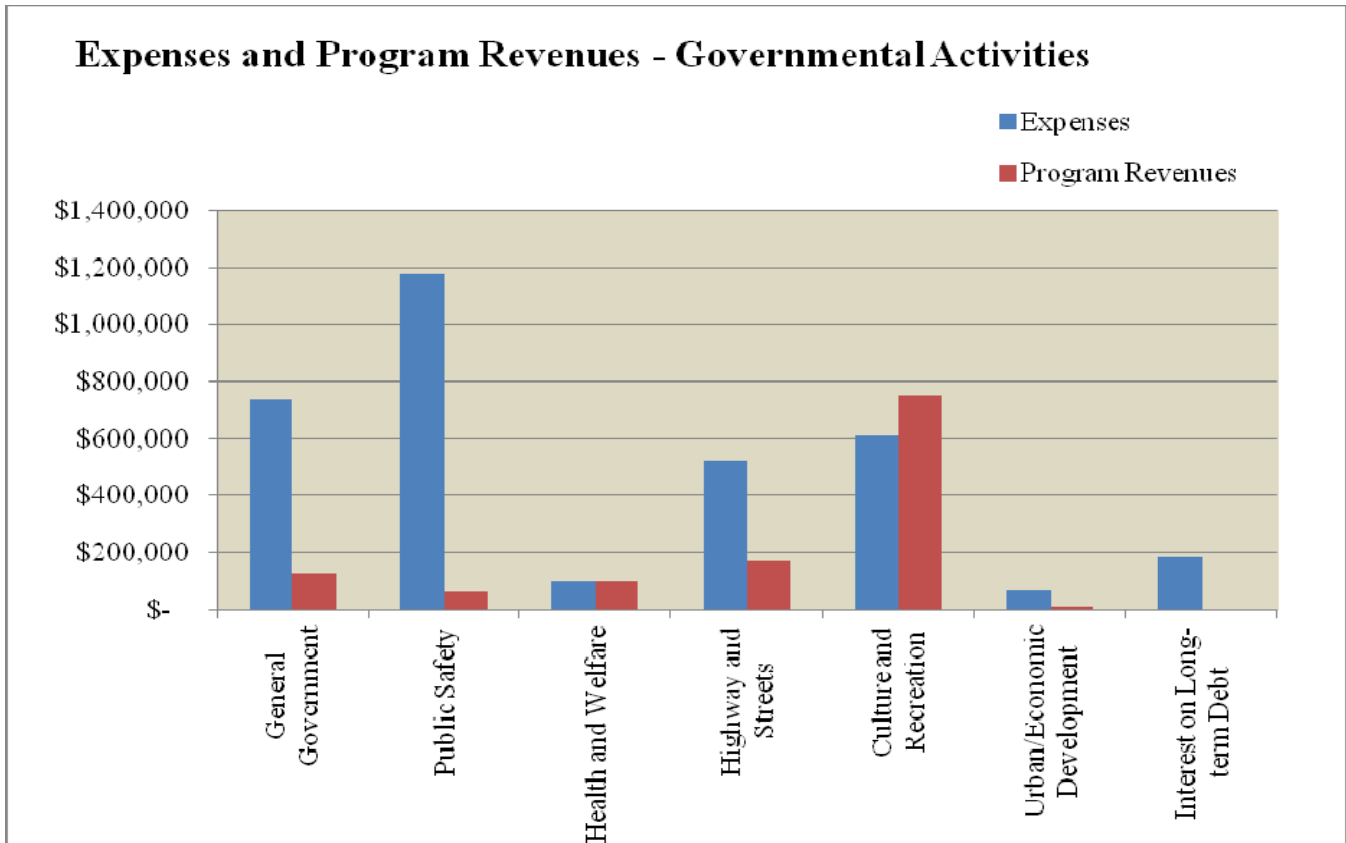
CITY OF MONTE VISTA, COLORADO MANAGEMENT’S DISCUSSION AND ANALYSIS

Governmental Activities

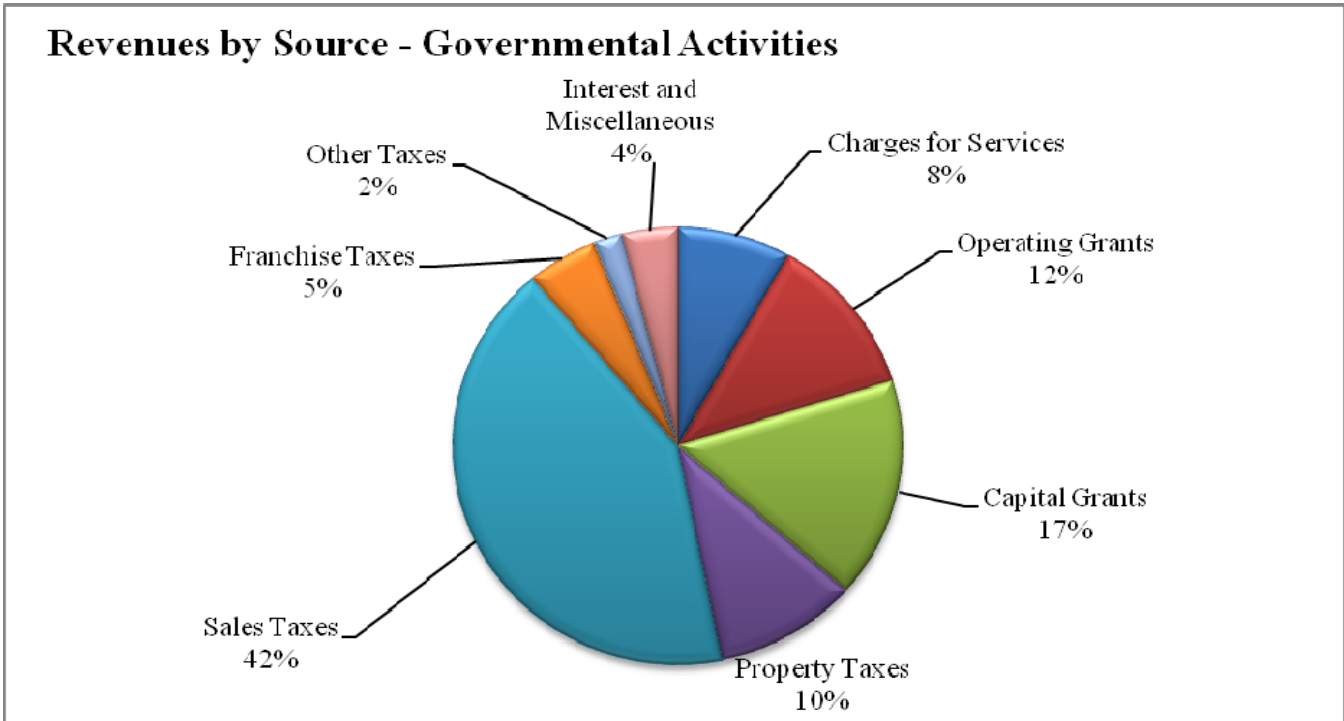
The City’s governmental activities have been accounted for in seven departmental categories: 1) General Government, 2) Public Safety, 3) Health and Welfare, 4) Highway and Streets, 5) Culture and Recreation, 6) Urban/Economic Development, and 7) Interest on long-term Debt.

Governmental activity expenses totaled \$3,403,850, a decrease of \$135,388 compared to 2011. Major expenses included in governmental activities are; \$1,178,385 for public safety, \$738,777 for general government, \$612,422 for culture and recreation, and \$522,247 for highway and streets. City funding for governmental activities was derived from \$2,053,627 in general revenue, primarily taxes, and program revenues contributed \$1,287,032. Governmental activity revenues decreased by \$622,044 compared to 2011. Of this amount program revenues decreased by \$591,249, primarily capital grants and contributions, and general revenues decreased by \$30,795. Transfers out of governmental activities increased by \$760,853 compared to 2011. This was due to a capital contribution to business-type activities that included storm drain improvements which was funded by governmental activities.

As shown in the following “Expenses and Program Revenues for Governmental Activities” chart, public safety is the largest expense (35%), followed by general government (22%), culture and recreation (18%), and highway and streets (15%). General revenues such as property and sales taxes are not included in program revenues, but are effectively used to support program activities citywide. The next chart labeled “Revenues by Source for Governmental Activities indicate that sales taxes are the largest source of revenue (42%), followed by capital grants and contributions (17%), and property taxes (10%).



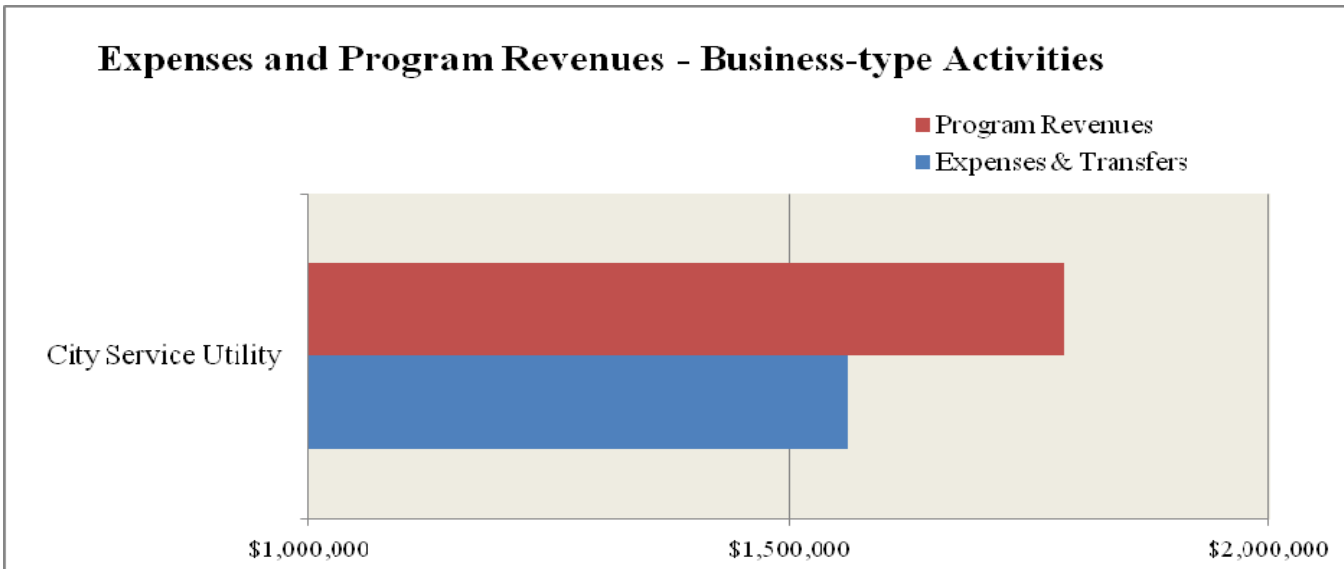
**CITY OF MONTE VISTA, COLORADO
MANAGEMENT’S DISCUSSION AND ANALYSIS**



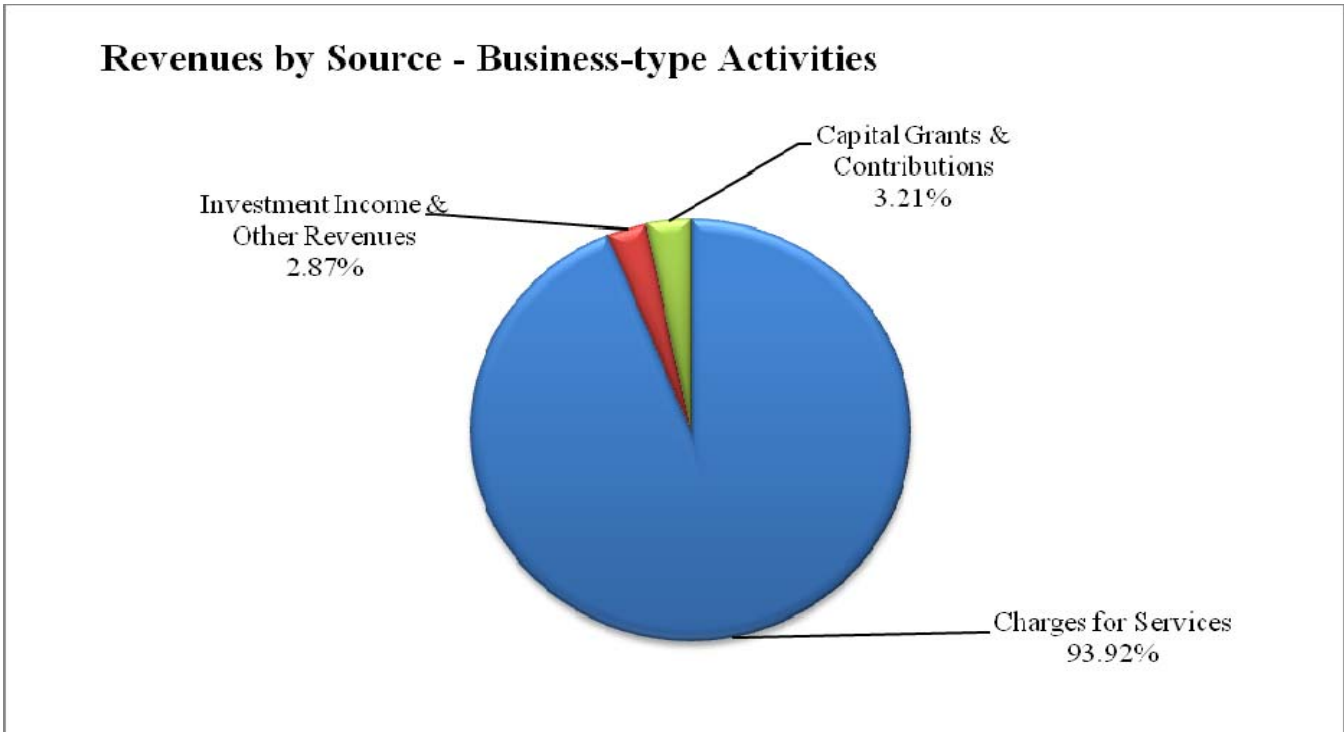
Business-type Activities

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 position increased by \$987,522 in 2012. The City Service Utility Fund had capital contributions from the Capital Project Fund in the amount of \$760,853 which included storm drain improvements on First Avenue.

Business-type activity expenses totaled \$1,319,903, an increase of \$33,459 compared to 2011. Funding for business-type activities was derived from \$1,736,798 in program revenues, an increase of \$32,957 compared to 2011. The following charts provide a summary of expenses and revenues for the City’s business-type activities.



**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, fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City of Monte Vista include the General Fund, Recreation Fund, Grant Fund, Capital Projects Fund, Capital Improvement 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 \$2,045,651, a decrease of \$733,034 from the prior year ending fund balances. Most of the decrease was due to the storm drain project on First Avenue. The City's fund balances are classified based on the extent to which the City is bound to honor constraints for the specific purpose on which amounts in the fund can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* the fund balances for the City were classified in the following categories:

Restricted Fund Balance – are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. As of December 31, 2012, the City's governmental funds reported a restricted fund balance of \$1,266,293, a majority of this fund balance is restricted for capital projects and improvements.

Committed Fund Balance – are amounts that can only be used for specific purposes as a result of constraints imposed by the City Council. Committed amounts cannot be used for any other purpose unless the Council removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. The City's governmental funds reported a committed fund balance of \$90,210 as of December 31, 2012.

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

Assigned Fund Balance – are amounts a government intend to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the governing body delegates the authority. The City's governmental funds did not have an assigned fund balance to report as of December 31, 2012.

Unassigned Fund Balance – are amounts that are available for any purpose; these amounts are reported only in the General Fund. The City's General Fund reported an unassigned fund balance of \$689,148 as of December 31, 2012.

Revenue. Revenues in governmental funds decreased from \$3,738,817 to \$3,455,280, a decrease of \$283,537 from the prior year. The majority of the decrease was in intergovernmental revenue with a decrease of \$245,078, mostly due to a decline in grant activity. Of total revenue received in 2012, \$1,981,236 (57%) was generated by tax revenue, \$1,032,430 (30%) by intergovernmental revenue, \$240,864 (7%) by charges for services, and \$200,750 (6%) by other sources.

The General Fund is the primary operating governmental fund of the City. At the end of the current fiscal year, the fund balance for the General Fund was \$779,148, an increase of \$38,210. Approximately \$689,148 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted; not available for spending because it has been committed for TABOR reserves.

General Fund revenues decreased by \$97,040 compared to 2011. Of this amount, tax revenue decreased by \$12,027, intergovernmental revenue decreased by \$27,141, charges for services decreased by \$11,423, fines and forfeits decreased by \$7,020, interest and miscellaneous decreased by \$44,539, and licenses and permits increased by \$5,110.

The Capital Projects Fund reported an ending fund balance of \$731,161 all of which is reserved for street related capital improvements and projects. The net decrease in fund balance during the current year in the Capital Project Fund was \$769,556. Most of the decrease in fund balance reflects the cost of storm drain improvements on First Avenue. It is anticipated that the remaining fund balance of \$731,161 will be utilized during 2013 to complete the First Avenue Improvement project.

Expenditures. The governmental funds experienced an increase of \$148,470 in expenditures bringing the total expenditures for the fiscal year to \$4,271,722. Of this amount \$2,173,775 relates to the General Fund, \$602,402 to the Grant Fund, \$774,899 to the Capital Projects Fund, \$55,056 to the Capital Improvement Fund, and \$665,590 to other nonmajor governmental funds.

General Fund expenditures total \$2,173,775, of this amount \$610,192 (28%) relates to general government, \$1,015,845 (47%) to public safety, \$95,521 (4%) to health and welfare, \$317,868 (15%) to highway and streets, \$101,188 (5%) to culture and recreation, and \$33,161 (1%) to capital outlay. General Fund expenditures for 2012 decreased by \$29,888 compared to the prior year.

Ø *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, 2012, net position for the City Service Utility Fund was \$4,132,950, an increase of \$987,522 from the prior year. Most of the increase was due to a capital contribution from the Capital Project Fund which included storm drain improvements. At the end of the fiscal year unrestricted net position for the City Service Utility Fund was \$726,970 and net investment in capital assets was \$3,373,308. Restricted net position totals \$32,672 which is committed for acquisition of water rights. The unrestricted net position for the City Service Utility Fund decreased by \$624,471, most of this amount relates to water and sewer improvements on First Avenue. Since the Colorado Department of Transportation will install a new concrete highway along a portion of First Avenue/Highway 160 the City of Monte Vista felt it was necessary to replace the water and sewer infrastructure prior to the installation of the new highway.

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

General Fund Budgetary Highlights

The City of Monte Vista generally adopts a supplemental appropriation in early December in order to allow for previously unforeseen events. Every attempt is made to relate the budget to both the short and long term goals of the City Council.

During the fiscal year, the General Fund budget was amended from an original budget expenditure total of \$2,233,939 to a final budget of \$2,262,668. The original revenue budget of \$2,351,098 was also amended to a final budget of \$2,359,827. All recommended amendments for budget changes came from the Finance Director and City Manager to City Council via Ordinance as required.

- Ø At December 31, 2012, the General Fund under-spent its budgeted expenditures by \$88,893. Total expenditures decreased by \$29,888 compared to the previous fiscal year.
- Ø Actual revenue in the General Fund fell short of the estimated budget by \$22,683. Total Revenue decreased by \$97,040 compared to the previous fiscal year.

Capital Assets

The City's capital assets for its governmental and business-type activities as of December 31, 2012 totaled \$12,878,485 (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. The total increase in the City's investment in capital for the current fiscal year was \$2,133,278. Most of the increase was in business-type activities.

Major capital asset events during 2012 include the following :

- Ø Construction of a Skate Park at Montez Park at a cost of \$571,148 which included land acquisition and construction. A majority of funding for this project was provided by a grant from Great Outdoors Colorado Trust Fund (GOCO).
- Ø Sewer line and storm drain improvements on First Avenue at a cost of \$944,714.
- Ø Water line improvements on First Avenue at a cost of \$750,503.
- Ø Well disinfection improvements for the City's water system at a cost of \$321,327.
- Ø Acquisition of water rights in the amount of \$256,700.

Table 3 provides a summary of the City's capital assets (net of accumulated depreciation). Additional information on the City of Monte Vista's capital assets can be found in Note 5 of the Basic Financial Statements.

City of Monte Vista Capital Assets (net of accumulated depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 869,263	\$ 1,061,298	\$ 22,000	\$ 22,000	\$ 891,263	\$ 1,083,298
Construction in Progress	43,826	433,759	28,612	-	72,438	433,759
Water Rights	-	-	684,751	941,451	684,751	941,451
Buildings	1,717,193	1,656,190	4,230	2,308	1,721,423	1,658,498
Infrastructure	1,959,678	1,731,691	-	-	1,959,678	1,731,691
Improvements-Bldg	287,584	267,792	-	-	287,584	267,792
Improvements-Other	1,807,683	1,681,507	-	-	1,807,683	1,681,507
W/S Treatment Plant	-	-	50,853	380,645	50,853	380,645
Transmission & Distrib.	-	-	1,904,999	3,487,165	1,904,999	3,487,165
Equipment	698,478	615,337	56,216	50,939	754,694	666,276
Vehicles	553,138	483,347	56,702	63,056	609,840	546,403
	<u>\$ 7,936,843</u>	<u>\$ 7,930,921</u>	<u>\$ 2,808,363</u>	<u>\$ 4,947,564</u>	<u>\$ 10,745,206</u>	<u>\$ 12,878,485</u>

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

Debt Administration

At year end, the City of Monte Vista's long-term liabilities totaled \$5,027,818. Of this amount, \$3,395,447 relates to governmental activities and \$1,632,371 relates to business-type activities.

Bonds payable include the Series 2008 Sales Tax Revenue refunding and Improvement Bonds payable to SunTrust Equipment Finance & Leasing Corp with an outstanding debt of \$3,120,000. The purpose of the bonds were to provide paving and resurfacing of streets, provide curb and gutter and surface drainage, sidewalk improvements, and such other related improvements.

Outstanding notes payable include a note with Colorado Water Resource and Power Development Authority to fund storm drainage improvements in the amount of \$418,036, an additional note with the Colorado Water Resource and Power Development Authority to fund water chlorination system improvements in the amount of \$341,540, and a note with the Colorado Water Conservation Board to purchase water rights with an advanced payment of \$814,680. Total loan approval for the note with Colorado Water Conservation Board was \$1,693,770 the remaining balance of \$879,090 will be used during 2013 and repayment of this loan will be determined when the loan is fully utilized.

Capital Leases include a lease in which the City entered into on June 1, 2011 with Kansas State Bank of Manhattan for the purchase of a street sweeper. The outstanding balance as of December 31, 2012 is \$141,003.

Compensated absences include: employee sick and vacation leave accrued prior to February 1, 2004 and not thereafter and unused vacation accrued up to a maximum allowable. Liability for Compensated absences totaled \$192,559 as of December 31, 2012.

The City of Monte Vista's total debt decreased by \$65,355 during the current fiscal year. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

Table 4 provides a summary of the City's long-term debt obligations at December 31, 2012.

City of Monte Vista Long-Term Debt						
	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Bonds Payable	\$ 3,250,000	\$ 3,120,000	\$ -	\$ -	\$ 3,250,000	\$ 3,120,000
Notes Payable	-	-	1,457,279	1,574,256	1,457,279	1,574,256
Capital Leases Payable	184,813	141,003	-	-	184,813	141,003
Compensated Absences	<u>146,359</u>	<u>134,444</u>	<u>54,722</u>	<u>58,115</u>	<u>201,081</u>	<u>192,559</u>
Total	<u>\$ 3,581,172</u>	<u>\$ 3,395,447</u>	<u>\$ 1,512,001</u>	<u>\$ 1,632,371</u>	<u>\$ 5,093,173</u>	<u>\$ 5,027,818</u>

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

Economic Factors and Next Year's Budgets

The Monte Vista economy remains stagnant. Sales tax revenue at the city and county levels is relatively flat and has been for many years. Property values remain fairly constant with marginal increases next year. Sales and property tax are the leading revenue source for the General Fund and future trends when measured against service demands and the cost of doing business are a concern. The city is in negotiations with a landowner who is interested in annexing their commercial property which if completed, will increase property tax revenue by approximately two percent. CDOT will undertake a major highway reconstruction project through the downtown in 2013. The project will take approximately six months to complete. The potential sales tax loss is unknown but a real possibility as access to downtown merchants will be disrupted. City reserves are adequate to meet short-term contingencies but setting aside additional funds for long-term capital equipment purchases and capital projects will remain difficult.

The city will implement an energy efficiency program in 2013. The savings in energy costs over the next fifteen years will pay for the cost of the program. Labor costs are stable. However, positions have been left unfilled, furloughs are anticipated, and other measures are being considered. Employee health care costs continue to erode the City's operational capability and the long-term impacts of federal health care reform are not completely understood. The city will bid its health care services in 2013 in order to contain costs while providing no decrease in benefits to our employees. The City recognizes the value of employees and continues to look at ways to make wages and benefits competitive.

Long term sustainability of the valley's agricultural industry is of great concern. Weather patterns have changed significantly the past few years greatly reducing the snowpack and available surface water. Over the years groundwater pumping has depleted the aquifers leading the state to impose groundwater regulations that could curtail agricultural production. The impact on municipal revenue is unknown but could be considerable.

The City's financial capacity is below thresholds required to adequately fund infrastructure and general improvement projects. The median family income in Monte Vista is below the state and federal "low income" thresholds; reducing the potential for local generation of capital to fund large bond issues. The 2010 census shows both the City and the county losing population while the median age of our citizens continues to rise. The City has been successful in obtaining grants, but the total infrastructure costs far exceed normal grant maximums. Grant opportunities have been greatly reduced as the state and federal governments cut budgets to reduce large deficits. It will be necessary for the City to develop increased public/private partnerships to compensate for the loss of grant opportunities.

In summary, the short and long term financial projections indicate the City must continue to be conservative in its spending patterns while working diligently to identify and pursue additional revenue sources. The City Council and staff have recognized the current economic trends and are preparing the City to meet the current challenges while continuing to plan for the future.

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
719-852-2692

CITY OF MONTE VISTA, COLORADO

BASIC FINANCIAL STATEMENTS

CITY OF MONTE VISTA, COLORADO
STATEMENT OF NET POSITION
December 31, 2012

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 936,796	\$ 759,066	\$ 1,695,862
Restricted Cash and Cash Equivalents	951,583	32,672	984,255
Accounts Receivable	64,131	40,034	104,165
Allowance for Doubtful Accounts	(19,254)	-	(19,254)
Property Taxes Receivable	353,675	-	353,675
Due from Other Governments	311,855	-	311,855
Due from County Treasurer	114,118	32,141	146,259
Inventory of Materials and Supplies	-	68,436	68,436
Total Current Assets	2,712,904	932,349	3,645,253
Noncurrent Assets:			
Prepaid Water Storage Expense	-	58,000	58,000
Capital Assets:			
Land	1,061,298	22,000	1,083,298
Construction in Progress	433,759	-	433,759
Infrastructure	3,027,843	-	3,027,843
Water Rights	-	941,451	941,451
Buildings	3,647,208	46,018	3,693,226
Building Improvements	651,193	1,632	652,825
Other Improvements	2,392,648	-	2,392,648
Equipment	1,756,335	510,663	2,266,998
Treatment Plant	-	4,636,251	4,636,251
Transmission and Distribution	-	5,948,238	5,948,238
Vehicles and Heavy Road Equipment	1,279,880	251,166	1,531,046
Less: Accumulated Depreciation/Depletion	(6,319,243)	(7,409,855)	(13,729,098)
Total Noncurrent Assets	7,930,921	5,005,564	12,936,485
TOTAL ASSETS	10,643,825	5,937,913	16,581,738
LIABILITIES			
Current Liabilities:			
Accounts Payable	300,069	169,457	469,526
Other Payables	6,022	3,135	9,157
Unearned Revenue - Grants	7,487	-	7,487
Bonds Payable	135,000	-	135,000
Notes Payable	45,431	68,290	113,721
Compensated Absences	7,091	-	7,091
Total Current Liabilities	501,100	240,882	741,982
Noncurrent Liabilities:			
Bonds Payable	2,985,000	-	2,985,000
Notes Payable	95,572	1,505,966	1,601,538
Compensated Absences	127,353	58,115	185,468
Total Noncurrent Liabilities	3,207,925	1,564,081	4,772,006
TOTAL LIABILITIES	3,709,025	1,804,963	5,513,988
DEFERRED INFLOWS OF RESOURCES - CURRENT			
Unavailable Revenue - Property Tax	353,675	-	353,675

The accompanying notes are an integral part of this financial statement.

CITY OF MONTE VISTA, COLORADO
STATEMENT OF NET POSITION
December 31, 2012

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
NET POSITION			
Net Investment in Capital Assets	4,669,918	3,373,308	8,043,226
Restricted for:			
TABOR	90,000	-	90,000
Debt Service	156,651	-	156,651
Capital Projects and Improvements	974,522	-	974,522
Conservation Trust	45,120	-	45,120
Water Acquisition	-	32,672	32,672
Unrestricted	644,914	726,970	1,371,884
TOTAL NET POSITION	\$ 6,581,125	\$ 4,132,950	\$ 10,714,075

The accompanying notes are an integral part of this financial statement.

CITY OF MONTE VISTA, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		TOTAL
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 738,777	\$ 174,259	\$ 19,636	\$ -	\$ (544,882)	\$ -	\$ (544,882)
Public safety	1,178,385	12,380	49,413	-	(1,116,592)	-	(1,116,592)
Health and Welfare	99,584	99,036	-	-	(548)	-	(548)
Highways and Streets	522,247	-	168,313	-	(353,934)	-	(353,934)
Culture and Recreation	612,422	55,293	163,643	533,717	140,231	-	140,231
Urban/Economic Development	68,563	-	-	11,342	(57,221)	-	(57,221)
Interest on long-term debt	183,872	-	-	-	(183,872)	-	(183,872)
Total Governmental Activities	3,403,850	340,968	401,005	545,059	(2,116,818)	-	(2,116,818)
Business-Type Activities:							
City Service Utility	1,319,903	1,679,410	-	57,388	-	416,895	416,895
Total Business-Type Activities	1,319,903	1,679,410	-	57,388	-	416,895	416,895
Total Primary Government	\$ 4,723,753	\$ 2,020,378	\$ 401,005	\$ 602,447	(2,116,818)	416,895	(1,699,923)
General Revenues and Transfers:							
Taxes:							
					346,127	-	346,127
					1,404,724	-	1,404,724
					167,429	-	167,429
					68,351	-	68,351
					7,234	1,709	8,943
					59,762	49,638	109,400
					(519,280)	519,280	-
					1,534,347	570,627	2,104,974
					(582,471)	987,522	405,051
					7,163,596	3,145,428	10,309,024
					\$ 6,581,125	\$ 4,132,950	\$ 10,714,075

The accompanying notes are an integral part of this financial statement.

CITY OF MONTE VISTA, COLORADO
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2012

	SPECIAL REVENUE FUNDS					TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	GRANT FUND	CAPITAL IMPROVEMENT FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	
ASSETS						
Cash and Cash Equivalents	\$ 588,880	\$ 13,736	\$ 189,048	\$ -	\$ 145,132	\$ 936,796
Restricted Cash and Cash Equivalents	-			794,932	156,651	951,583
Accounts Receivable	57,191			-	6,940	64,131
Allowance for Doubtful Accounts	(19,254)			-	-	(19,254)
Property Taxes Receivable	353,675			-	-	353,675
Due From Other Governments	95,876	161,666	54,313	-	-	311,855
Due From County Treasurer	114,118	-	-	-	-	114,118
TOTAL ASSETS	\$ 1,190,486	\$ 175,402	\$ 243,361	\$ 794,932	\$ 308,723	\$ 2,712,904
LIABILITIES						
Accounts Payable	\$ 49,879	\$ 175,402	\$ -	\$ 63,771	\$ 11,017	\$ 300,069
Other Payables	6,022	-	-	-	-	6,022
Unearned Revenue - Grants	1,762	-	-	-	5,725	7,487
TOTAL LIABILITIES	57,663	175,402	-	63,771	16,742	313,578
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Tax	353,675	-	-	-	-	353,675
FUND BALANCE						
Restricted						
Tabor Emergency	90,000	-	-	-	-	90,000
Debt Service	-	-	-	-	156,651	156,651
Capital Projects/Improvements	-	-	243,361	731,161	-	974,522
Conservation Trust	-	-	-	-	45,120	45,120
Committed						
Recreation	-	-	-	-	85,782	85,782
Economic Development	-	-	-	-	4,428	4,428
Unassigned	689,148	-	-	-	-	689,148
TOTAL FUND BALANCE	779,148	-	243,361	731,161	291,981	2,045,651
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,190,486	\$ 175,402	\$ 243,361	\$ 794,932	\$ 308,723	\$ 2,712,904

18 The accompanying notes are an integral part of this financial statement.

CITY OF MONTE VISTA, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
December 31, 2012

Total governmental fund balances	\$	2,045,651
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		7,930,921
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds Payable	\$ (3,120,000)	
Notes Payable	(141,003)	
Compensated Absences	(134,444)	
	(3,395,447)	(3,395,447)
Net position of governmental activities	\$	6,581,125

The accompanying notes are an integral part of this financial statement.

CITY OF MONTE VISTA, COLORADO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Year Ended December 31, 2012

	<u>SPECIAL REVENUE FUNDS</u>				<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL FUND</u>	<u>GRANT FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>CAPITAL PROJECTS FUND</u>		
REVENUES						
Taxes	\$ 1,639,824	\$ -	\$ 341,412	\$ -	\$ -	\$ 1,981,236
Licenses and Permits	11,486	-	-	-	-	11,486
Intergovernmental Revenue	368,629	515,288	-	-	148,513	1,032,430
Charges for Services	185,780	-	-	-	55,084	240,864
Fines and Forfeits	70,917	-	-	-	-	70,917
Interest and Miscellaneous	60,508	35,640	248	5,343	16,608	118,347
TOTAL REVENUE	<u>2,337,144</u>	<u>550,928</u>	<u>341,660</u>	<u>5,343</u>	<u>220,205</u>	<u>3,455,280</u>
EXPENDITURES						
General Government	610,192	-	-	-	-	610,192
Public Safety	1,015,845	49,413	-	-	-	1,065,258
Health and Welfare	95,521	-	-	-	-	95,521
Highways and Streets	317,868	-	-	6,590	-	324,458
Culture and Recreation	101,188	-	1,914	-	383,391	486,493
Urban/Economic Development	-	14,564	-	-	2,699	17,263
Capital Outlay	33,161	538,425	2,480	768,309	-	1,342,375
Debt Service	-	-	50,662	-	279,500	330,162
TOTAL EXPENDITURES	<u>2,173,775</u>	<u>602,402</u>	<u>55,056</u>	<u>774,899</u>	<u>665,590</u>	<u>4,271,722</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>163,369</u>	<u>(51,474)</u>	<u>286,604</u>	<u>(769,556)</u>	<u>(445,385)</u>	<u>(816,442)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	99,038	51,474	-	-	496,690	647,202
Transfers Out	(224,197)	-	(323,967)	-	(15,630)	(563,794)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(125,159)</u>	<u>51,474</u>	<u>(323,967)</u>	<u>-</u>	<u>481,060</u>	<u>83,408</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	38,210	-	(37,363)	(769,556)	35,675	(733,034)
Fund Balance at Beginning of Year	<u>740,938</u>	<u>-</u>	<u>280,724</u>	<u>1,500,717</u>	<u>256,306</u>	<u>2,778,685</u>
Fund Balance at End of Year	<u>\$ 779,148</u>	<u>\$ -</u>	<u>\$ 243,361</u>	<u>\$ 731,161</u>	<u>\$ 291,981</u>	<u>\$ 2,045,651</u>

20 The accompanying notes are an integral part of this financial statement.

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, 2012

Net change in fund balances - total governmental funds \$ (733,034)

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

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

Fixed asset additions	\$	625,066	
Depreciation expense		(630,988)	
Excess of capital outlay over depreciation			(5,922)

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

Bond Issuance Costs		(29,240)	
Bond Principal Payments		130,000	
Notes Payable Principal Payments		43,810	
			144,570

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			11,915

Change in net position of governmental activities \$ (582,471)

CITY OF MONTE VISTA, COLORADO
PROPRIETARY FUND
STATEMENT OF NET POSITION
December 31, 2012

	CITY SERVICE UTILITY FUND
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 759,066
Restricted Cash and Cash Equivalents	32,672
Accounts Receivable	40,034
Due From County Treasurer	32,141
Inventory	68,436
Total Current Assets	932,349
Noncurrent Assets:	
Prepaid Water Storage Expense	58,000
Land	22,000
Construction in Progress	-
Water Rights	941,451
Buildings	47,650
Equipment	510,663
Treatment Plant	4,636,251
Transmission and Distribution	5,948,238
Vehicles	251,166
Accumulated Depreciation	(7,409,855)
Total Noncurrent Assets	5,005,564
TOTAL ASSETS	5,937,913
LIABILITIES	
Current Liabilities:	
Accounts Payable	169,457
Notes Payable	65,821
Accrued Interest Payable	3,135
Total Current Liabilities	238,413
Noncurrent Liabilities:	
Notes Payable	1,508,435
Accrued Compensated Absences	58,115
Total Noncurrent Liabilities	1,566,550
TOTAL LIABILITIES	1,804,963
NET POSITION	
Net Investment in Capital Assets	3,373,308
Restricted for Water Acquisition	32,672
Unrestricted	726,970
TOTAL NET POSITION	\$ 4,132,950

The accompanying notes are an integral part of this financial statement.

CITY OF MONTE VISTA, COLORADO
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
December 31, 2012

	CITY SERVICE UTILITY FUND
OPERATING REVENUES	
Charges for Services	\$ 1,670,408
Miscellaneous	58,640
Total Operating Revenues	1,729,048
OPERATING EXPENSES	
Personnel Services	676,412
Supplies	31,030
Fuel	23,647
Communications and Postage	14,736
Insurance and Bonds	41,076
Utilities	108,748
Professional Services	128,056
Repairs and Maintenance	40,823
Depreciation	168,934
Equipment	20,407
Payment in Lieu of Taxes	158,165
State Permit Fees	13,728
Water Storage	21,000
Other	11,064
Total Operating Expenses	1,457,826
Operating Income (Loss)	271,222
NONOPERATING REVENUES (EXPENSES)	
State Grants	30,438
Interest on Investments	1,709
Interest Expense	(20,242)
Total Nonoperating Revenues (Expenses)	11,905
Income (Loss) Before Other Revenue and Operating Transfers	283,127
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Water and Sewer Taps	26,950
Contribution from General Government	760,853
Transfers Out	(83,408)
Total Capital Contributions and Transfers	704,395
Changes in Net Position	987,522
Net Position at beginning of year	3,145,428
Net Position at end of year	\$ 4,132,950

The accompanying notes are an integral part of this financial statement.

**CITY OF MONTE VISTA, COLORADO
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2012**

	CITY SERVICE UTILITY FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$ 1,714,173
Cash Paid to Employees	(673,019)
Cash Paid to Suppliers/Vendors	(297,829)
Cash Paid to Other Funds for Taxes	(158,165)
	585,160
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash Transferred (to)/from Other Funds	(83,408)
	(83,408)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Acquisitions	(1,534,944)
State Grants	35,968
Proceeds from Issuance of Debt	229,680
Principal Payments	(112,703)
Cash Received from Capital Contributions (Tap Fees)	26,950
Interest Paid	(20,649)
	(1,375,698)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	1,709
	1,709
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	
NET INCREASE (DECREASE) IN CASH	(872,237)
CASH AT BEGINNING OF YEAR	1,663,975
CASH AT END OF YEAR	\$ 791,738
OPERATING INCOME (LOSS)	\$ 271,222
Adjustments to Reconcile Net Income to Net Cash Provided	
by Operating Activities	
Depreciation expense	156,600
Amortization expense	13,632
(Increase) Decrease in accounts receivable	(6,582)
(Increase) Decrease in due from county treasurer	(8,293)
(Increase) Decrease in prepaids	21,000
(Increase) Decrease in inventory	(6,320)
Increase (Decrease) in accounts payable	140,508
Increase (Decrease) in compensated absences	3,393
	3,393
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 585,160
NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Capital assets contributed from General Government was \$760,853	

The accompanying notes are an integral part of this financial statement.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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, culture-recreation, public improvements, planning and zoning, and general administrative services.

Component Units

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

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

The City of Monte Vista has operational responsibility and manages the Monte Vista Urban Renewal Authority. The Authority is blended into the City's financial statements as a special revenue fund.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City and its component units. 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.

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

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

- § 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 and proprietary funds. 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 other than grant revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers grant revenues to be available if they are collected within 120 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. 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 ***Grant Fund*** is used to account for the various grants the City receives. The monies may be expended only for the purposes defined by the granting agency.
- § The ***Capital Improvement Fund*** is used to account for the collection of the one percent sales tax. The use of the monies is restricted for capital improvement projects of the City. This includes the repayment of the Series 2008 Sales Tax Revenue Bonds.
- § The ***Capital Projects Fund*** is used to account for the expenditure of the Series 2008 Sales Tax Revenue Bond monies on capital projects throughout the City.

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.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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 Position have 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, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

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 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.

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.

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 City. Property tax revenue is recognized by the City to the extent it results in a current receivable. The 2012 property tax levy due January 1, 2013 has been recorded in the financial statements as a receivable and a corresponding deferred inflows of resources 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.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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

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

On February 1, 2004 the City adopted a compensated absence policy which entitled employees to 40 to 168 hours of vacation leave each year. The number of hours received depends upon the number of completed years of service. Unused vacation leave may accumulate up to a maximum of the entitled annual vacation. Employees with prior accumulated vacation on February 1, 2004 were allowed to carry forward that balance in addition to the new maximum levels. 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.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Unearned 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 unearned revenues.

Deferred Inflows

In addition to liabilities, the statement of net position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

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.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- § *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- § *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- § *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported based on the extent to which the City is bound to honor constraints for the specific purpose on which amounts in the fund can be spent. Fund balances are classified in one of the five categories:

- § *Nonspendable Fund Balance* – are amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid insurance.
- § *Restricted Fund Balance* – are restricted when constraints place on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- § *Committed Fund Balance* – are amounts that can only be used for specific purposes as a result of constraints imposed by the City Council, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Council removes those constraints by taking the same type of action. Committed fund balances differ from restricted balance because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

- § *Assigned Fund Balance* – are amounts a government intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the governing body delegates the authority.
- § *Unassigned Fund Balance* – are amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

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.

New Accounting Pronouncements

During 2012, the City adopted the provisions of the following Governmental Accounting Standards Board (GASB) pronouncements:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, incorporated deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement affects the format and reporting of the balance sheet at the government-wide level and also at the fund level.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

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.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

- § 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 2012. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

Stewardship

The following funds had expenditures in excess of budgeted amounts. This may be a violation of Colorado Revised State Statutes.

Grant Fund	\$ 236,589
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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.

Cash on Hand and in Bank	\$ 2,508,566		
COLOTRUST	171,553		
Total Deposits and Investments	\$ 2,680,119		
		Governmental	Business-Type
		Activities	Activities
Cash and Cash Equivalents	\$ 936,796	\$ 759,066	\$ 1,695,862
Restricted Cash and Cash Equivalents	951,583	32,672	984,255
Total Cash and Cash Equivalents	\$ 1,888,379	\$ 791,738	\$ 2,680,117

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, 2012, \$1,747,355 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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.

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, 2012, the local government investment pool (COLOTRUST) in which the City had invested, was rated AAAM by Standard & Poor's.

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 \$32,672 in the City Service Utility Fund is restricted by ordinance for water acquisition. Cash investments of \$156,651 in the Debt Service Fund are contractually restricted for service of the City's bonds. Cash and investments of \$794,932 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, 2012

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City reports interfund balances between many of its funds. The balances resulted from the time lag between dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

There were no Interfund receivable and payable balances at December 31, 2012.

Interfund transfers during the year ended December 31, 2012 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Recreation Fund	\$ 15,630
	City Service Utility Fund	83,408
		<u>99,038</u>
Recreation Fund	General Fund	214,197
Grant Fund	General Fund	8,000
	Capital Improvement Fund	43,474
		<u>51,474</u>
Urban Renewal Authority Fund	General Fund	<u>2,000</u>
Debt Service Fund	Capital Improvement Fund	<u>280,493</u>
	TOTALS	<u>\$ 647,202</u>

The General Fund transferred funds for operations into the Recreation and Urban Renewal Authority Funds.

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

The General Fund and Capital Improvement Fund transferred grant matching funds into the Grant Fund.

The Capital Improvement Fund transferred funds into the Debt Service Fund for payment on the Series 2008 Sales Tax Revenue Refunding and Improvement Bonds.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	BALANCE 12/31/2011	Additions	Deletions	BALANCE 12/31/2012
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 869,263	\$ 192,035	\$ -	\$ 1,061,298
Construction in Progress	43,826	433,759	43,826	433,759
Total capital assets not being depreciated	<u>913,089</u>	<u>625,794</u>	<u>43,826</u>	<u>1,495,057</u>
Capital assets being depreciated				
Buildings	3,647,208	-	-	3,647,208
Infrastructure	3,020,387	7,456	-	3,027,843
Improvements - Building	651,193	-	-	651,193
Improvements - Other	2,392,648	-	-	2,392,648
Machinery and Equipment	1,752,452	3,883	-	1,756,335
Cars and Road Vehicles	1,248,121	31,759	-	1,279,880
Total capital assets being depreciated	<u>12,712,009</u>	<u>43,098</u>	<u>-</u>	<u>12,755,107</u>
Less accumulated depreciation for:				
Buildings	1,930,015	61,003	-	1,991,018
Infrastructure	1,060,709	235,443	-	1,296,152
Improvements - Building	363,609	19,792	-	383,401
Improvements - Other	584,965	126,176	-	711,141
Machinery and Equipment	1,053,974	87,024	-	1,140,998
Cars and Road Vehicles	694,983	101,550	-	796,533
Total accumulated depreciation	<u>5,688,255</u>	<u>630,988</u>	<u>-</u>	<u>6,319,243</u>
Total Capital Assets being depreciated, net	<u>7,023,754</u>	<u>(587,890)</u>	<u>-</u>	<u>6,435,864</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	<u>\$ 7,936,843</u>	<u>\$ 37,904</u>	<u>\$ 43,826</u>	<u>\$ 7,930,921</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 22,000	\$ -	\$ -	\$ 22,000
Water Rights	684,751	256,700	-	941,451
Construction in Progress	28,612	-	28,612	-
Total capital assets not being depreciated	<u>735,363</u>	<u>256,700</u>	<u>28,612</u>	<u>963,451</u>
Capital assets being depreciated				
Buildings and Shops	47,650	-	-	47,650
Equipment	506,781	3,882	-	510,663
Water and Sewer Treatment Plant	4,288,832	347,419	-	4,636,251
Transmission and Distribution	4,253,022	1,695,216	-	5,948,238
Vehicles	229,975	21,191	-	251,166
Total capital assets being depreciated	<u>9,326,260</u>	<u>2,067,708</u>	<u>-</u>	<u>11,393,968</u>
Less: accumulated depreciation	<u>7,253,260</u>	<u>156,600</u>	<u>-</u>	<u>7,409,855</u>
Total Capital Assets being depreciated, net	<u>2,073,000</u>	<u>1,911,108</u>	<u>-</u>	<u>3,984,113</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET				
	<u>\$ 2,808,363</u>	<u>\$ 2,167,808</u>	<u>\$ 28,612</u>	<u>\$ 4,947,564</u>

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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

Governmental activities:	
General Government	\$ 140,500
Public Safety	113,127
Health and Welfare	4,063
Highways and Streets	196,069
Culture and Recreation	125,929
Urban Development	24,090
Leased Buildings	27,210
Total depreciation expense - governmental activities	<u>\$ 630,988</u>
Business-type activities:	
City Service Utility	\$ 137,050
Wastewater Treatment Facility	17,628
Leased Buildings	1,922
Total depreciation expense - business-type activities	<u>\$ 156,600</u>

NOTE 6 PREPAID WATER STORAGE EXPENSE

The City entered into a contract with San Luis Valley Irrigation District in September 2010 for a 30 year lease of water storage in the amount of \$630,000. A \$100,000 installment was paid in 2010 and the remainder will be paid upon completion of the augmentation plan. The prepaid amount will be recognized as expense over the life of the lease in equal amounts of \$21,000 per year beginning in 2011. As of December 31, 2012 the balance of prepaid water storage expense is \$58,000.

NOTE 7 OPERATING LEASES

The City has entered into an operating lease arrangement for several copy machines. Rental Expense for the operating lease for the year ended December 31, 2012 was approximately \$5,826.

NOTE 8 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012	Due Within One Year
Governmental activities:					
Revenue Bonds Payable	\$ 3,250,000	\$ -	\$ 130,000	\$ 3,120,000	\$ 135,000
Capital Leases Payable	184,813	-	43,810	141,003	45,431
Compensated Absences	146,359	-	11,915	134,444	7,091
Governmental activities	<u>\$ 3,581,172</u>	<u>\$ -</u>	<u>\$ 185,725</u>	<u>\$ 3,395,447</u>	<u>\$ 187,522</u>
Business-type activities:					
Notes Payable	\$ 1,457,279	\$ 229,680	\$ 112,703	\$ 1,574,256	\$ 68,290
Compensated Absences	54,722	3,393	-	58,115	-
Business-type activities	<u>\$ 1,512,001</u>	<u>\$ 233,073</u>	<u>\$ 112,703</u>	<u>\$ 1,632,371</u>	<u>\$ 68,290</u>

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

GOVERNMENTAL ACTIVITIES:

Sales Tax Revenue Bonds Payable

On April 8, 2008, the City advance refunded and defeased (debt legally satisfied) the outstanding principal balance of \$1,790,000 in Sales Tax Revenue Bonds, Series 1996 with an average interest rate of 5.19% with the issuance of \$3,680,000 in Sales Tax Revenue Refunding and Improvement Bonds Series 2008 with an average interest rate of 4.64%. The defeased bonds were paid in full on the call date of December 1, 2008. The remaining proceeds were deposited to the Capital Projects Fund for the purpose of paving and resurfacing streets, providing curb and gutter and surface drainage, participating in sidewalk improvements, and such other related improvements recommended by the one cent tax committee and approved by the City Council. 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.

The City advance refunded the 1996 Series bonds to reduce its total debt service payments over the next ten years by \$211,648 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,260.

The annual debt service for the bonds is as follows:

	PRINCIPAL	INTEREST	TOTALS
2013	\$ 135,000	\$ 143,520	\$ 278,520
2014	140,000	137,310	277,310
2015	150,000	130,870	280,870
2016	155,000	123,970	278,970
2017	165,000	116,840	281,840
2018-2022	935,000	464,140	1,399,140
2023-2017	1,175,000	227,700	1,402,700
2028	265,000	12,190	277,190
	\$ 3,120,000	\$ 1,356,540	\$ 4,476,540

Capital Leases Payable

The City entered into a \$235,475 capital lease payable to Kansas State Bank of Manhattan, payable in five annual installments of \$50,662, beginning June 1, 2011, at 3.54% interest, for the purchase of a street sweeper. Final payment is due in 2015. Payments are made from the Capital Improvement Fund. This asset is recorded in the capital assets of the government-wide financial statements at \$235,475, less accumulated depreciation of \$19,268 at December 31, 2012.

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

	PRINCIPAL	INTEREST	TOTALS
2013	\$ 45,431	\$ 5,231	\$ 50,662
2014	47,112	3,550	50,662
2015	48,460	1,807	50,267
	\$ 141,003	\$ 10,588	\$ 151,591

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

BUSINESS -TYPE ACTIVITIES:

Notes Payable – City Service Utility Fund

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.	\$ 418,036
Note payable to Colorado Water Resource and Power Development Authority, payable in semi-annual installments of \$6,667, including interest at 0.00%. Final payment due in 2042.	341,540
Note payable to Colorado Water Conservation Board, was obtained on August 18, 2010, in the amount of \$1,693,770, with an interest rate of 4.00%, and annual payments of \$97,951 payable over a 30 year period. As of December 31, 2012, \$814,680 was advanced on the loan; remaining funds will be used for water acquisition and storage projects. Repayment will be determined when the loan is fully advanced.	<u>814,680</u>
Total Notes Payable	<u>\$ 1,574,256</u>

As of December 31, 2012, the City is in compliance with the rate covenant requirements applicable to the Colorado Resource and Power Development Authority and the Colorado Water Conservation Board loan agreements.

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

	PRINCIPAL	INTEREST	TOTALS
2013	\$ 68,290	\$ 18,183	\$ 86,473
2014	70,871	15,600	86,471
2015	73,569	12,902	86,471
2016	76,391	10,081	86,472
2017	79,339	7,132	86,471
2018-2022	165,355	4,408	169,763
2023-2027	57,888	-	57,888
2028-2032	57,888	-	57,888
2033-2037	57,888	-	57,888
2038-2042	52,097	-	52,097
Amortization terms undetermined	<u>814,680</u>	-	<u>814,680</u>
	<u><u>\$ 1,574,256</u></u>	<u><u>\$ 68,306</u></u>	<u><u>\$ 1,642,562</u></u>

NOTE 9 PENSION PLANS

Defined Contribution Plans

The City offers a 401A defined contribution plan through ICMA Retirement Corporation. This plan is available to all eligible full-time City employees, except sworn police officers. The total payroll for 2012, other than police employees was \$1,198,344 and the total covered payroll was \$1,051,588. The City is required to contribute 8% of covered payroll and the employee is required to contribute nothing. The employees become 100% vested in the City's contribution and earnings after three years of service. The eight percent contribution for 2012 was \$85,942 for the City and 28 employees were participating in the plan.

The City police pension plan is in a 401A defined contribution plan through ICMA Retirement Corporation. Under this plan, the City contributes 14.2% of qualified employee earnings. Employee contributions of 6.2% are determined by the employer in accordance with IRC rules. The total covered payroll for the police pension plan was \$518,366. The 14.2% contribution for 2012 was \$72,893 for the City, and the 6.2% contribution for 2012 was \$33,405 for the employees. There were 13 employees participating in the plan. Employees are automatically vested in their contributions and they become fully vested in the City's contributions and earnings after five years of service.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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

Deferred Compensation Plan

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

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

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS

All City employees covered by COBRA insurance may continue their health insurance after a reduction in work hours or termination of employment. The City recognizes no cost for such coverage, as the premium cost is reimbursed 100% to the City for the extended coverage period on those electing to continue COBRA coverage.

NOTE 11 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 position 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 Revenues	\$ 883,626	\$ 845,422	\$ 1,729,048
Operating Expenses	708,413	580,479	1,288,892
Depreciation/Amortization Expense	39,150	129,784	168,934
Total Operating Expenses	<u>747,563</u>	<u>710,263</u>	<u>1,457,826</u>
OPERATING INCOME (LOSS)	136,063	135,159	271,222
Nonoperating Revenues (Expenses)	31,293	(19,388)	11,905
Capital Contributions	9,600	778,203	787,803
Operating Transfers	<u>(41,704)</u>	<u>(41,704)</u>	<u>(83,408)</u>
Change in Net Position	<u>\$ 135,252</u>	<u>\$ 852,270</u>	<u>\$ 987,522</u>
Property, Plant and Equipment			
Additions	\$ 1,340,057	\$ 984,355	\$ 2,324,412
Deletions	\$ 14,071	\$ 14,541	\$ 28,612
Accumulated Depreciation	\$ 2,219,711	\$ 5,190,144	\$ 7,409,855
Notes Payable	\$ 1,156,220	\$ 418,036	\$ 1,574,256

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 12 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 no 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, 2012, CIRSA had assets of \$77,474,738, liabilities of \$40,063,159 (including \$26,133,449 reserved for unpaid losses and loss adjustment expenses, net of excess insurance recoverables) and net assets of \$37,411,579. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2012 amounted to \$22,214,452 and total expenses were \$17,275,363, resulting in an excess of revenues over expenses of \$4,939,089, before distributions.

NOTE 13 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.

NOTE 14 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.

CITY OF MONTE VISTA, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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 \$4,027,802, total liabilities of \$625,191, and net assets of \$3,402,611 at December 31, 2011.

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

NOTE 15 COMMITMENTS AND CONTINGENCIES

Litigation

The City is a party to various legal actions normally associated with governmental activities, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to its financial statements.

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.

NOTE 16 SUBSEQUENT EVENT

The City entered into a lease purchase agreement in January 2013 for equipment related to the Energy Performance Contract. The agreement totaled \$321,977 and is due in annual installments with a stated rate of 3.35%. Final payment is due in February 2028.

CITY OF MONTE VISTA, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund and, if applicable, each of the City's major special revenue funds.

CITY OF MONTE VISTA, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2012

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 1,644,242	\$ 1,634,271	\$ 1,639,824	\$ 5,553
Licenses and Permits	7,600	7,600	11,486	3,886
Intergovernmental Revenue	394,174	368,553	368,629	76
Charges for Services	181,350	190,550	185,780	(4,770)
Fines and Forfeits	95,232	95,232	70,917	(24,315)
Interest and Miscellaneous	28,500	63,621	60,508	(3,113)
TOTAL REVENUES	<u>2,351,098</u>	<u>2,359,827</u>	<u>2,337,144</u>	<u>(22,683)</u>
EXPENDITURES				
General Government	659,167	647,167	610,192	36,975
Public Safety	1,020,098	1,033,798	1,015,845	17,953
Health and Welfare	100,759	100,759	95,521	5,238
Highways and Streets	323,280	350,309	317,868	32,441
Culture and Recreation	102,135	102,135	101,188	947
Capital Outlay	28,500	28,500	33,161	(4,661)
TOTAL EXPENDITURES	<u>2,233,939</u>	<u>2,262,668</u>	<u>2,173,775</u>	<u>88,893</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>117,159</u>	<u>97,159</u>	<u>163,369</u>	<u>66,210</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	99,038	99,038	99,038	-
Transfers Out	(216,197)	(216,197)	(224,197)	(8,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(117,159)</u>	<u>(117,159)</u>	<u>(125,159)</u>	<u>(8,000)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	-	(20,000)	38,210	58,210
Fund Balance at Beginning of Year	<u>670,791</u>	<u>670,791</u>	<u>740,938</u>	<u>70,147</u>
Fund Balance at End of Year	<u>\$ 670,791</u>	<u>\$ 650,791</u>	<u>\$ 779,148</u>	<u>\$ 128,357</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

CITY OF MONTE VISTA, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GRANT FUND
For the Year Ended December 31, 2012

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental Revenue				
State Grants	\$ -	\$ 215,200	\$ 456,654	\$ 241,454
Federal Grants	50,232	50,232	58,634	8,402
Total Intergovernmental Revenue	50,232	265,432	515,288	249,856
Miscellaneous - Community (Contributions)	5,581	45,581	35,640	(9,941)
TOTAL REVENUES	55,813	311,013	550,928	239,915
EXPENDITURES				
Public Safety	55,813	55,813	49,413	6,400
Urban/Economic Development	19,500	35,000	14,564	20,436
Capital Outlay	-	275,000	538,425	(263,425)
TOTAL EXPENDITURES	75,313	365,813	602,402	(236,589)
Excess (Deficiency) of Revenues Over Expenditures	(19,500)	(54,800)	(51,474)	3,326
OTHER FINANCING SOURCES (USES)				
Transfer In	19,500	54,800	51,474	(3,326)
TOTAL OTHER FINANCING SOURCES (USES)	19,500	54,800	51,474	(3,326)
Excess (deficiency) of Revenues Over Expenditures and Other Sources (Uses)	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -	\$ -

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

CITY OF MONTE VISTA, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
For the Year Ended December 31, 2012

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	\$ 327,066	\$ 348,194	\$ 341,412	\$ (6,782)
Interest on Investments	500	500	248	(252)
TOTAL REVENUES	327,566	348,694	341,660	(7,034)
EXPENDITURES				
Culture and Recreation	-	-	1,914	(1,914)
Capital Outlay	-	-	2,480	(2,480)
Debt Service	51,000	51,000	50,662	338
TOTAL EXPENDITURES	51,000	51,000	55,056	(4,056)
Excess (Deficiency) of Revenues Over Expenditures	276,566	297,694	286,604	(11,090)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(299,993)	(335,293)	(323,967)	11,326
TOTAL OTHER FINANCING SOURCES (USES)	(299,993)	(335,293)	(323,967)	11,326
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(23,427)	(37,599)	(37,363)	236
Fund Balance at Beginning of Year	97,989	112,161	280,724	168,563
Fund Balance at End of Year	\$ 74,562	\$ 74,562	\$ 243,361	\$ 168,799

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

CITY OF MONTE VISTA, COLORADO

OTHER 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.

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.

Recreation Fund – This fund is used to account for resources committed to activities provided for community programs. Sources of revenue consist of membership dues, registration fees for programs, and operating subsidies from the General Fund.

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, a blended component unit of the City.

DEBT SERVICE FUND

Debt Service Fund – This fund is used to account for the annual payment and reserve funds required by the Series 2008 Sales Tax Revenue Bond.

CITY OF MONTE VISTA, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
For the Year Ended December 31, 2012

SPECIAL REVENUE FUNDS

	RECREATION FUND	CONSERVATION TRUST FUND	URBAN RENEWAL AUTHORITY FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 95,078	\$ 45,120	\$ 4,934	\$ -	\$ 145,132
Restricted Cash and Cash Equivalents	-	-	-	156,651	156,651
Accounts Receivable	6,940	-	-	-	6,940
TOTAL ASSETS	\$ 102,018	\$ 45,120	\$ 4,934	\$ 156,651	\$ 308,723
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 10,511	\$ -	\$ 506	\$ -	\$ 11,017
Unearned Revenue	5,725	-	-	-	5,725
TOTAL LIABILITIES	16,236	-	506	-	16,742
FUND BALANCE					
Restricted					
Debt Service	-	-	-	156,651	156,651
Conservation Trust	-	45,120	-	-	45,120
Committed					
Recreation	85,782	-	-	-	85,782
Economic Development	-	-	4,428	-	4,428
TOTAL FUND BALANCE	85,782	45,120	4,428	156,651	291,981
TOTAL LIABILITIES AND FUND BALANCE	\$ 102,018	\$ 45,120	\$ 4,934	\$ 156,651	\$ 308,723

CITY OF MONTE VISTA, COLORADO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2012

SPECIAL REVENUE FUNDS

	RECREATION FUND	CONSERVATION TRUST FUND	URBAN RENEWAL AUTHORITY FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES					
Intergovernmental Revenue	\$ 103,931	\$ 44,582	\$ -	\$ -	\$ 148,513
Charges for Services	55,084	-	-	-	55,084
Interest and Miscellaneous	16,072	27	4	505	16,608
TOTAL REVENUE	175,087	44,609	4	505	220,205
EXPENDITURES					
Culture and Recreation	383,391	-	-	-	383,391
Urban/Economic Development	-	-	2,699	-	2,699
Debt Service	-	-	-	279,500	279,500
TOTAL EXPENDITURES	383,391	-	2,699	279,500	665,590
Excess (Deficiency) of Revenues Over Expenditures	(208,304)	44,609	(2,695)	(278,995)	(445,385)
OTHER FINANCING SOURCES (USES)					
Transfers In	214,197	-	2,000	280,493	496,690
Transfers Out	(15,630)	-	-	-	(15,630)
TOTAL OTHER FINANCING SOURCES (USES)	198,567	-	2,000	280,493	481,060
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(9,737)	44,609	(695)	1,498	35,675
Fund Balance at Beginning of Year	95,519	511	5,123	155,153	256,306
Fund Balance at End of Year	\$ 85,782	\$ 45,120	\$ 4,428	\$ 156,651	\$ 291,981

CITY OF MONTE VISTA, COLORADO

OTHER SCHEDULES AND REPORTS

CITY OF MONTE VISTA, COLORADO
SCHEDULE OF EXPENDITURES AND TRANSFERS OUT
ALL MAJOR CAPITAL PROJECTS FUNDS, NONMAJOR GOVERNMENTAL FUNDS, AND ALL PROPRIETARY FUNDS
BUDGET AND ACTUAL
For the Year Ended December 31, 2012

	<u>BUDGETED AMOUNTS</u>		<u>EXPENDITURES REPORTED ON THE GAAP BASIS</u>	<u>ADJUSTMENTS TO BUDGETARY BASIS</u>	<u>EXPENDITURES ON THE BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>				
Governmental Funds						
Major Capital Projects Funds						
Capital Projects Fund	\$ 629,000	\$ 820,000	\$ 774,899	\$ -	\$ 774,899	\$ 45,101
Total Major Capital Projects Funds	<u>\$ 629,000</u>	<u>\$ 820,000</u>	<u>\$ 774,899</u>	<u>\$ -</u>	<u>\$ 774,899</u>	<u>\$ 45,101</u>
Nonmajor Governmental Funds						
Special Revenue Funds						
Recreation Fund	\$ 377,070	\$ 414,089	\$ 399,021	\$ -	\$ 399,021	\$ 15,068
Conservation Trust Fund	41,000	41,000	-	-	-	41,000
Urban Renewal Authority Fund	3,500	3,500	2,699	-	2,699	801
Debt Service Funds						
Debt Service Fund	280,693	280,693	279,500	-	279,500	1,193
Total Nonmajor Governmental Funds	<u>\$ 702,263</u>	<u>\$ 739,282</u>	<u>\$ 681,220</u>	<u>\$ -</u>	<u>\$ 681,220</u>	<u>\$ 58,062</u>
Proprietary Funds						
Enterprise Funds						
City Service Utility Fund	\$ 2,384,428	\$ 3,030,186	\$ 1,561,476	\$ 1,465,786	\$ 3,027,262	\$ 2,924
Total Enterprise Funds	<u>\$ 2,384,428</u>	<u>\$ 3,030,186</u>	<u>\$ 1,561,476</u>	<u>\$ 1,465,786</u>	<u>\$ 3,027,262</u>	<u>\$ 2,924</u>

Adjustments to budgetary basis include principal reductions on long-term debt, costs of capitalized assets, and depreciation expense.

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

LOCAL HIGHWAY FINANCE REPORT	City or County: City of Monte Vista YEAR ENDING : December 2012
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This Information From The Records Of City of Monte Vista:	Prepared By: Lori McGraw Phone: 719-852-6169 x 110
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I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	768,309
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	209,186
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	3,130
2. General fund appropriations		b. Snow and ice removal	10,437
3. Other local imposts (from page 2)	665,506	c. Other	2,480
4. Miscellaneous local receipts (from page 2)	269,373	d. Total (a. through c.)	16,047
5. Transfers from toll facilities		4. General administration & miscellaneous	74,623
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	291,054
a. Bonds - Original Issues		6. Total (1 through 5)	1,359,219
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	115,115
7. Total (1 through 6)	934,879	b. Redemption	100,100
B. Private Contributions		c. Total (a. + b.)	215,215
C. Receipts from State government		2. Notes:	
(from page 2)	144,471	a. Interest	6,852
D. Receipts from Federal Government		b. Redemption	43,810
(from page 2)	0	c. Total (a. + b.)	50,662
E. Total receipts (A.7 + B + C + D)	1,079,350	3. Total (1.c + 2.c)	265,877
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,625,096

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	2,502,500		100,100	2,402,400
1. Bonds (Refunding Portion)				
B. Notes (Total)	184,813		43,810	141,003

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	1,276,907	1,079,350	1,625,096	731,161	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2012

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	100,976	a. Interest on investments	5,591
b. Other local imposts:		b. Traffic Fines & Penalties	39,973
1. Sales Taxes	480,731	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses	17,121	f. Charges for Services	
5. Specific Ownership &/or Other	66,678	g. Other Misc. Receipts	
6. Total (1. through 5.)	564,530	h. Other	223,809
c. Total (a. + b.)	665,506	i. Total (a. through h.)	269,373
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	144,471	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		d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	144,471	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		17,513	17,513
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		750,796	750,796
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	750,796	750,796
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	768,309	768,309
			(Carry forward to page 1)

Notes and Comments: