

CITY OF MONTE VISTA, COLORADO

FINANCIAL STATEMENTS

December 31, 2016



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Logan and Associates, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

Independent Auditor's Report	a - c
Management's Discussion and Analysis	i - xi
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	4
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	6
Statement of Net Position – Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	8
Statement of Cash Flows – Proprietary Funds	9
Notes to the Financial Statements	10 - 28
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	29 – 30
Budgetary Comparison Schedule – Grants Fund	31
Budgetary Comparison Schedule – Capital Improvements Fund	32
Notes to Required Supplementary Information	33
<b>Supplementary Information</b>	
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	34

**TABLE OF CONTENTS**  
**(Continued)**

**Combining and Individual Fund Financial Statements and Schedules (Continued)**

**Governmental Funds**

Combining Statement of Revenues, Expenditures and Changes in – Fund Balances - Nonmajor Governmental Funds	35
Budgetary Comparison Schedule – Conservation Trust Fund	36
Budgetary Comparison Schedule – Urban Renewal Authority Fund	37
Budgetary Comparison Schedule – Kids Connection Fund	38
Budgetary Comparison Schedule – Capital Projects Fund	39
Budgetary Comparison Schedule – Debt Service Fund	40

**Enterprise Funds**

Budgetary Comparison Schedule – Water Fund	41
Budgetary Comparison Schedule – Sewer Fund	42

**Single Audit Reports and Schedules**

Schedule of Expenditures of Federal Awards	43
Notes to Schedule of Expenditures of Federal Awards	44
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45 – 46
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	47 – 49
Schedule of Finding and Questioned Costs	50 – 51
Corrective Action Plan	52
Summary Schedule of Prior Audit Findings	53

**Other Information**

Local Highway Finance Report	54 - 55
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council  
City of Monte Vista  
Monte Vista, Colorado

### Report on the Financial Statements

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 (the "City") as of and for the year ended December 31, 2016, 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 the 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.

#### *Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 reasonable 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 as of December 31, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i – xi, and the budgetary comparison schedules on pages 29 – 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary and other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The supplementary 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 basic financial statements taken as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated June 9, 2017, on our consideration of the City of Monte Vista's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, grant

agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Monte Vista's internal control over financial reporting and compliance.

*Logan and Associates, LLC*

Aurora, Colorado  
June 9, 2017

**CITY OF MONTE VISTA, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2016**

Management of the City of Monte Vista offers readers this narrative overview and analysis of the financial activities for the City of Monte Vista as of December 31, 2016.

In compliance with Governmental Accounting Standards Board Number 34 also known as GASB34, we present this report titled Management's Discussion and Analysis (MD&A). This discussion and analysis of the City's financial performance provides an overview of activities during the prior two years ending December 31, 2015 and December 31, 2016.

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

**FINANCIAL HIGHLIGHTS**

As of December 31, 2016, the City of Monte Vista's government-wide net position totaled \$11,636,613. Of this amount, net position related to governmental activities totals \$6,549,303 and net position for business-type activities total \$5,087,310.

- Total net position for the City increased by \$1,576,204 compared to 2015. Of this amount net position for governmental activities increased by \$874,939 and net position for business-type activities increased by \$701,265. Both the governmental activities and the business-type activities saw increases in current assets offset by depreciation of the capital assets.
- The net position for governmental activities includes \$5,373,203 of the net investment in capital assets, \$891,401 is restricted and \$284,699 is unrestricted. In business-type activities \$4,152,981 is invested in capital assets, \$42,518 is restricted for water acquisitions and \$891,811 is unrestricted.
- The City of Monte Vista's general source of governmental revenue made up of Taxes, License and Permits, Fines and Forfeits totaled \$2,292,830. Program revenues, in the form of charges for services, grants and contributions accounted for \$2,428,872 of total revenue.
- Total governmental revenues of \$4,721,702 increased by \$1,461,934 compared to 2015. Of this amount, the City's charge for services, capital/operating grants and contributions increased by \$1,263,322 and general revenues increased by \$198,612 compared to 2015. A majority of the increase is attributable to grant revenue and contributions.
- The Statement of Activities indicates that the City had \$4,128,189 in expenses related to governmental activities during 2016; an increase of \$193,794 compared to the prior year. Expenses in business-type activities totaled \$1,561,902, an increase of \$93,210 compared to 2015. Total government-wide revenue of \$7,266,295 was adequate to provide for the above expenses resulting in a Net Change in Position of a positive \$1,576,204.
- At the end of 2016, the City of Monte Vista's governmental funds reported a combined ending fund balance of \$1,280,466, a decrease of \$131,829 compared to 2015. Of this total amount \$18,930 is nonspendable, \$891,401 is restricted, \$4,127 is committed, \$29,203 is assigned and \$336,805 is unrestricted.

**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**  
**December 31, 2016**

**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, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference 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, public works and airport, culture and recreation, urban/economic development, and interest on long-term debt. The business-type activities of the City of Monte Vista include the Water and Sewer funds.

**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 three 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 General Fund, Grants Fund and the Capital Improvements Fund. Individual fund information for the non-major funds is presented as supplemental information after the notes sections of this report. Non-major funds include the Conservation Trust Fund, Urban Renewal Authority Fund, Kids Connection Fund, Capital Projects Fund and Debt Service Fund.

**CITY OF MONTE VISTA, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2016**

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 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 enterprise funds to account for their water and sewer operations, these funds are known as the Water Fund and the Sewer Fund. Effective January 1, 2013 the City was required to separate the prior City Services Utility Fund, which combined water and sewer operations, in order to meet loan covenants with the Colorado Water Resources & Power Development Authority.

### **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 non-major 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 (2016) with those of the prior year (2015) 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 \$11,636,613 at December 31, 2016.

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

The largest portion of the City's net position reflects its investment of \$9,526,184 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**  
**December 31, 2016**

*Table 1 provides a summary of the City's net position at December 31 for the years 2015 and, 2016. Additional information is presented in the statement of net position.*

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2016	2015	2016	2015	2016
Current and Other Assets	1,850,931	2,290,293	2,729,750	2,475,008	4,580,681	4,765,301
Noncurrent and Capital Assets	7,410,497	8,748,039	5,256,220	6,238,167	12,666,717	14,986,206
<b>Total Assets</b>	<b>9,261,428</b>	<b>11,038,332</b>	<b>7,985,970</b>	<b>8,713,175</b>	<b>17,247,398</b>	<b>19,751,507</b>
**Current Liabilities	306,296	924,625	510,493	643,728	816,789	1,568,353
Noncurrent Liabilities	2,912,650	3,196,286	3,089,432	2,982,137	6,002,082	6,178,423
<b>Total Liabilities</b>	<b>3,218,946</b>	<b>4,120,911</b>	<b>3,599,925</b>	<b>3,625,865</b>	<b>6,818,871</b>	<b>7,746,776</b>
Deferred Inflows of Revenue	<b>368,118</b>	<b>368,118</b>	-	-	<b>368,118</b>	<b>368,118</b>
Net Position:						
Net Investment in Capital Assets	4,315,385	5,373,203	2,927,608	4,152,981	7,242,993	9,526,184
Restricted for:					-	-
Emergencies	90,000	101,000	-	-	90,000	101,000
Capital Projects	582,316	623,561	-	-	582,316	623,561
Debt Service	159,832	88,753	-	-	159,832	88,753
Conservation Trust	101,562	73,988	-	-	101,562	73,988
Public Safety	87,292	4,099	-	-	87,292	4,099
Water Acquisition	-	-	42,505	42,518	42,505	42,518
Unrestricted	337,977	284,699	1,415,932	891,811	1,753,909	1,176,510
<b>Total Net Position</b>	<b>5,674,364</b>	<b>6,549,303</b>	<b>4,386,045</b>	<b>5,087,310</b>	<b>10,060,409</b>	<b>11,636,613</b>

\*\*Footnote: Increased Assets and Increased Liabilities from 2015 compared to 2016 were due to the City's ongoing sewer project that has not been completed as of December 2016.

A portion of the City's net position in the amount of \$933,919 represents resources that are subject to external restrictions. The remaining balance of \$1,176,510 is unrestricted and 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 \$1,576,204.

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 \$1,576,204 from 2015 to 2016. Of this total amount, governmental net position increased by \$874,939 and the business-type net position increased by \$701,265. The increase is primarily due to additions of capital asset for both funds.

**CITY OF MONTE VISTA, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2016**

Table 2 provides a summary of the changes in net position for the years 2015 and 2016. Additional information is presented in the Statement of Activities.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2016	2015	2016	2015	2016
<b><u>Revenue:</u></b>						
<b>Program Revenue:</b>						
Charges for Services	361,903	342,145	1,652,618	1,787,913	2,014,521	2,130,058
Operating Grants and Contributions	761,745	862,548	-	5,000	761,745	867,548
**Capital Grants and Contributions	41,902	1,224,179	3,100	742,245	45,002	1,966,424
<b>Sub Total Program Revenue</b>	<b>1,165,550</b>	<b>2,428,872</b>	<b>1,655,718</b>	<b>2,535,158</b>	<b>2,821,268</b>	<b>4,964,030</b>
<b>General Revenue:</b>						
Taxes						
General Property Taxes-net	393,189	414,297	-	-	393,189	414,297
Sales and Use Tax	1,366,092	1,543,776	-	-	1,366,092	1,543,776
Franchise Taxes	159,490	168,705	-	-	159,490	168,705
Other Taxes	3,116	6,686	-	-	3,116	6,686
Investment Income	5,552	6,043	259	268	5,811	6,311
Miscellaneous	166,779	153,323	150	9,167	166,929	162,490
<b>Sub Total General Revenue:</b>	<b>2,094,218</b>	<b>2,292,830</b>	<b>409</b>	<b>9,435</b>	<b>2,094,627</b>	<b>2,302,265</b>
<b>Total Revenue:</b>	<b>3,259,768</b>	<b>4,721,702</b>	<b>1,656,127</b>	<b>2,544,593</b>	<b>4,915,895</b>	<b>7,266,295</b>
<b><u>Expenses:</u></b>						
General Government	725,654	1,080,600	-	-	725,654	1,080,600
Public Safety	1,264,099	1,477,515	-	-	1,264,099	1,477,515
Health and Welfare	89,886	-	-	-	89,886	-
Public Works and Airport	684,617	684,561	-	-	684,617	684,561
Culture and Recreation	941,934	660,338	-	-	941,934	660,338
Urban Development	65,028	74,356	-	-	65,028	74,356
Interest on Long Term Debt	163,177	150,819	-	61,418	163,177	212,237
Water	-	-	605,458	675,725	605,458	675,725
Sewer	-	-	863,234	824,759	863,234	824,759
<b>Total Expenses:</b>	<b>3,934,395</b>	<b>4,128,189</b>	<b>1,468,692</b>	<b>1,561,902</b>	<b>5,403,087</b>	<b>5,690,091</b>
Increase (Decrease) in Net Position (Before Transfers)	(674,627)	593,513	187,435	982,691	(487,192)	1,576,204
<b><u>Transfers:</u></b>						
Operating Transfers In (Out)	204,674	281,426	(204,674)	(281,426)	-	-
<b>Change in Net Position</b>	<b>(469,953)</b>	<b>874,939</b>	<b>(17,239)</b>	<b>701,265</b>	<b>(487,192)</b>	<b>1,576,204</b>
Net Assets - Beginning of Year	6,144,317	5,674,364	4,403,284	4,386,045	10,547,601	10,060,409
Net Assets - End of Year	5,674,364	6,549,303	4,386,045	5,087,310	10,060,409	11,636,613

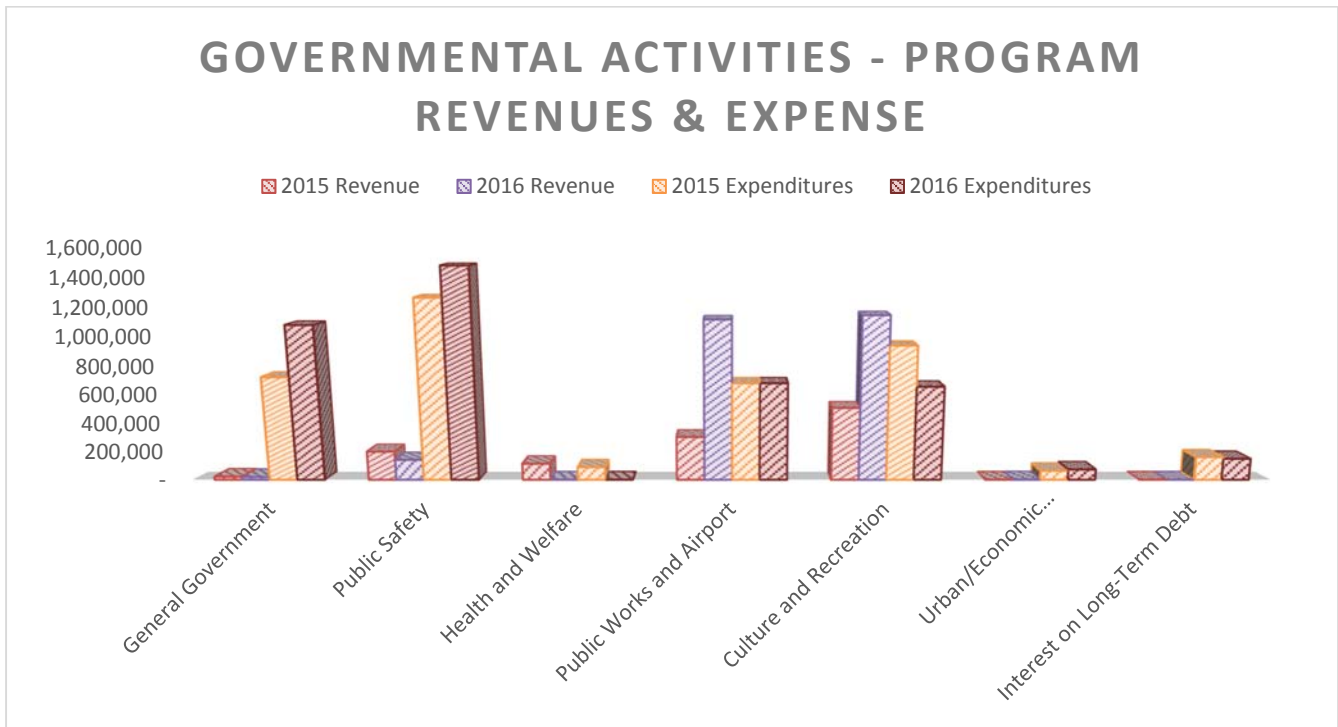
\*\*Footnote: The increase from 2015 to 2016 is due to Capital Projects Funding for the ongoing Sewer Project.

**CITY OF MONTE VISTA, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2016**

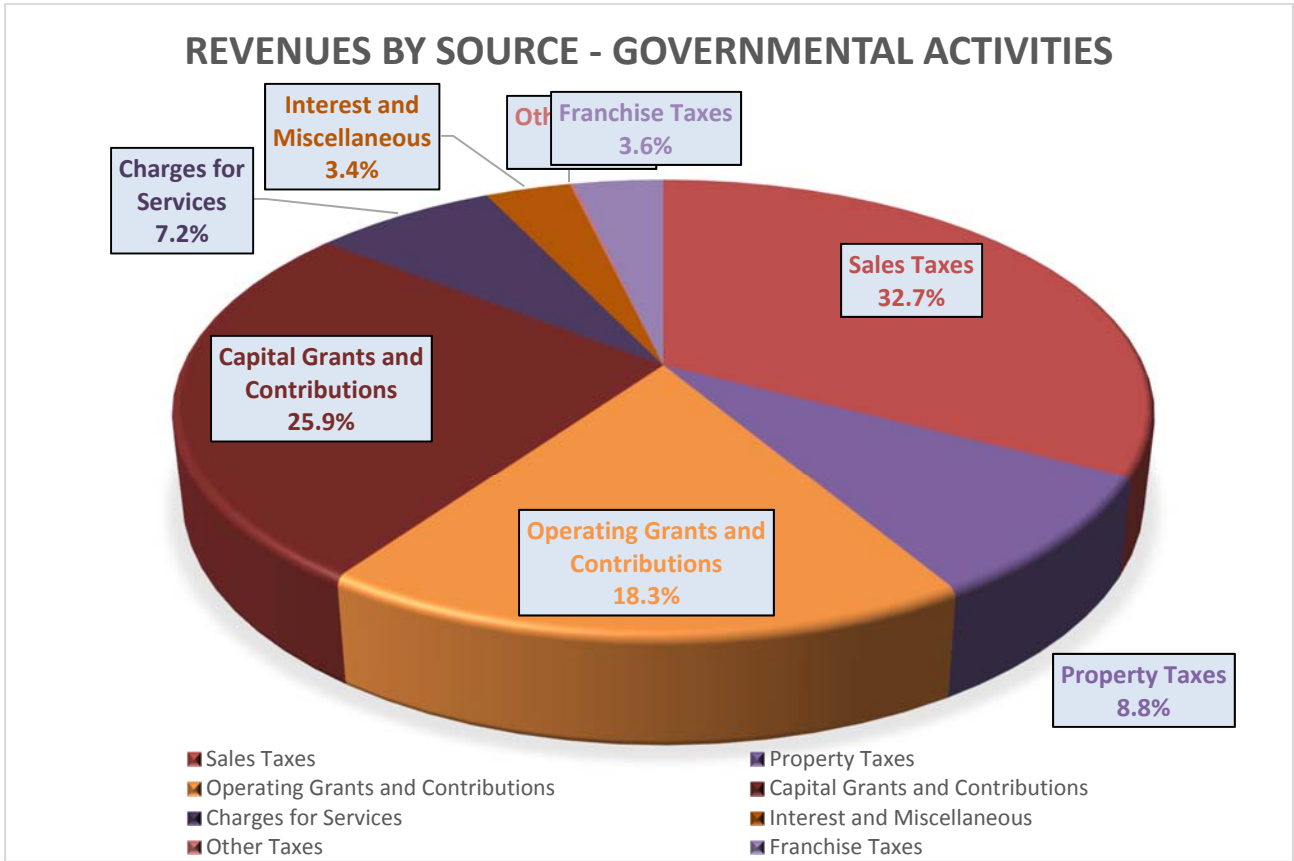
**Governmental Activities**

The City's governmental activities have been accounted for in Six departmental categories: 1) General Government 2) Public Safety 3) Public Works and Airport 4) Culture and Recreation 5) Urban/Economic Development and 6) Interest on Long-term Debt.

Governmental activity expenses totaled \$4,128,189, an increase of \$193,794 from 2015. Major expenses included in governmental activities are; \$1,477,515 for public safety, \$1,080,600 for general government, \$660,338 for culture and recreation and \$684,561 for public works and airport. City funding for governmental activities was derived from \$2,292,830 in general revenue, primarily taxes, and program revenues contributed \$2,428,872. Governmental activity revenues increased by \$1,461,934 compared to 2015. Program revenue increased by \$1,263,322 and general revenues increased by \$198,612 from 2015.

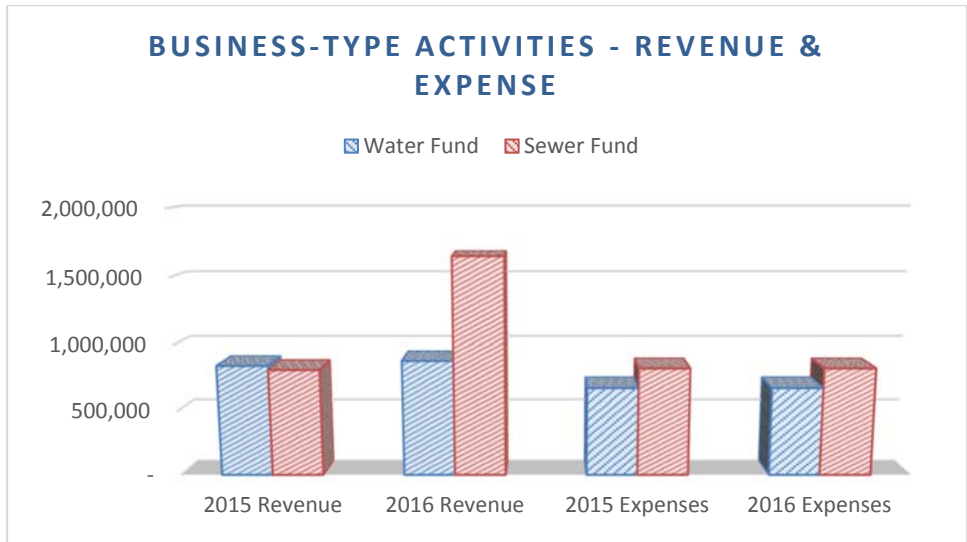


**CITY OF MONTE VISTA, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2016**



**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 \$701,265 in 2016. Business-type activity expenses totaled \$1,561,902 in 2016, an increase of \$93,210 compared to 2015. Funding for business-type activities was derived from \$2,535,158 in program revenue in 2016, an increase of \$879,440 compared to 2015.



**CITY OF MONTE VISTA, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2016**

**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, Grant Fund, Capital Improvement Fund, and other non-major funds. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,280,466, a decrease of \$131,829 from the prior year ending fund balances. 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, 2016, the City's governmental funds reported a restricted fund balance of \$891,401. 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 \$4,124 as of December 31, 2016.

***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 reported an assigned fund balance of \$29,203 as of December 31, 2016.

***Unassigned Fund Balance*** – are amounts that are available for any purpose; these amounts are reported in the General Fund or for negative fund balance. The City's General Fund reported an unassigned fund balance of \$336,805 as of December 31, 2016.

***Revenue*** - Revenue in governmental funds was \$4,220,963 in 2016, an increase of \$946,782. A large portion of the increase in 2016 was increase in Grant Proceeds of \$577,114. Of the total revenue received in 2016, \$2,133,464 was generated by tax revenue; \$190,254 was generated through service charges while \$1,379,253 was generated by Grants and Contributions.

The General Fund is the primary operating governmental fund of the City. At the end of the 2016, the fund balance for the General Fund was \$460,834 a decrease of \$95,945 from 2015. Approximately \$336,805 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, Debt Service, Capital Projects and Conservation Trust.

Other Governmental Fund balance for 2016 is \$420,058 and includes the Conservation Trust Fund with a fund balance of \$73,988, the Urban Renewal Authority Fund with a fund balance of \$4,127, the Capital Projects Fund with a fund balance of \$331,040, the Kids Connection Fund with a fund balance of \$10,903

**CITY OF MONTE VISTA, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2016**

**Expenditures** - The governmental funds expenditures increased by \$1,663,480 bringing the total expenditures for the fiscal year 2015 to \$5,167,057. Primary reasons for the expenditure increase is due to the purchase of new equipment and vehicles for Public Safety and Public Works and capital projects throughout the City.

**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, 2016, the net position for the Water Fund was \$1,656,390, net position of the Sewer Fund was \$3,430,920 totaling \$5,087,310. This was an increase in 2016 of \$701,265 from the prior year. At the end of the fiscal year the unrestricted net position for the Water and Sewer Funds totaled \$891,811, net investment in capital assets was \$4,152,981 and the restricted net position, which is committed to acquisition of water rights, totaled \$42,518.

### **General Fund Budgetary Highlights**

The City of Monte Vista generally adopted a supplemental appropriation 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.

For 2016, The original General Fund Budget adopted had revenue of \$2,340,822 with 2 supplemental budget amendments made increasing the revenue by \$628,990 for unforeseen loan proceeds which brought final budgeted revenue to \$2,969,812. On expenditures the original General Fund Budget adopted was \$2,568,028 with 2 supplemental budget amendments made to increase expenditure budget by \$822,174 which brought total expenditures to \$3,390,202. The Budget amendment adjusted final expenditure in City Manager to allow \$46,541 for the addition of personnel and an increase to Purchasing & General to allow for the addition of Information Technology services and an increase to Community Development for expenditures of \$300,000 related to a pass-through grant, and an increase to allow \$166,641 for the renovation of a building.

### **Capital Assets**

The City's capital assets for its governmental and business-type activities as of December 31, 2016 totaled \$14,986,206 (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 \$2,283,191 due to additions to buildings, equipment and construction in progress.

Major capital asset events during 2016 include the following:

- In 2016, purchased a Utility Pickup for Public Works Department and 2 new cars for the Police Department.
- Purchased a Motor Grader, Loader, and Backhoe for Public Works Department.
- Renovated new building for Monte Vista Kids Connection which is still a work in progress.
- Major work on the Sewage Treatment project that will continue into the New Year.

**CITY OF MONTE VISTA, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2016**

*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 4 of the Basic Financial Statements.*

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2016	2015	2016	2015	2016
Land	\$ 1,104,386	\$ 1,104,386	\$ 22,000	\$ 22,000	\$ 1,126,386	\$ 1,126,386
Construction in Progress	57,651	500,739	161,573	1,782,364	219,224	2,283,103
Water Rights			941,451	941,451	941,451	941,451
Buildings	1,657,321	1,673,829	-	908	1,657,321	1,674,737
Infrastructure	1,441,446	1,200,256	-	-	1,441,446	1,200,256
Improvements-Bldg	372,441	422,784	-	-	372,441	422,784
Improvements-Other	1,769,271	2,457,583	-	-	1,769,271	2,457,583
W/S Treatment Plant			328,433	314,780	328,433	314,780
Transmission & Distrib.			3,113,834	2,977,424	3,113,834	2,977,424
Equipment & Vehicles	1,007,981	1,388,462	163,929	199,240	1,171,910	1,587,702
	<b>\$ 7,410,497</b>	<b>\$ 8,748,039</b>	<b>\$ 4,731,220</b>	<b>\$ 6,238,167</b>	<b>\$ 12,141,717</b>	<b>\$ 14,986,206</b>

**Debt Administration**

At year end, the City of Monte Vista's long-term liabilities totaled \$6,605,103. Of this amount, \$3,449,314 relates to governmental activities and \$3,155,789 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 \$2,540,000. The purpose of the bonds was 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 \$172,228, an additional note with the Colorado Water Resource and Power Development Authority to fund water chlorination system improvements in the amount of \$295,229, a note with the Colorado Water Conservation Board to purchase water rights with an advanced payment of \$1,291,680 and a new note for Sewage Treatment Project with Colorado Water Resource and Power Development Authority in the amount of \$1,291,866.

The City has entered into capital lease agreements with San Luis Valley Federal Bank and Kansas State Bank for repairs and maintenance of the building, to purchase equipment, a public works vehicle, and 4 police vehicles with a current balance at year-end 2016 for the governmental and proprietary funds of \$834,836 and \$65,848, respectively.

The City of Monte Vista's total long-term liabilities increased by \$213,466 during 2016. More detailed information about the City's long-term liabilities is presented in Note 6 to the financial statements.

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

Property values remain fairly constant with marginal increases anticipated in 2016. Sales and property tax are the leading revenue source for the General Fund and it is forecast that City Sales Tax revenues will recover slightly in 2017.

Labor costs remain consistent. Employee health care costs continue to erode the City's operational capability and the City anticipated a 10% increase in the budget for 2017. The long-term financial and regulatory impacts resulting from the

**CITY OF MONTE VISTA, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2016**

Affordable Care Act also continue to be a source of increased costs and concern while there was a delay in the employer mandate until 2016 the full increase in healthcare costs after the Affordable Care Act remains to be seen.

Long term sustainability of the San Luis Valley's agriculture industry remains a concern; groundwater regulations will likely create a decrease in local agricultural production that will cause at this point unknown impact on municipal revenue. The City continues to keep an eye on the effects the "Final Rules" will have on the economy.

**Requests for Information**

This financial report is designed to provide you with a general overview of the City of Monte Vista's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Monte Vista  
Forrest Neuerburg, City Manager  
Heather Hixson, Finance Director  
95 W. First Ave. Monte Vista, Colorado 81144  
719-852-2692

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## **BASIC FINANCIAL STATEMENTS**

CITY OF MONTE VISTA, COLORADO

STATEMENT OF NET POSITION

December 31, 2016

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and Investments	\$ 514,978	\$ 375,675	\$ 890,653
Restricted Cash and Investments	655,138	1,011,335	1,666,473
Receivables			
Property Taxes	368,118	-	368,118
Other Governments	253,464	45,125	298,589
Accounts	171,225	58,263	229,488
Grants	308,440	380,141	688,581
Prepaid Expenses	18,930	-	18,930
Inventory	-	100,469	100,469
Prepaid Water Storage, Net of Accumulated Amortization	-	504,000	504,000
Capital Assets, Not Depreciated	1,605,125	2,745,815	4,350,940
Capital Assets, Net of Accumulated Depreciation	7,142,914	3,492,352	10,635,266
<b>TOTAL ASSETS</b>	<b>11,038,332</b>	<b>8,713,175</b>	<b>19,751,507</b>
<b>LIABILITIES</b>			
Accounts Payable	598,648	225,311	823,959
Accrued Liabilities	39,506	9,934	49,440
Accrued Interest	29,888	234,831	264,719
Unearned Revenue	3,555	-	3,555
Noncurrent Liabilities			
Due within One Year	253,028	173,652	426,680
Due in More Than One Year	3,196,286	2,982,137	6,178,423
<b>TOTAL LIABILITIES</b>	<b>4,120,911</b>	<b>3,625,865</b>	<b>7,746,776</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Property Tax Revenue	368,118	-	368,118
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,373,203	4,152,981	9,526,184
Restricted for Emergencies	101,000	-	101,000
Restricted for Parks	73,988	-	73,988
Restricted for Debt Service	88,753	-	88,753
Restricted for Public Safety	4,099	-	4,099
Restricted for Capital Projects	623,561	-	623,561
Restricted for Water Acquisition	-	42,518	42,518
Unrestricted	284,699	891,811	1,176,510
<b>TOTAL NET POSITION</b>	<b>\$ 6,549,303</b>	<b>\$ 5,087,310</b>	<b>\$ 11,636,613</b>

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

CITY OF MONTE VISTA, COLORADO

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General Government	\$ 1,080,600	\$ 15,239	\$ 3,886	\$ -
Public Safety	1,477,515	143,137	-	-
Public Works and Airport	684,561	180,379	262,429	675,552
Culture and Recreation	660,338	3,390	594,898	548,627
Urban/Economic Development	74,356	-	1,335	-
Interest on Long-Term Debt	150,819	-	-	-
Total Governmental Activities	<u>4,128,189</u>	<u>342,145</u>	<u>862,548</u>	<u>1,224,179</u>
<b>Business-Type Activities</b>				
Water	675,725	875,466	5,000	800
Sewer	824,759	912,447	-	741,445
Interest on Long-Term Debt	61,418	-	-	-
Total Business-Type Activities	<u>1,561,902</u>	<u>1,787,913</u>	<u>5,000</u>	<u>742,245</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 5,690,091</u>	<u>\$ 2,130,058</u>	<u>\$ 867,548</u>	<u>\$ 1,966,424</u>

GENERAL REVENUES  
Sales and Use Taxes  
Property Taxes  
Franchise Taxes  
Other Taxes  
Investment Income  
Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES  
AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND  
CHANGE IN NET POSITION

**PRIMARY GOVERNMENT**

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (1,061,475)	\$ -	\$ (1,061,475)
(1,334,378)	-	(1,334,378)
433,799	-	433,799
486,577	-	486,577
(73,021)	-	(73,021)
(150,819)	-	(150,819)
<u>(1,699,317)</u>	<u>-</u>	<u>(1,699,317)</u>
-	205,541	205,541
-	829,133	829,133
-	(61,418)	(61,418)
<u>-</u>	<u>973,256</u>	<u>973,256</u>
<u>(1,699,317)</u>	<u>973,256</u>	<u>(726,061)</u>
1,543,776	-	1,543,776
414,297	-	414,297
168,705	-	168,705
6,686	-	6,686
6,043	268	6,311
153,323	9,167	162,490
281,426	(281,426)	-
<u>2,574,256</u>	<u>(271,991)</u>	<u>2,302,265</u>
874,939	701,265	1,576,204
<u>5,674,364</u>	<u>4,386,045</u>	<u>10,060,409</u>
<u>\$ 6,549,303</u>	<u>\$ 5,087,310</u>	<u>\$ 11,636,613</u>

CITY OF MONTE VISTA, COLORADO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016

	GENERAL FUND	GRANTS FUND	CAPITAL IMPROVEMENTS FUND
<b>ASSETS</b>			
Cash and Investments	\$ 161,814	\$ 38,000	\$ 233,840
Restricted Cash and Investments	4,099	-	319,999
Property Taxes Receivable	368,118	-	-
Due From Other Governments	194,783	-	58,681
Accounts Receivable	159,340	-	-
Grants Receivable	267,740	40,700	-
Prepaid Expenses	18,930	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,174,824</b>	<b>\$ 78,700</b>	<b>\$ 612,520</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 304,603	\$ 60,400	\$ 231,246
Accrued Liabilities	39,506	-	-
Unearned Revenue	1,763	-	-
<b>TOTAL LIABILITIES</b>	<b>345,872</b>	<b>60,400</b>	<b>231,246</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Tax Revenue	368,118	-	-
<b>FUND EQUITY</b>			
<b>Fund Balance</b>			
Nonspendable	18,930	-	-
Restricted for Emergencies	101,000	-	-
Restricted for Parks	-	-	-
Restricted for Debt Service	-	-	88,753
Restricted for Public Safety	4,099	-	-
Restricted for Capital Projects	-	-	292,521
Committed to Economic Development	-	-	-
Assigned to Capital Projects	-	18,300	-
Assigned to Kids Connection	-	-	-
Unassigned	336,805	-	-
<b>TOTAL FUND EQUITY</b>	<b>460,834</b>	<b>18,300</b>	<b>381,274</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>	<b>\$ 1,174,824</b>	<b>\$ 78,700</b>	<b>\$ 612,520</b>

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

OTHER GOVERNMENTAL FUNDS	TOTALS
\$ 81,324	\$ 514,978
331,040	655,138
-	368,118
-	253,464
11,885	171,225
-	308,440
-	18,930
<u>\$ 424,249</u>	<u>\$ 2,290,293</u>

\$ 2,399	\$ 598,648
-	39,506
1,792	3,555
<u>4,191</u>	<u>641,709</u>

-	<u>368,118</u>
---	----------------

-	18,930
-	101,000
73,988	73,988
-	88,753
-	4,099
331,040	623,561
4,127	4,127
-	18,300
10,903	10,903
-	336,805
<u>420,058</u>	<u>1,280,466</u>

<u>\$ 424,249</u>	<u>\$ 2,290,293</u>
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CITY OF MONTE VISTA, COLORADO

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
December 31, 2016

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

Total Fund Balances of Governmental Funds	\$ 1,280,466
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	8,748,039
Long-term liabilities and related items are not due and payable in the current period and are not reported in the funds. These include loans payable of (\$2,540,000), capital leases (\$834,836), accrued compensated absences (\$74,478) and accrued interest payable (\$29,888)	<u>(3,479,202)</u>
Net position of governmental activities	<u>\$ 6,549,303</u>

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

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CITY OF MONTE VISTA, COLORADO

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2016

	GENERAL FUND	GRANTS FUND	CAPITAL IMPROVEMENTS FUND
REVENUES			
Taxes	\$ 1,761,902	\$ -	\$ 371,562
Licenses and Permits	15,239	-	-
Charges for Services	186,864	-	-
Intergovernmental	516,976	751,252	-
Fines and Forfeitures	136,652	-	-
Investment Income	4,524	-	1,266
Miscellaneous	146,809	-	-
<b>TOTAL REVENUES</b>	<b>2,768,966</b>	<b>751,252</b>	<b>372,828</b>
EXPENDITURES			
General Government	899,407	-	-
Public Safety	1,366,444	-	-
Public Works and Airport	458,103	-	-
Culture and Recreation	299,996	-	-
Urban/Economic Development	-	-	-
Capital Outlay	195,830	766,604	417,797
Debt Service			
Principal	45,781	-	155,000
Interest	16,059	-	123,970
<b>TOTAL EXPENDITURES</b>	<b>3,281,620</b>	<b>766,604</b>	<b>696,767</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(512,654)	(15,352)	(323,939)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Debt	115,042	-	417,797
Transfers In	368,322	21,866	159,832
Transfers Out	(66,655)	-	(78,178)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>416,709</b>	<b>21,866</b>	<b>499,451</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(95,945)</b>	<b>6,514</b>	<b>175,512</b>
FUND BALANCE, Beginning	556,779	11,786	205,762
FUND BALANCE, Ending	<u>\$ 460,834</u>	<u>\$ 18,300</u>	<u>\$ 381,274</u>

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

OTHER GOVERNMENTAL FUNDS	TOTALS
\$ -	\$ 2,133,464
-	15,239
3,390	190,254
111,025	1,379,253
-	136,652
253	6,043
213,249	360,058
<u>327,917</u>	<u>4,220,963</u>
-	899,407
-	1,366,444
45,767	503,870
355,789	655,785
20,510	20,510
-	1,380,231
-	200,781
-	140,029
<u>422,066</u>	<u>5,167,057</u>
<u>(94,149)</u>	<u>(946,094)</u>
-	532,839
44,789	594,809
<u>(168,550)</u>	<u>(313,383)</u>
<u>(123,761)</u>	<u>814,265</u>
(217,910)	(131,829)
<u>637,968</u>	<u>1,412,295</u>
<u>\$ 420,058</u>	<u>\$ 1,280,466</u>

CITY OF MONTE VISTA, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016

Amounts Reported for Governmental Activities in the Statement of Activities  
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (132,082)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$1,531,257 and donation of capital assets of \$500,739 exceeded depreciation expense (\$694,454).	1,337,542
Capital lease proceeds are reported as other financing sources in the governmental funds and increase fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities.	(532,839)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include bond payments of \$155,000 and payments of capital leases of \$45,781.	200,781
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the change in accrued compensated absences \$12,074 and the change in accrued interest payable (\$10,790)	<u>1,284</u>
Change in Net Position of Governmental Activities	<u>\$ 874,686</u>

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

CITY OF MONTE VISTA, COLORADO

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2016

	WATER FUND	SEWER FUND	TOTALS
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 375,675	\$ -	\$ 375,675
Restricted Cash and Investments	42,518	968,817	1,011,335
Grants Receivable	-	380,141	380,141
Accounts Receivable	23,342	34,921	58,263
Due from County Treasurer	32,005	13,120	45,125
Interfund Balances	375,838	(375,838)	-
Inventory	93,542	6,927	100,469
<b>Total Current Assets</b>	<b>942,920</b>	<b>1,028,088</b>	<b>1,971,008</b>
<b>Noncurrent Assets</b>			
Prepaid Water Storage, Net of Accumulated Amortization	504,000	-	504,000
Capital Assets, Not Depreciated	952,451	1,793,364	2,745,815
Capital Assets, Net of Accumulated Depreciation	1,137,778	2,354,574	3,492,352
<b>Total Noncurrent Assets</b>	<b>2,594,229</b>	<b>4,147,938</b>	<b>6,742,167</b>
<b>TOTAL ASSETS</b>	<b>3,537,149</b>	<b>5,176,026</b>	<b>8,713,175</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	4,593	220,718	225,311
Accrued Compensated Absences	9,373	9,373	18,746
Accrued Liabilities	4,922	5,012	9,934
Accrued Interest Payable	233,442	1,389	234,831
Lease Payable, Current Portion	2,868	2,868	5,736
Loans Payable, Current Portion	11,578	137,592	149,170
<b>Total Current Liabilities</b>	<b>266,776</b>	<b>376,952</b>	<b>643,728</b>
<b>Noncurrent Liabilities</b>			
Accrued Compensated Absences	8,596	8,596	17,192
Lease Payable	30,056	30,056	60,112
Loans Payable	1,575,331	1,329,502	2,904,833
<b>Total Noncurrent Liabilities</b>	<b>1,613,983</b>	<b>1,368,154</b>	<b>2,982,137</b>
<b>TOTAL LIABILITIES</b>	<b>1,880,759</b>	<b>1,745,106</b>	<b>3,625,865</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	503,320	3,649,661	4,152,981
Restricted for Water Acquisition	42,518	-	42,518
Unrestricted	1,110,552	(218,741)	891,811
<b>TOTAL NET POSITION</b>	<b>\$ 1,656,390</b>	<b>\$ 3,430,920</b>	<b>\$ 5,087,310</b>

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

CITY OF MONTE VISTA, COLORADO

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended December 31, 2016

	WATER FUND	SEWER FUND	TOTALS
OPERATING REVENUES			
Charges for Services	\$ 875,466	\$ 912,447	\$ 1,787,913
Miscellaneous	6,625	2,542	9,167
TOTAL OPERATING REVENUES	<u>882,091</u>	<u>914,989</u>	<u>1,797,080</u>
OPERATING EXPENSES			
Operations and Maintenance	609,655	690,136	1,299,791
Depreciation and Amortization	66,070	134,623	200,693
TOTAL OPERATING EXPENSES	<u>675,725</u>	<u>824,759</u>	<u>1,500,484</u>
OPERATING INCOME	<u>206,366</u>	<u>90,230</u>	<u>296,596</u>
NON-OPERATING REVENUES (EXPENSES)			
Grant Revenue	5,000	739,945	744,945
Investment Income	105	163	268
Interest Expenses	(51,749)	(9,669)	(61,418)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(46,644)</u>	<u>730,439</u>	<u>683,795</u>
INCOME BEFORE CAPITAL CONTRIBUTION AND TRANSFERS	<u>159,722</u>	<u>820,669</u>	<u>980,391</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Contributions			
Tap Fees	800	1,500	2,300
Transfers (Out)	(140,713)	(140,713)	(281,426)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(139,913)</u>	<u>(139,213)</u>	<u>(279,126)</u>
CHANGE IN NET POSITION	19,809	681,456	701,265
NET POSITION, Beginning	<u>1,636,581</u>	<u>2,749,464</u>	<u>4,386,045</u>
NET POSITION, Ending	<u>\$ 1,656,390</u>	<u>\$ 3,430,920</u>	<u>\$ 5,087,310</u>

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

CITY OF MONTE VISTA, COLORADO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year Ended December 31, 2016  
 Increase (Decrease) in Cash and Cash Equivalents

	WATER FUND	SEWER FUND	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 865,659	\$ 914,546	\$ 1,780,205
Cash Received from Others	6,625	2,542	9,167
Cash Paid to Suppliers	(321,620)	(427,238)	(748,858)
Cash Paid to Employees	(315,040)	(319,525)	(634,565)
Net Cash Provided by Operating Activities	<u>235,624</u>	<u>170,325</u>	<u>405,949</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund Balances	(375,838)	375,838	-
Payments to Other Funds	(140,713)	(140,713)	(281,426)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(516,551)</u>	<u>235,125</u>	<u>(281,426)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase and Construction of Capital Assets	(32,924)	(1,516,582)	(1,549,506)
Capital Grant Proceeds	5,000	359,804	364,804
Lease Proceeds	32,924	32,924	65,848
Long-term Debt Principal Paid	(11,578)	(134,643)	(146,221)
Interest Paid	-	(10,080)	(10,080)
Tap Fees Received	800	1,500	2,300
Net Cash Used by Capital and Related Financing Activities	<u>(5,778)</u>	<u>(1,267,077)</u>	<u>(1,272,855)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	105	163	268
Net Decrease in Cash and Cash Equivalents	<u>(286,600)</u>	<u>(861,464)</u>	<u>(1,148,064)</u>
CASH AND CASH EQUIVALENTS, Beginning	<u>704,793</u>	<u>1,830,281</u>	<u>2,535,074</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 418,193</u>	<u>\$ 968,817</u>	<u>\$ 1,387,010</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 206,366	\$ 90,230	\$ 296,596
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	66,070	134,623	200,693
Changes in Assets and Liabilities			
Accounts Receivable	(6,141)	(10,867)	(17,008)
Due from County Treasurer	(3,666)	12,966	9,300
Inventory	(3,185)	1,712	(1,473)
Accounts Payable	(5,648)	(60,300)	(65,948)
Accrued Liabilities	4,922	5,012	9,934
Accrued Compensated Absences	(23,094)	(3,051)	(26,145)
Total Adjustments	<u>29,258</u>	<u>80,095</u>	<u>109,353</u>
Net Cash Provided by Operating Activities	<u>\$ 235,624</u>	<u>\$ 170,325</u>	<u>\$ 405,949</u>

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

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The City of Monte Vista (the "City") was incorporated July 19, 1886 and was re-organized as a home-rule municipality under Article 20 of the Colorado Constitution on March 22, 1922. The City is governed by a council-manager form of government through a Mayor and four-member City Council elected by the residents. The City, authorized through its charter, provides the following services: public safety, public works, water, sanitation, culture & recreation, public improvements, planning and zoning, airport operations, economic development and general administrative services

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the City's more significant accounting policies follows.

**Reporting Entity**

The definition of the reporting entity is based primarily on financial accountability. The City is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the City officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the City. The City may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the City includes the following entity in its reporting entity.

*Monte Vista Urban Renewal Authority*

The Monte Vista Urban Renewal Authority (the "URA") was created to redevelop or rehabilitate certain blighted areas within City limits. The URA has a separate governing board with members appointed by the City Council. Although the URA is legally separate from the City, the URA's primary revenue source comes from the City and the City has operational and management responsibilities. The URA does not issue separate financial statements and is blended in the City's financial statements as a special revenue fund.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial, capital and debt resources of the City. The difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources of the City is reported as net position.

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

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental and 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting agency have been 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 to be "available" when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current year.

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(Continued)

Taxes, intergovernmental revenue and interest associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Grants and similar items are recorded as revenues when all eligibility requirements are met, including any time requirements. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenues are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

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

The City reports the following major governmental funds in the fund financial statements:

General Fund – The General Fund is used to account for the general operations and specific programs of the City.

Grants Fund – The Grants Fund accounts for resources received from federal, state and local sources for the purpose of airport, and parks and recreation capital projects.

Capital Improvements Fund – The Capital Improvements Fund accounts for the 1/2 of the City's 2% sales tax collected for the purposes of capital outlay and repayment of the 2008 sales tax revenue bonds.

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(Continued)

The City reports the following major proprietary funds:

*Water Fund* – The Water Fund accounts for the financial activities associated with the provision of water services.

*Sewer Fund* – The Sewer Fund accounts for the financial activities associated with the provision of sewer services.

**Assets, Liabilities, Net Position/Fund Balances**

*Cash and Investments* – Cash equivalents include investments with original maturities of three months or less. Pooled cash and investments are considered cash equivalents. Negative balances in pooled cash and investments at year end are reported as Due to/from Other Funds. Investments are reported at fair value.

*Due to/from Other Funds* – During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as due to/from other funds.

*Grants, Other Governments and Accounts Receivable* – Grants, other governments and accounts receivable are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Inventory* – Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies for the Water and Sewer Funds. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

*Prepaid Expenses* – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

*Capital Assets* – Capital assets, which include property, plant, buildings and related improvements, equipment, vehicles, and all infrastructure (streets, bridges, underground drainage pipe, traffic signals, etc.) owned by the City, are reported in the applicable government-wide or business-type activities columns of the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such 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.

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities, Net Position/Fund Balances** (Continued)

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

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives.

Buildings	15 – 50 years
Improvements - Building	15 – 40 years
Improvements - Other	10 – 40 years
Infrastructure	15 – 50 years
Water and Sewer Treatment Plants	15 – 40 years
Transmission and Distribution Systems	5 – 40 years
Equipment and Vehicles	5 – 15 years

*Unearned Revenue* – Grants that have been collected but the corresponding expenditures have not been incurred are reported as unearned revenue.

*Deferred Inflows of Resources* – In addition to assets, the balance sheet – governmental funds and statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of fund balance or net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until then. The City has an item related to property taxes levied in the current year to be collected in the following year at December 31, 2016.

*Compensated Absences* - Employees of the City are eligible for vacation beginning with their first pay period. They earn between 40 and 168 hours of vacation time each year, based on years of service. Employees may request to carry over a maximum of 80 hours to the next year. Unused hours in excess of 80 hours will be forfeited. Employees will be paid for all accrued vacation time at their current pay rate upon separation of employment.

Employees are allowed to accumulate sick leave up to a maximum of 240 hours. However, unused sick leave will not be paid upon separation of employment. Therefore, no liability for accumulated sick time is reported in the financial statements. Accrued vacation time is recognized as current salary costs when earned in the proprietary funds and when due in the governmental funds. A long-term liability is reported in the government-wide financial statements for the accrued vacation time.

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position/Fund Balances (Continued)**

*Long-Term Debt* - In the government-wide financial statements, and the proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position.

In the governmental fund financial statements the face amount of debt issued is reported as other financing sources. Debt premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the year of the debt issuance. In the government-wide and proprietary funds, debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

*Net Position* - In the government-wide and proprietary fund financial statements, net position is restricted when constraints placed on the net position are externally imposed.

- Net Investment in Capital Assets - this classification is intended to report the portion of net position which is associated with non-liquid, capital assets less outstanding debt related to those capital assets.
- Restricted Net Position - this classification includes liquid assets which have third party limitations on their use.
- Unrestricted Net Position - this classification includes the residual net position that does not meet the classification of "net investment in capital assets" or "restricted."

*Fund Balance Classification* - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact. The City reported one item related to prepaid expenses as nonspendable resources at December 31, 2016.

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position/Fund Balances (Continued)**

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City had classified emergency reserves as being restricted because State statute requires this restriction. In addition, the City had restricted amounts for parks, debt service, public safety and capital projects because of certain State statutes, bond and loan documents and third party restrictions.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority, the City Council. The constraint may be removed or changed only through formal action of the City Council. The City had committed resources at December 31, 2016 for future economic development.
- Assigned – This classification includes amounts that are constrained by the City's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the City Council to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The City had assigned resources at December 31, 2016 for future park projects and Kids Connection activities.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the City uses restricted fund balance first, followed by committed, assigned and unassigned.

**Use of Estimates**

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

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property Taxes**

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the City on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

**Subsequent Events**

The City has evaluated events subsequent to the year ended December 31, 2016 through June 9, 2017, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

**NOTE 2: CASH AND INVESTMENTS**

A summary of cash and investments at December 31, 2016, follows:

Petty Cash	\$ 600
Cash Deposits	1,228,433
Cash Held by Third Party	1,200,063
Investments	<u>128,030</u>
Total	<u><b>\$ 2,557,126</b></u>

Cash is reported in the financial statements as follows:

Cash and Investments	\$ 890,653
Restricted Cash and Investments	<u>1,666,473</u>
Total	<u><b>\$ 2,557,126</b></u>

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Cash Deposits (Continued)**

institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016, the City had bank deposits totaling \$1,975,903 of which \$1,470,230 were collateralized with securities held by the financial institutions' agents but not in the City's name.

**Investments**

The City is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk. The City's investment policy follows State statutes.

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

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. The City does not have a policy for managing credit risk or interest rate risk.

The City measures and records its investments using fair market value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investment in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

Colotrust is an external investment pool that records its investments at fair value. The investment in Colotrust is categorized as a Level 2 investment.

*Local Government Investment Pools* - At December 31, 2016, the City had \$128,030 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established by State statute for local government entities in Colorado to pool surplus funds. Colotrust operates in

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

conformity with the Securities and Exchange Commission's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**Restricted Cash and Investments**

Restricted cash and investments for the Governmental Funds consist of unspent police seizure funds and surcharges of \$4,099 in the General Fund; \$331,040 of unspent capital projects funds in the Capital Projects Fund, \$88,753 for future debt service requirements in the Capital Improvements Fund, and \$231,246 of unspent loan proceeds held by an outside third party on behalf of the Capital Improvements Fund for equipment acquisition. The Propriety Funds restricted cash and investments consist of \$42,518 restricted by ordinance for water acquisition in the Water Fund; and \$968,817 of unspent loan proceeds for the sewer system expansion project in the Sewer Fund, which are held by an outside third party.

**NOTE 3: INTERFUND BALANCES AND TRANSFERS**

At December 31, 2016, the Water Fund temporarily subsidized the negative cash balances of the Sewer Fund in the amount of \$375,838.

Interfund transfers for the year ended December 31, 2016, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Conservation Trust	\$ 8,718
General	Capital Improvements	78,178
General	Water	140,713
General	Sewer	140,713
Kids Connection	General	20,500
Urban Renewal Authority	General	24,289
Grants	General	21,866
Capital Improvements	Debt Service	<u>159,832</u>
Total		<u>\$ 594,809</u>

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

**NOTE 3: INTERFUND TRANSFERS (Continued)**

During the year ended December 31, 2016, transfers to the General Fund were reimbursements for administrative costs and rent charges, including payments in lieu of taxes from the Water and Sewer Funds. The General Fund transferred funds to the Urban Renewal Authority and Kids Connection Funds to subsidize projects in these funds. The General Fund transferred funds to the Grants Fund to provide for grant match. The Conservation Trust Fund transferred funds to the General Fund for reimbursement of eligible parks related expenditures. The Capital Improvements Fund transferred funds to the General Fund to assist with the City Hall Roof Project and Lease payments for Police Department Cars and Streets Truck. The Debt Service Fund transferred funds to the Capital Improvements Fund to close out the Debt Service Fund.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, is summarized below:

	Balances 12/31/2015	Additions/ Transfers	Deletions	Balances 12/31/2016
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated				
Land	\$ 1,104,386	\$ -	\$ -	\$ 1,104,386
Construction in Progress	57,651	500,739	57,651	500,739
Total Capital Assets, not being depreciated	<u>1,162,037</u>	<u>500,739</u>	<u>57,651</u>	<u>1,605,125</u>
Capital Assets, being depreciated				
Buildings	3,836,183	79,660	-	3,915,843
Infrastructure	3,490,517	-	-	3,490,517
Improvements - Buildings	841,922	83,904	-	925,826
Improvements - Other	2,924,851	857,604	-	3,782,455
Equipment and Vehicles	3,504,725	567,740	51,676	4,020,789
Total Capital Assets, being depreciated	<u>14,598,198</u>	<u>1,588,908</u>	<u>51,676</u>	<u>16,135,430</u>
Less accumulated depreciation				
Buildings	(2,178,862)	(63,152)	-	(2,242,014)
Infrastructure	(2,049,071)	(241,190)	-	(2,290,261)
Improvements - Buildings	(469,481)	(33,561)	-	(503,042)
Improvements - Other	(1,155,580)	(169,292)	-	(1,324,872)
Equipment and Vehicles	(2,496,744)	(187,259)	(51,676)	(2,632,327)
Total accumulated depreciation	<u>(8,349,738)</u>	<u>(694,454)</u>	<u>(51,676)</u>	<u>(8,992,516)</u>
Total Capital Assets, being depreciated, net	<u>6,248,460</u>	<u>894,454</u>	<u>-</u>	<u>7,142,914</u>
Governmental Activities Capital Assets, net	<u><u>\$ 7,410,497</u></u>	<u><u>\$ 1,395,193</u></u>	<u><u>\$ 57,651</u></u>	<u><u>\$ 8,748,039</u></u>

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

**NOTE 4: CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the City's Governmental Activities functions/programs as follows:

General Government	\$ 190,827
Public Safety	116,973
Public Works and Airport	180,691
Culture and Recreation	152,117
Urban/Economic Development	<u>53,846</u>
<b>Total</b>	<b><u>\$ 694,454</u></b>

	Balances 12/31/2015	Additions	Deletions/ Transfers	Balances 12/31/2016
<b>Business-type Activities:</b>				
Capital Assets, not being depreciated				
Land	\$ 22,000	\$ -	\$ -	\$ 22,000
Water Rights	941,451	-	-	941,451
Construction in Progress	161,573	1,620,791	-	1,782,364
Total Capital Assets, not being depreciated	<u>1,125,024</u>	<u>1,620,791</u>	<u>-</u>	<u>2,745,815</u>
Capital Assets, being depreciated				
Buildings	47,650	-	-	47,650
Water and Sewer Treatment Plants	4,636,251	-	-	4,636,251
Transmission and Distribution Systems	6,005,099	-	-	6,005,099
Equipment and Vehicles	842,623	65,849	14,263	894,209
Total Capital Assets, being depreciated	<u>11,531,623</u>	<u>65,849</u>	<u>14,263</u>	<u>11,583,209</u>
Less accumulated depreciation				
Buildings	(46,660)	(82)	-	(46,742)
Water and Sewer Treatment Plants	(4,308,808)	(12,663)	-	(4,321,471)
Transmission and Distribution Systems	(2,891,265)	(136,410)	-	(3,027,675)
Equipment and Vehicles	(678,694)	(30,538)	(14,263)	(694,969)
Total accumulated depreciation	<u>(7,925,427)</u>	<u>(179,693)</u>	<u>(14,263)</u>	<u>(8,090,857)</u>
Total Capital Assets, being depreciated, net	<u>3,606,196</u>	<u>(113,844)</u>	<u>-</u>	<u>3,492,352</u>
Business-type Activities Capital Assets, net	<u><u>\$ 4,731,220</u></u>	<u><u>\$ 1,506,947</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,238,167</u></u>

Depreciation expense was charged to the City's Business-type Activities as follows:

Water	\$ 45,070
Sewer	<u>134,623</u>
<b>Total</b>	<b><u>\$ 179,693</u></b>

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

**NOTE 5: PREPAID WATER STORAGE**

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. The City made two installment payments of \$100,000 and \$530,000 in 2010 and 2014, respectively. The prepaid water storage will be amortized over the 30 year life of the agreement, at \$21,000 per year. As of December 31, 2016, the balance of the prepaid water storage, net of accumulated amortization was \$504,000.

**NOTE 6: LONG-TERM DEBT**

**Governmental Activities**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2016.

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016	Due Within One Year
<b>Governmental Activities</b>					
2008 Sales Tax Revenue Bonds	\$ 2,695,000	\$ -	\$ 155,000	\$ 2,540,000	\$ 165,000
Capital Leases	347,778	532,839	45,781	834,836	87,095
Accrued Compensated Absences	86,552	-	12,074	74,478	933
	<u>\$ 3,129,330</u>	<u>\$ 532,839</u>	<u>\$ 212,855</u>	<u>\$ 3,449,314</u>	<u>\$ 253,028</u>

Compensated absences are expected to be liquidated primarily with revenues of the General Fund.

**Sales Tax Revenue Bonds**

\$3,680,000 Sales Tax Revenue Refunding and Improvement Bonds, Series 2008, were issued to refinance the Sales Tax Revenue Bonds, Series 1996 and finance future streets paving and resurfacing, provide curb, gutter, storm drainage, sidewalk improvements and such other related improvements recommended by the one cent sales tax committee and approved by City Council. The bonds are secured by a first lien on 1/2 of the City's 2% sales tax. Principal and interest payments are due semi-annually on June 1 and December 1 through December 1, 2028. Interest accrues at a rate of 4% per annum. During the year ended December 31, 2016, pledged revenues derived from the dedicated 1% sales tax totaling \$371,562 were available to pay annual debt service of \$278,970.

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 6: LONG-TERM DEBT (Continued)**

**Governmental Activities (Continued)**

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 165,000	\$ 116,840	\$ 281,840
2018	170,000	109,250	279,250
2019	180,000	101,430	281,430
2020	185,000	93,150	278,150
2021	195,000	84,640	279,640
2022 - 2026	1,125,000	279,450	1,404,450
2027 - 2028	520,000	36,110	556,110
	<u>\$ 2,540,000</u>	<u>\$ 820,870</u>	<u>\$ 3,360,870</u>

**Capital Leases**

The City has entered into capital lease agreements to finance energy performance contract repairs and maintenance, and purchase of vehicles. These leases bear interest at rates ranging from 3.00% to 3.38% per annum, and mature between June 2020 and January 2028. Capital assets totaling \$1,138,314 are reported in the financial statements under these lease agreements.

Following is a schedule of future minimum lease payments required under the outstanding capital leases at December 31, 2016.

<u>Year Ended December 31</u>	
2017	\$ 114,319
2018	114,960
2019	115,619
2020	107,152
2021	80,836
2022 - 2026	390,177
2027 - 2030	63,340
Total Minimum Lease Payments	986,403
Less: Interest	(151,567)
Present Value of Future Minimum Lease Payments	<u>\$ 834,836</u>

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

**NOTE 6: LONG-TERM DEBT (Continued)**

**Business-type Activities**

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2016.

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016	Due Within One Year
<b>Business-type Activities</b>					
2010 Water Loan	\$ 1,291,680	\$ -	\$ -	\$ 1,291,680	\$ -
2011 Water Loan	306,807	-	11,578	295,229	11,578
1999 Sewer Loan	240,040	-	64,812	175,228	67,761
2015 Sewer Loan	1,361,697	-	69,831	1,291,866	69,831
Capital Leases-Water	-	32,924	-	32,924	2,868
Capital Leases-Sewer	-	32,924	-	32,924	2,868
Accrued Compensated Absences	62,083	-	26,145	35,938	18,746
	<u>\$ 3,262,307</u>	<u>\$ 65,848</u>	<u>\$ 172,366</u>	<u>\$ 3,155,789</u>	<u>\$ 173,652</u>

**Water Loans**

During 2010, the City entered into a \$1,693,770 loan agreement with the Colorado Water Conservation Board for acquisition of water rights and water storage. Principal and interest payments are due annually over a 30-year period at a date to be determined. Repayment will be determined when the loan is fully advanced. As of December 31, 2016, \$1,291,680 has been advanced to the City. Interest accrues at 4% per annum.

During 2011, the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA), in the principal amount of \$400,000, for construction and improvements to the water distribution system. Principal payments are due semi-annually on May 1 and November 1, through May 1, 2042. The loan is non-interest bearing.

The CWRPDA water loan is payable solely from revenues of the City's water utility system, after deducting operation and maintenance costs. During the year ended December 31, 2016, net revenues of \$272,653 were available to pay annual debt service of \$11,578. Remaining debt service at December 31, 2016 was \$295,229.

**Sewer Loans**

During 1999, the City entered into a loan agreement with the CWRPDA in the principal amount of \$968,000 to finance repairs to the City's sewer treatment systems. Principal and interest payments are due semi-annually on May 1 and November 1, through May 1, 2019. Interest accrues at 4.5% per annum.

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 6: LONG-TERM DEBT (Continued)**

**Business-type Activities (Continued)**

During 2015, the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA), in the principal amount of \$1,396,612, for construction of the City's sewer system expansion project. Principal payments are due semi-annually on May 1 and November 1, through May 1, 2035. The loan is non-interest bearing.

These loans are payable solely from revenues of the City's sewer utility system, after deducting operation and maintenance costs. During the year ended December 31, 2016, net revenues of \$225,860 were available to pay annual debt service of \$137,592. Remaining debt service at December 31, 2016 was \$1,467,094.

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 149,170	\$ 7,131	\$ 156,301
2018	152,253	4,048	156,301
2019	118,030	824	118,854
2020	81,408	-	81,408
2021	81,408	-	81,408
2022 - 2026	407,041	-	407,041
2027 - 2031	407,041	-	407,041
2032 - 2036	302,295	-	302,295
2037 - 2041	57,888	-	57,888
2042	5,789	-	5,789
Amortization terms unknown	1,291,680	-	1,291,680
	<u>\$ 3,054,003</u>	<u>\$ 12,003</u>	<u>\$ 3,066,006</u>

**Capital Leases**

The City has entered into capital lease agreements to purchase vehicles. These leases bear interest at rates ranging from 3.35% to 3.38% per annum, and mature between June 2020 and January 2028. Capital assets totaling \$138,484 are reported in the financial statements under these lease agreements.

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 6: LONG-TERM DEBT (Continued)**

**Business-type Activities (Continued)**

Following is a schedule of future minimum lease payments required under the outstanding capital leases at December 31, 2016.

<u>Year Ended December 31</u>	
2017	\$ 7,788
2018	7,950
2019	7,950
2020	7,950
2021	7,950
2022 - 2026	<u>38,048</u>
Total Minimum Lease Payments	77,636
Less: Interest	<u>(11,788)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 65,848</u></u>

**NOTE 7: PUBLIC ENTITY RISK POOL**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the City is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA.

It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the City does not approve budgets nor does it have the ability to significantly affect the operations of the entity.

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 8: PENSION PLANS**

**Defined Contribution Pension Plans**

*City Employees* - The City contributes to a single employer defined contribution money purchase pension plan on behalf of its full-time employees, except for sworn police officers. The contribution requirements of Plan participants and the City are established and may be amended by the City Council. The Plan is administered by ICMA Retirement Corporation. The City is required to contribute 0.5% of each participant's covered payroll. Employees are not required to contribute to the plan. For the year ended December 31, 2016, there were no employee contributions and the City recognized pension expense of \$4,956.

Employees become 100% vested in the City's contributions and earnings after three years of service. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are either used to cover a portion of the pension plan's administrative expenses or are returned to the City. For the year ended December 31, 2016, the City reported returned forfeitures in the amount of \$10,281

*City Sworn Police Officers* - The City contributes to a single employer defined contribution money purchase pension plan on behalf of its sworn police officers. The contribution requirements of Plan participants and the City are established and may be amended by the City Council. The Plan is administered by ICMA Retirement Corporation. The City is required to contribute 6.7% of each participant's covered payroll. Employees are required to contribute 6.2% of covered payroll to the plan. For the year ended December 31, 2016, employee contributions totaled \$35,461 and the City recognized pension expense of \$38,463.

Employees become 100% vested in the City's contributions and earnings after three years of service. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are either used to cover a portion of the pension plan's administrative expenses or are returned to the City. For the year ended December 31, 2016, the City reported returned forfeitures in the amount of \$11,520.

**457 Deferred Compensation Plan**

The City has a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan is administered by ICMA Retirement Corporation. Participation in the plan is optional for all employees. The plan allows employees to defer a portion of their salary until future years. Effective January 1, 2015, the City will match up to 3% of the participating employee's contributions to the plan. For the year ended December 31, 2016, the City contributed \$62,401 to the plan.

CITY OF MONTE VISTA, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to the City.

Revenue in excess of the fiscal spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The City's management believes it is in compliance with the provisions of the Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions may require judicial interpretation. In November 1997, voters within the City authorized the City to collect, retain and expend all revenues and other funds in excess of the revenue limitations of the Amendment.

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve of \$101,000 was reported as restricted fund balance in the General Fund.

The URA is not subject to the Amendment. See: Marian L. Olson v. City of Golden, et. al. 53 P.3d 747 (Co. App.), certiorari denied.

**Claims and Judgments**

The City participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. At December 31, 2016, significant amounts of grant expenses have not been audited, but management believes that subsequent audits will not have a material effect on the overall financial position of the City.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Taxes				
Sales	\$ 350,000	\$ 380,000	\$ 371,563	\$ (8,437)
Sales - Rio Grande County	740,000	770,000	800,651	30,651
Property and Specific Ownership	405,000	405,000	414,297	9,297
Franchise	169,000	169,000	168,705	(295)
Other	8,000	8,000	6,686	(1,314)
Licenses and Permits	11,700	11,700	15,239	3,539
Charges for Services	171,700	189,025	186,864	(2,161)
Intergovernmental	277,922	739,587	516,976	(222,611)
Fines and Forfeitures	103,450	163,450	136,652	(26,798)
Interest	1,500	1,500	4,524	3,024
Miscellaneous	102,550	132,550	146,809	14,259
<b>TOTAL REVENUES</b>	<b>2,340,822</b>	<b>2,969,812</b>	<b>2,768,966</b>	<b>(200,846)</b>
<b>EXPENDITURES</b>				
General Government				
City Council	46,201	48,201	46,443	1,758
City Clerk	61,466	71,366	77,847	(6,481)
Municipal Court	74,056	73,956	68,448	5,508
City Manager	89,549	136,090	145,899	(9,809)
Elections	8,500	8,500	-	8,500
Finance	109,183	119,083	139,204	(20,121)
City Attorney	45,000	45,000	45,000	-
Purchasing and General Services	189,100	239,400	135,190	104,210
Community Development	-	300,000	241,376	58,624
<b>Total General Government</b>	<b>623,055</b>	<b>1,041,596</b>	<b>899,407</b>	<b>142,189</b>
Public Safety				
Police	1,203,272	1,212,772	1,366,444	(153,672)
<b>Total Public Safety</b>	<b>1,203,272</b>	<b>1,212,772</b>	<b>1,366,444</b>	<b>(153,672)</b>
Public Works and Airport				
Streets and Lighting	387,472	340,392	341,459	(1,067)
City Shop and Buildings	58,475	105,073	96,355	8,718
Airport	28,247	26,747	20,289	6,458
<b>Total Public Works and Airport</b>	<b>474,194</b>	<b>472,212</b>	<b>458,103</b>	<b>14,109</b>

(Continued)

See the accompanying Independent Auditor's Report.

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
Culture and Recreation				
Parks and Recreation	\$ 88,449	\$ 255,090	\$ 247,255	\$ 7,835
Vali3 Theatre	39,460	53,060	52,741	319
Total Culture and Recreation	<u>127,909</u>	<u>308,150</u>	<u>299,996</u>	<u>8,154</u>
Capital Outlay	<u>139,598</u>	<u>317,472</u>	<u>195,830</u>	<u>121,642</u>
Debt Service				
Principal	-	38,000	45,781	(7,781)
Interest	-	-	16,059	(16,059)
Total Debt Service	<u>-</u>	<u>38,000</u>	<u>61,840</u>	<u>(23,840)</u>
TOTAL EXPENDITURES	<u>2,568,028</u>	<u>3,390,202</u>	<u>3,281,620</u>	<u>108,582</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(227,206)</u>	<u>(420,390)</u>	<u>(512,654)</u>	<u>(92,264)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	-	115,042	115,042	-
Transfers In	362,848	337,848	368,322	30,474
Transfers Out	<u>(135,642)</u>	<u>(32,500)</u>	<u>(66,655)</u>	<u>(34,155)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>227,206</u>	<u>420,390</u>	<u>416,709</u>	<u>(3,681)</u>
NET CHANGE IN FUND BALANCE	-	-	(95,945)	(95,945)
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>556,779</u>	<u>556,779</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,834</u>	<u>\$ 460,834</u>

See the accompanying Independent Auditor's Report.

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
 GRANTS FUND  
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental	\$ 795,345	\$ 933,515	\$ 751,252	\$ (182,263)
TOTAL REVENUES	795,345	933,515	751,252	(182,263)
EXPENDITURES				
Capital Outlay	876,345	1,014,515	766,604	247,911
TOTAL EXPENDITURES	876,345	1,014,515	766,604	247,911
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(81,000)	(81,000)	(15,352)	65,648
OTHER FINANCING SOURCES (USES)				
Transfers In	81,000	81,000	21,866	(59,134)
TOTAL OTHER FINANCING SOURCES (USES)	81,000	81,000	21,866	(59,134)
NET CHANGE IN FUND BALANCE	-	-	6,514	6,514
FUND BALANCE, Beginning	-	-	11,786	11,786
FUND BALANCE, Ending	\$ -	\$ -	\$ 18,300	\$ 18,300

See the accompanying Independent Auditor's Report.

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENT FUND  
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes				
Sales Taxes	\$ 345,000	\$ 345,000	\$ 371,562	\$ 26,562
Other	-	280,570	-	(280,570)
Interest	-	300	1,266	966
TOTAL REVENUES	<u>345,000</u>	<u>625,870</u>	<u>372,828</u>	<u>(253,042)</u>
EXPENDITURES				
Capital Outlay	32,430	478,430	417,797	60,633
Debt Service				
Principal	32,000	150,000	155,000	(5,000)
Interest and Fiscal Charges	-	130,870	123,970	6,900
TOTAL EXPENDITURES	<u>64,430</u>	<u>759,300</u>	<u>696,767</u>	<u>62,533</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>280,570</u>	<u>(133,430)</u>	<u>(323,939)</u>	<u>(190,509)</u>
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	414,000	417,797	(3,797)
Transfers In	-	-	159,832	(159,832)
Transfers Out	(280,570)	(280,570)	(78,178)	202,392
TOTAL OTHER FINANCING SOURCES (USES)	<u>(280,570)</u>	<u>133,430</u>	<u>499,451</u>	<u>202,392</u>
NET CHANGE IN FUND BALANCE	-	-	175,512	11,883
FUND BALANCE, Beginning	-	-	205,762	205,762
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 381,274</u>	<u>\$ 381,274</u>

See the accompanying Independent Auditor's Report.

CITY OF MONTE VISTA, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2016

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

Budgets are legally adopted for all funds of the City. A budget is not presented for the Monte Vista Park Authority, a component unit. Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the enterprise funds are presented on a non-GAAP budgetary basis. Capital outlay and long-term debt principal are budgeted as expenditures and depreciation is not budgeted.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- In September, Management submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer and public comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- Budgets amended by the City Council during the year have been presented in the budgetary comparison schedules for each fund amended.
- Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures must be approved by the City Council.
- All budget appropriations lapse at year end.

**SUPPLEMENTARY INFORMATION**

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

CITY OF MONTE VISTA, COLORADO

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2016

	SPECIAL REVENUE FUNDS			
	CONSERVATION TRUST FUND	URBAN RENEWAL AUTHORITY FUND	KIDS CONNECTION FUND	CAPITAL PROJECTS FUND
<b>ASSETS</b>				
Cash and Investments	\$ 73,988	\$ 4,483	\$ 2,853	\$ -
Restricted Cash and Investments	-	-	-	331,040
Accounts Receivable	-	-	11,885	-
<b>TOTAL ASSETS</b>	<b>\$ 73,988</b>	<b>\$ 4,483</b>	<b>\$ 14,738</b>	<b>\$ 331,040</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 356	\$ 2,043	\$ -
Accrued Liabilities	-	-	1,792	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>356</b>	<b>3,835</b>	<b>-</b>
<b>FUND EQUITY</b>				
Fund Balance				
Restricted for Parks	73,988	-	-	-
Restricted for Capital Projects	-	-	-	331,040
Committed to Economic Development	-	4,127	-	-
Assigned to Kids Connection	-	-	10,903	-
<b>TOTAL FUND EQUITY</b>	<b>73,988</b>	<b>4,127</b>	<b>10,903</b>	<b>331,040</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 73,988</b>	<b>\$ 4,483</b>	<b>\$ 14,738</b>	<b>\$ 331,040</b>

See the accompanying Independent Auditor's Report.

DEBT SERVICE FUND	TOTALS
\$ -	\$ 81,324
-	331,040
-	11,885
<u>\$ -</u>	<u>\$ 424,249</u>
\$ -	\$ 2,399
-	1,792
-	4,191
<u>-</u>	<u>73,988</u>
-	331,040
-	4,127
-	10,903
<u>-</u>	<u>420,058</u>
<u>\$ -</u>	<u>\$ 424,249</u>

CITY OF MONTE VISTA, COLORADO

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended December 31, 2016

	SPECIAL REVENUE FUNDS			
	CONSERVATION TRUST FUND	URBAN RENEWAL AUTHORITY FUND	KIDS CONNECTION FUND	CAPITAL PROJECTS FUND
REVENUES				
Charges of Services	\$ -	\$ -	\$ 3,390	\$ -
Intergovernmental	47,888	1,335	61,802	-
Investment Income	-	-	-	253
Miscellaneous	371	2	212,876	-
<b>TOTAL REVENUES</b>	<b>48,259</b>	<b>1,337</b>	<b>278,068</b>	<b>253</b>
EXPENDITURES				
Public Works and Airport	-	-	-	45,767
Culture and Recreation	67,115	1,513	-	-
Urban/Economic Development	-	20,510	-	-
Kids Connection	-	-	287,161	-
<b>TOTAL EXPENDITURES</b>	<b>67,115</b>	<b>22,023</b>	<b>287,161</b>	<b>45,767</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,856)	(20,686)	(9,093)	(45,514)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	24,289	20,500	-
Transfers (Out)	(8,718)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(8,718)</b>	<b>24,289</b>	<b>20,500</b>	<b>-</b>
<b>CHANGE IN FUND BALANCES</b>	<b>(27,574)</b>	<b>3,603</b>	<b>11,407</b>	<b>(45,514)</b>
FUND BALANCES, Beginning	101,562	524	(504)	376,554
FUND BALANCES, Ending	<u>\$ 73,988</u>	<u>\$ 4,127</u>	<u>\$ 10,903</u>	<u>\$ 331,040</u>

See the accompanying Independent Auditor's Report.

DEBT SERVICE FUND	TOTALS
\$ -	\$ 3,390
-	111,025
-	253
-	213,249
-	327,917
	45,767
-	68,628
-	20,510
-	287,161
-	422,066
-	(94,149)
-	44,789
(159,832)	(168,550)
(159,832)	(123,761)
(159,832)	(217,910)
159,832	637,968
\$ -	\$ 420,058

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
 CONSERVATION TRUST FUND  
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Lottery Revenues	\$ 38,000	\$ 38,000	\$ 47,888	\$ 9,888
Other	31,118	43,618	-	(43,618)
Interest	-	2,500	371	(2,129)
TOTAL REVENUES	69,118	84,118	48,259	(35,859)
EXPENDITURES				
Parks and Recreation	69,118	84,118	67,115	17,003
TOTAL EXPENDITURES	69,118	84,118	67,115	17,003
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(18,856)	(18,856)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(8,718)	(8,718)
NET CHANGE IN FUND BALANCE	-	-	(27,574)	(27,574)
FUND BALANCE, Beginning	-	-	101,562	101,562
FUND BALANCE, Ending	\$ -	\$ -	\$ 73,988	\$ 73,988

See the accompanying Independent Auditor's Report.

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
 URBAN RENEWAL AUTHORITY FUND  
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 1,335	\$ 1,335
Miscellaneous	500	500	2	(498)
TOTAL REVENUES	500	500	1,337	837
EXPENDITURES				
Culture and Recreation	2,350	1,400	1,513	(113)
Urban/Economic Development	5,650	21,350	20,510	840
TOTAL EXPENDITURES	8,000	22,750	22,023	727
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,500)	(22,250)	(20,686)	1,564
OTHER FINANCING SOURCES (USES)				
Transfers In	7,500	22,500	24,289	1,789
Transfers Out		(250)	-	250
TOTAL OTHER FINANCING SOURCES (USES)	7,500	22,250	24,289	2,039
NET CHANGE IN FUND BALANCE	-	-	3,603	3,603
FUND BALANCE, Beginning	-	-	524	524
FUND BALANCE, Ending	\$ -	\$ -	\$ 4,127	\$ 4,127

See the accompanying Independent Auditor's Report.

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
 KIDS CONNECTION FUND  
 Year Ended December 31, 2016

	ORIGINAL BUDGET	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 17,325	\$ -	\$ 3,390	\$ 3,390
Intergovernmental	123,400	123,400	61,802	(61,598)
Miscellaneous	226,781	159,474	212,876	53,402
TOTAL REVENUES	367,506	282,874	278,068	(4,806)
EXPENDITURES				
Recreation	214,632	-	-	-
Kids Connection	152,874	292,874	287,161	5,713
TOTAL EXPENDITURES	367,506	292,874	287,161	5,713
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(10,000)	(9,093)	907
OTHER FINANCING SOURCES (USES)				
Transfers In	-	10,000	20,500	10,500
TOTAL OTHER FINANCING SOURCES (USES)	-	10,000	20,500	10,500
NET CHANGE IN FUND BALANCE	-	-	11,407	11,407
FUND BALANCE (DEFICIT), Beginning	-	-	(504)	(504)
FUND BALANCE, Ending	\$ -	\$ -	\$ 10,903	\$ 10,903

See the accompanying Independent Auditor's Report.

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND  
 Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Interest	\$ -	\$ 253	\$ 253
Other	171,000	-	(171,000)
TOTAL REVENUES	171,000	253	(170,747)
EXPENDITURES			
Public Works	90,000	45,767	44,233
TOTAL EXPENDITURES	90,000	45,767	44,233
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	81,000	(45,514)	(126,514)
OTHER FINANCING SOURCES (USES)			
Transfers Out	(81,000)	-	81,000
TOTAL OTHER FINANCING SOURCES (USES)	(81,000)	-	81,000
NET CHANGE IN FUND BALANCE	-	(45,514)	(45,514)
FUND BALANCE, Beginning	-	376,554	376,554
FUND BALANCE, Ending	\$ -	\$ 331,040	\$ 331,040

See the accompanying Independent Auditor's Report.

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
EXPENDITURES			
Debt Service			
Principal	\$ 150,000	\$ -	\$ 150,000
Interest	130,870	-	130,870
TOTAL EXPENDITURES	<u>280,870</u>	<u>-</u>	<u>280,870</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(280,870)	-	280,870
OTHER FINANCING SOURCES			
Transfers Out	<u>-</u>	<u>(159,832)</u>	<u>(159,832)</u>
NET CHANGE IN FUND BALANCE	(280,870)	(159,832)	121,038
FUND BALANCE, Beginning	<u>280,870</u>	<u>159,832</u>	<u>(121,038)</u>
FUND BALANCE, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See the accompanying Independent Auditor's Report.

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
 (Non-GAAP Budgetary Basis)  
 WATER FUND  
 Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 866,300	\$ 875,466	\$ 9,166
Tap Fees	1,500	800	(700)
Lease Proceeds	165,000	-	(165,000)
Grant Proceeds	-	5,000	5,000
Investment Income	500	105	(395)
Miscellaneous	8,000	6,625	(1,375)
<b>TOTAL REVENUES</b>	<b>1,041,300</b>	<b>887,996</b>	<b>(153,304)</b>
<b>EXPENDITURES</b>			
Operations and Maintenance	580,303	609,655	(29,352)
Capital Outlay	232,500	32,924	199,576
Debt Service			
Principal	44,743	11,578	33,165
Interest	66,543	51,749	14,794
Transfers Out	102,233	140,713	(38,480)
Contingency	14,978	-	14,978
<b>TOTAL EXPENDITURES</b>	<b>1,041,300</b>	<b>846,619</b>	<b>194,681</b>
<b>NET INCOME, Budget Basis</b>	<b>\$ -</b>	<b>41,377</b>	<b>\$ 41,377</b>
<b>GAAP BASIS ADJUSTMENTS</b>			
Capital Outlay		32,924	
Amortization		(21,000)	
Depreciation		(45,070)	
Principal Paid on Long-Term Debt		11,578	
<b>NET INCOME, GAAP Basis</b>		<b>19,809</b>	
<b>NET POSITION, Beginning</b>		<b>1,636,581</b>	
<b>NET POSITION, Ending</b>		<b>\$ 1,656,390</b>	

See the accompanying Independent Auditor's Report.

CITY OF MONTE VISTA, COLORADO

BUDGETARY COMPARISON SCHEDULE  
 (Non-GAAP Budgetary Basis)  
 SEWER FUND  
 Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 903,500	\$ 912,447	\$ 8,947
Tap Fees	1,500	1,500	-
Loan Proceeds	1,687,702	-	(1,687,702)
Grant Proceeds	1,299,910	739,945	(559,965)
Investment Income	300	163	(137)
Miscellaneous	173,664	2,542	(171,122)
<b>TOTAL REVENUES</b>	<b>4,066,576</b>	<b>1,656,597</b>	<b>(2,409,979)</b>
<b>EXPENDITURES</b>			
Operations and Maintenance	757,701	690,136	67,565
Capital Outlay	3,136,812	1,653,716	1,483,096
Debt Service			
Principal	69,830	134,643	(64,813)
Interest	-	9,669	(9,669)
Transfers Out	102,233	140,713	(38,480)
<b>TOTAL EXPENDITURES</b>	<b>4,066,576</b>	<b>2,628,877</b>	<b>1,437,699</b>
<b>NET INCOME (LOSS), Budget Basis</b>	<b>\$ -</b>	<b>(972,280)</b>	<b>\$ (972,280)</b>
<b>GAAP BASIS ADJUSTMENTS</b>			
Capital Outlay		1,653,716	
Depreciation		(134,623)	
Principal Paid on Long-Term Debt		134,643	
<b>NET INCOME, GAAP Basis</b>		<b>681,456</b>	
<b>NET POSITION, Beginning</b>		<b>2,749,464</b>	
<b>NET POSITION, Ending</b>		<b>\$ 3,430,920</b>	

See the accompanying Independent Auditor's Report.

## **SINGLE AUDIT REPORTS AND SCHEDULES**

**CITY OF MONTE VISTA, COLORADO**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2016

	<u>Pass-Through Entity Identifying Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Interior</b>			
<b>Bureau of Land Management</b>			
Passed Through Colorado Department of Local Affairs			
Distribution of Receipts to State and Local Governments	EIAF 7733	15.227	\$ 739,945 M
<b>U.S. Department of Housing and Urban Development</b>			
Passed Through Colorado Department of Local Affairs			
Community Development Block Grants	CMS #72908	14.228	241,376
<b>U.S. Environmental Protection Agency</b>			
Passed Through Colorado Water Resources and			
Power Development Authority			
Capitalization Grants for Clean Water State Revolving Funds	891.0008	66.458	853,381 M
<b>U.S. Department of Justice</b>			
Direct Program			
Bulletproof Vest Partnership Program		16.607	39,661
<b>U.S. Department of Transportation/Federal Aviation Agency</b>			
Direct Program			
Airport Improvement Program		20.106	<u>639,731</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,514,094</u>

M - audited as a major program.

See the accompanying Independent Auditors' Report.

CITY OF MONTE VISTA, COLORADO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2016

**NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2: SUBRECIPIENTS**

For the year ended December 31, 2016, the City passed-through federal awards to subrecipients as follows:

<u>Program</u>	<u>CFDA #</u>	<u>Subrecipient</u>	<u>Amount</u>
Community Development Block Grant	14.228	San Luis Valley Housing Coalition	<u>\$ 241,376</u>



Honorable Mayor and Members of City Council  
City of Monte Vista, Colorado  
Monte Vista, Colorado

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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 (the "City") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 9, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Logan and Associates, LLC*

Aurora, Colorado  
June 9, 2017



Honorable Mayor and Members of City Council  
City of Monte Vista, Colorado  
Monte Vista, Colorado

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**Report on Compliance for Each Major Federal Program**

We have audited the City of Monte Vista' (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

## Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Monte Vista as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Monte Vista. We issued our report thereon dated June 9, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monte Vista's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and its results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Logan and Associates, LLC*

Aurora, Colorado  
June 9, 2017

CITY OF MONTE VISTA, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2016

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_yes    no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_yes    none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_yes    no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_yes    no
- Significant deficiencies identified that are not considered to be material weaknesses? yes    \_\_\_\_\_none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes    \_\_\_\_\_no

Identification of major programs:

- 15.227 Distribution of Receipts to State and Local Governments
- 66.458 Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee. \_\_\_\_\_yes    no

**Financial Statement Findings**

The audit of the financial statements did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse that were material to those financial statements.

(Continued)

CITY OF MONTE VISTA, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2016

**Federal Awards Findings**

**2016-001** Procurement, Suspension and Debarment

**Criteria** Entities that receive federal awards shall follow federal laws and regulations applicable to procurement, as established by the Uniform Guidance. These entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

**Condition** The City does not have procedures in place to verify that contractors or vendors retained for work performed on certain federal awards are not suspended or debarred from performing such work.

**Questioned Costs:** None. The contractors hired by the City were not included on the System for Award Management (SAM) Exclusion of suspended or debarred entities.

**Context** During the performance of our audit procedures, we determined that the City did not perform procedures to verify that contractors or vendors were not suspended or debarred from performing work on the federally-funded Sewer System Expansion project.

**Effect** The City could have awarded a contract to an ineligible contractor for performing work on a federally-funded project. This increases the risk that substandard services could be provided on federally-funded projects.

**Cause** The City didn't have procedures in-place to verify that contractors were not suspended or debarred from providing services on federally-funded projects.

**Recommendation** We recommend that the City implement procedures that require all contractors for services exceeding \$25,000 be verified to the SAM or a clause be included in the contracts that the contractors comply with the federal procurement, suspension and debarment requirements.

**View of Responsible Officials and Planned Corrective Actions**

See the accompanying Corrective Action Plan.



# CITY OF MONTE VISTA

[www.cityofmontevista.com](http://www.cityofmontevista.com)

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## Financial Statement Findings 2016-1 Financial Reporting

### Correction Action Plan:

The City will include a cover sheet to accompany all grants with a protocol list of procedures to follow. "Verify contractor or vendor has not been debarred from performing work for federal grant awards" is part of the list of procedures.

CITY OF MONTE VISTA, COLORADO

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended December 31, 2016

No Prior Audit Findings Reported.

## OTHER INFORMATION

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: City of Monte Vista
		YEAR ENDING : December 2016
This Information From The Records Of (example - City of _ or County of City of Monte Vista)	Prepared By: Phone:	Heather Hixson 719-852-2692

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

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

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

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	275,054
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	3,223
2. General fund appropriations	0	b. Snow and ice removal	3,928
3. Other local imposts (from page 2)	731,541	c. Other	0
4. Miscellaneous local receipts (from page 2)	82,596	d. Total (a. through c.)	7,152
5. Transfers from toll facilities		4. General administration & miscellaneous	96,933
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	375,819
a. Bonds - Original Issues		6. Total (1 through 5)	754,957
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	95,457
7. Total (1 through 6)	814,137	b. Redemption	119,350
<b>B. Private Contributions</b>		c. Total (a. + b.)	214,807
<b>C. Receipts from State government (from page 2)</b>	161,906	2. Notes:	
<b>D. Receipts from Federal Government (from page 2)</b>	0	a. Interest	1,072
<b>E. Total receipts (A.7 + B + C + D)</b>	976,043	b. Redemption	5,206
		c. Total (a. + b.)	6,278
		3. Total (1.c + 2.c)	221,085
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	
		976,042	

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>	2,188,259	0	119,350	2,068,909
1. Bonds (Refunding Portion)				
<b>B. Notes (Total)</b>	0	42,090	5,206	36,884

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	334,249	976,043	976,042	334,250	0

Notes and Comments:

See the accompanying Independent Auditor's Report.

<b>LOCAL HIGHWAY FINANCE REPORT</b>		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2016	
<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	441,573	a. Interest on investments	1,520
b. Other local imposts:		b. Traffic Fines & Penalties	81,076
1. Sales Taxes	234,443	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees		d. Parking Meter Fees	0
3. Liens		e. Sale of Surplus Property	0
4. Licenses		f. Charges for Services	0
5. Specific Ownership &/or Other	71,893	g. Other Misc. Receipts	0
6. Total (1. through 5.)	306,336	h. Other	0
c. Total (a. + b.)	747,909	i. Total (a. through h.)	82,596
	(Carry forward to page 1)		(Carry forward to page 1)
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	144,144	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	17,762	d. Federal Transit Admin	0
d. Other (Specify) - DOLA Grant	0	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	17,762	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	161,906	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)		0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		0	0
			(Carry forward to page 1)
<b>Notes and Comments:</b>			