

CITY OF SALIDA, COLORADO
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009



**CITY OF SALIDA, COLORADO
CITY COUNCIL AND KEY EMPLOYEES
December 31, 2009**

City Council

Charles Rose, Mayor

Scott Damman, Councilmember
Keith Baker, Councilmember
Jim McCormick, Councilmember
Jay Moore, Councilmember
Steven Stewart, Councilmember
Tom Yerkey, Councilmember

Key Employees

Jack Lewis, City Administrator
Betty Schwitzer, Elected City Clerk
Janella Martinez, Deputy City Clerk
Eileen Rogers, City Treasurer
Jan Schmidt, Finance Director

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides highlights of the financial activities of the City of Salida (the City of Salida) and an overview of the financial statements included in this report. We encourage readers to consider this information in conjunction with the basic financial statements and information contained in the notes to the financial statements.

Financial Highlights

- Salida's net assets increased significantly during 2009 despite certain fiscal challenges including a 5.5% decrease in taxable sales reported within the City, a decrease in development related fees and the use of a significant amount of cash reserves for the early retirement of debt. However, an incremental 1% sales tax became effective on January 1, 2009, making it possible to significantly improve the condition and extend the life of 12-1/2 miles of streets among other public infrastructure investments.
- The assets of the City of Salida totaled \$37,283,000 and exceeded liabilities by \$29,208,000 at the close of calendar year 2009. The \$4,820,000 increase in net assets during 2009 was primarily driven by increased sales tax and grant revenues that the City invested in capital assets.
- Unrestricted net assets of \$4,536,000 as of December 31, 2009 were available to meet the City's future obligations to citizens, employees and creditors:
 - For government activities - \$1,729,000, an increase of \$458,000 (36.0%)
 - For business-type activities - \$2,808,000, a decrease of \$885,000 (24.0%)
 - The unreserved fund balances were 39.5% and 159.0% of the 2010 operating expenditures budget for government and business-type activities, respectively.
- As of December 31, 2009 the total fund equity for governmental activities was \$2,732,000, of which \$163,000 was in the Conservation Trust Fund. The total decrease in the governmental fund balance during 2009 was \$1,381,000 (33.6%). Because the government fund balance sheet excludes the value of capital assets, a different financial result is reflected when compared to the Statement of Net Assets (discussed above) for the same period of time.
- Total cash and investments were \$4,509,000, of which \$2,879,000 was unrestricted. Of that amount, \$663,000 was available for general government activities and \$2,216,000 was held in funds for business-type activities. Funds designated by council for specific uses are included in unrestricted cash and investments.
- Of the \$3,606,000 decrease in cash and investments during 2009, \$2,268,000 (62.9%) was used for a net reduction of financing obligations outstanding. \$1,884,000 in cash was spent for capital projects in advance of grant reimbursements received in 2010.
- The City invested \$6,456,000 in capital assets to serve public health and safety needs, replace aging infrastructure and enhance the quality of life for its citizens. Of this amount, grant revenue provided \$2,025,000 (31.4%) of the finances and \$1,100,000 (17.0%) was financed through a general fund lease purchase agreement.

Overview of the Financial Statements

The MD&A serves as an introduction to Salida's basic financial statements, which are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
 - a. Governmental Funds
 - b. Proprietary Funds
- 3) Notes to the financial statements
- 4) Supplementary information

Financial analysis and commentary on both types of financial statement views is included in the MD&A for more information and perspective than the numbers alone provide readers. In addition, the report contains supplementary information to the basic financial statements for more detailed information on some areas of expenditures.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Government-wide financial statements combine information for all of the City's funds that reflect the entire financial picture. The government-wide financial statements consist of the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* presents all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes 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 periods (e.g. tax revenues earned but not collected and unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*government activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Salida's governmental activities include general government; public safety; public works; and culture, parks and recreation. Business-type activities include the operations of water and wastewater treatment facilities and of the SteamPlant Theater and Event Center.

The government-wide financial statements can be found on pages 2-3 of this report.

Fund financial statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Salida, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with

finance-related legal requirements. All of Salida's funds can be divided into two categories: governmental funds and proprietary funds. The fund financial statements consist of the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* for each type of fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *government activities* in the government-wide financial statements. However, 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. This information may be useful in evaluating a government'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 government funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the *Balance Sheet* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities as presented in the government-wide financial statements.

Salida maintains two governmental funds, the General Fund and the Conservation Trust Fund, for which information is presented separately.

The basic governmental fund financial statements can be found on pages 4-6.

Proprietary funds. Proprietary funds can be *enterprise funds*, to report the same functions presented as *business-type activities* in the government-wide financial statements, or *internal service funds*, used as an accounting device to accumulate and allocate costs internally among the City's various functions. Salida maintains one enterprise fund to account for the water and the wastewater treatment utilities. In 2008, a new enterprise fund was established to account for the SteamPlant Theater and Event Center, which the City began operating following a major renovation and expansion completed in July 2008.

Proprietary funds provide the same type of information as the government-wide financial statements in more detail. The proprietary fund financial statements provide separate information for the water and wastewater operations, which are considered to be major funds of the City of Salida Water Activity Enterprise Fund.

The basic proprietary fund financial statements can be found on pages 7-9 of the report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-31 of this report.

Supplementary information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. Included in this report is a budgetary

comparison statement for all funds to demonstrate compliance with the budget. Salida's city council adopts an annual appropriated budget for all its funds. The budgetary comparison schedules are on pages 32-41 of this report. The Local Highway Finance Report is included on page 41. Also, during 2009 the City received over \$500,000 in federal grant funding, which required the completion of a Single Audit. The Schedule of Expenditures of Federal Awards is found on page 47.

Financial Analysis – Government-wide Financial Statements

This discussion of government-wide financial statements focuses primarily on the key indicator, net assets. Salida's assets exceeded liabilities by \$29,208,000 at December 31, 2009.

Statement of Net Assets. At December 31, 2009, \$22,767,000 (or 77.9%) of the City's net assets were invested in capital assets (e.g. land, roads, buildings, water rights, machinery, equipment, etc.) less any related debt used to acquire those assets that was still owed. The City uses substantially all of these capital assets to provide services to citizens; consequently, these assets are generally not available for future spending. Although the City's investments in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves generally cannot be used to liquidate the debt.

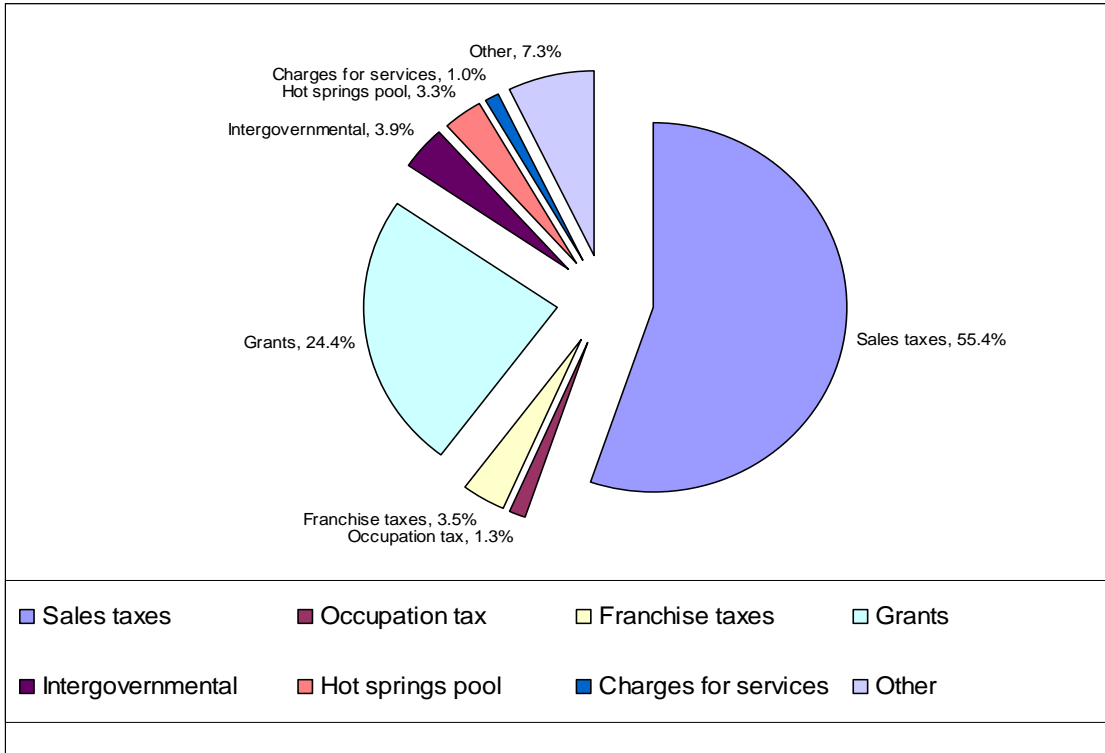
External restrictions limit the use of \$1,904,000 (or 6.5%) of the City's net assets. The remaining balance of \$4,536,000 (or 15.5%) represents unrestricted net assets that may be used to meet the City's ongoing obligations to citizens and creditors. Of the unrestricted assets, \$2,808,000 (61.9%) were held for business type activities and \$1,729,000 were held for government activities.

Statement of Activities. As the following table illustrates, the City's total net assets increased \$4,820,000, or 19.8%, during 2009. By fund group, governmental activities increased net assets by \$3,459,000, or 31.5%, and business-type activities generated a \$1,361,000, or 10.1%, increase in net assets.

	Governmental Activities		Business-type Activities		Total Primary Government		Year over Year Changes	
	2009	2008	2009	2008	2009	2008		
Revenues								
Program revenues:								
Charges for services	\$ 515,977	\$ 532,375	\$ 2,111,797	\$ 1,955,249	\$ 2,627,774	\$ 2,487,624	\$ 140,150	5.6%
Operating grants/contri	1,224,456	297,691	-	-	1,224,456	297,691	926,765	311.3%
Capital grants/contri	1,203,591	78,880	1,425,451	1,469,487	2,629,042	1,548,367	1,080,675	69.8%
General revenues:								
Property taxes	3,135	241,352	354	74,814	3,489	316,166	(312,677)	-98.9%
Sales and use taxes	4,692,939	3,783,163	-	-	4,692,939	3,783,163	909,776	24.0%
Franchise taxes	294,584	236,464	-	-	294,584	236,464	58,120	24.6%
Other taxes	109,918	51,967	-	-	109,918	51,967	57,951	111.5%
Other general revenue	475,413	509,505	41,131	135,148	516,544	644,653	(128,109)	-19.9%
Total revenues	\$ 8,520,013	\$ 5,731,397	\$ 3,578,733	\$ 3,634,698	\$ 12,098,746	\$ 9,366,095	2,732,651	29.2%
Expenses								
General government	1,101,872	1,222,909	-	-	1,101,872	1,222,909	(121,037)	-9.9%
Public safety	1,968,399	1,804,956	-	-	1,968,399	1,804,956	163,443	9.1%
Public works	651,654	439,657	-	-	651,654	439,657	211,997	48.2%
Culture, parks & recreation	891,034	731,879	-	-	891,034	731,879	159,155	21.7%
Interest	348,306	879,988	205,660	274,166	553,966	1,154,154	(600,188)	-52.0%
Water operations	-	-	936,413	846,239	936,413	846,239	90,174	10.7%
Sewer operations	-	-	848,464	766,932	848,464	766,932	81,532	10.6%
Event center operations	-	-	327,409	217,118	327,409	217,118	110,291	50.8%
Transfers	100,000	504,186	(100,000)	(504,186)	-	-	-	
Total expenses	\$ 5,061,265	\$ 5,583,575	\$ 2,217,946	\$ 1,600,269	\$ 7,279,211	\$ 7,183,844	95,367	1.3%
Increase in net assets	\$ 3,458,748	\$ 147,822	\$ 1,360,787	\$ 2,034,429	\$ 4,819,535	\$ 2,182,251	2,637,284	120.9%
Beginning net assets	10,981,252	10,833,430	13,406,947	11,372,518	24,388,199	28,752,701	(4,364,502)	-15.2%
Ending net assets	\$ 14,440,000	\$ 10,981,252	\$ 14,767,734	\$ 13,406,947	\$ 29,207,734	\$ 30,934,952	\$ (1,727,218)	-5.6%

Governmental activities. Financing for governmental activities was primarily from city and county sales tax revenues, which provided 73% of all funding excluding one-time grants in 2009. Excluding the one-time grants, no other income source provided 10% of total government revenue.

The following chart shows the total general fund revenue provided by each major source during 2009.



Key elements of the \$3,459,000 increase in net assets for governmental activities during 2009 and a comparison to 2008 follow:

- Grant and contribution revenue exceeded \$2,428,000 and provided funding for significant projects during the year, including the Highway 50 streetscape improvements and the major renovation of a building to serve as the City's police headquarters, city hall, council chambers and municipal court. This revenue classification surpassed the previous year by nearly \$2,051,000 (544.7%).
- The City repealed its property tax effective January 1, 2009 in connection with voter approval of an incremental 1% sales tax. Accordingly, this revenue stream was essentially eliminated and only a minor amount of delinquent taxes were recognized during 2009.
- Sales tax receipts increased \$910,000 (24.0%) over the prior year due to the incremental 1% tax rate within city limits that became effective on January 1, 2009. The total revenue increase was offset, in part, by a 5.5% decrease in taxable sales compared to 2008.
- The City collects franchise taxes from utility companies, including the providers of gas, electric and cable service. Franchise tax receipts increased \$58,000 (24.6%) due primarily to an increase in the revenue from the natural gas franchisee.

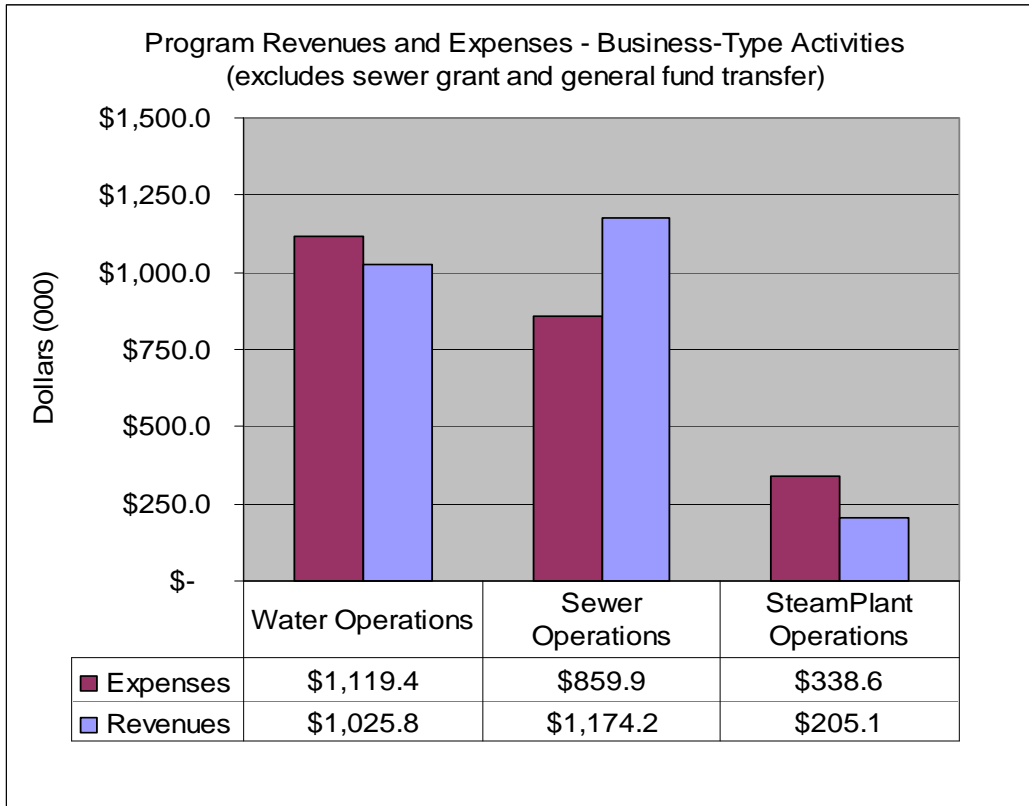
- Other taxes increased \$58,000 (111.5%) due to the implementation of an occupation tax on lodging within the city limits that became effective March 1, 2009. This \$109,000 incremental revenue stream was offset, in part, by the loss of specific ownership taxes, which are allocated to various taxing jurisdictions within the county based upon the mill levy of each.
- Although other general revenue decreased by only \$34,000 (6.7%) in 2009 compared to 2010, the composition of this line item changed. The 2009 revenue was primarily due to an adjustment related to the contribution of fixed assets to the SteamPlant, along with the forfeiture of a deposit of the Vandaveer property, while the 2008 revenue was primarily due to proceeds from the sale of the property formerly used for a public works facility along with sales of several vehicles and pieces of obsolete equipment.
- Total expenditures decreased \$522,000 (9.4%) in 2009 compared to 2008, the majority of which was due to a \$504,186 transfer from the general fund to the new SteamPlant fund in 2008. Excluding transfers between funds, total government expenditures increased \$118,000 (2.3%)

Business-Type Activities. Financing for business-type activities is generated primarily from fees charged for services provided. Revenue is supplemented by grants and contributions, which provided 73% of all funding in 2009.

Key elements of the \$1,361,000 increase in net assets for business-type activities during 2009 compared to 2008 follow:

- Charges for services increased \$153,000 (7.8%) due to increases in the quarterly service fees and usage rates for water and sewer, including a significant mid-year increase in sewer rates. The Salida Municipal Code now provides for automatic annual increases in fees for both water and sewer service.
- Capital revenue decreased \$44,000 (3.0%). In 2009, \$1,174,000 of a \$1,350,000 state grant was recognized for costs incurred for the wastewater treatment plant upgrade. Comparatively, \$800,000 in state grant and matching funds contributed by Chaffee County for the SteamPlant capital project was recognized in 2008. The wastewater system development fees were doubled in the middle of 2008; however, the volume decrease in 2009 compared to 2008 more than offset the pricing increase. System development and resource fees in the water and sewer fund decreased \$381,000 (66.3%) in 2009 compared to 2008.
- Excluding transfers between funds, total expenses increased by \$213,000 (10.1%) primarily due to a full year of operations for the SteamPlant Theater and Event Center along with an increase in wastewater plant expenses due to hiring a fourth plant operator and greater consulting fees in connection with an engineering report for the pending plant upgrade and an accompanying rate study. Interest expense decreased \$69,000 (25.0%) due to the payoff of the Vandaveer note and an equipment lease.

The following chart demonstrates the current level of recovery for the City's enterprise funds.



Financial Analysis – Fund Financial Statements

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

Governmental funds. The focus of the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Salida's financial requirements.

As of December 31, 2009, the City of Salida's governmental fund reported combined ending fund equity of \$2,732,000, a decrease of \$1,381,000 compared to December 31, 2008. The unreserved fund equity, which is available for spending at the City's discretion, represented 64.8% or \$1,770,000 of the fund equity. The unreserved fund balance for the General Fund is \$1,607,000, while \$163,000 of unreserved fund balance is in the Conservation Trust Fund. In addition, the city council may designate portions of the unrestricted cash and investments for specific purposes.

The General Fund is the City's primary operating fund. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. The Statement of Revenues, Expenditures and Changes in Fund Balances shows that in 2009 General Fund expenditures exceeded revenues by \$1,375,000. This was the result of an

early pay-off of debt including \$1,621,000 for the Vandaveer land purchase note and \$203,000 for an equipment lease. Since the governmental funds do not recognize debt on the balance sheet, these payments reduce the fund balance unlike the same transaction in an enterprise fund.

The Conservation Trust Fund decreased the fund balance by \$6,000 due to an investment in recreation amenities that exceeded the current year revenue. This fund had increased over the past several years as the City built reserves for future projects. The Conservation Trust Fund receives money from lottery proceeds that are distributed to local governments based on population.

Proprietary funds. The Statement of Net Assets and Statement of Revenues, Expenditures and Changes in Fund Balances – Proprietary Funds provide the same type of information found in the government-wide financial statements but in more detail.

Total unrestricted net assets as of December 31, 2009 were \$2,808,000, a decrease of \$885,000 from December 31, 2008. The decrease is due to the use of reserves for capital improvements. The unrestricted net assets equal 159% of the Proprietary Fund 2010 budgeted operating expenditures. However, a substantial portion of these funds are expected to be used for a major upgrade of the wastewater treatment plant within the next two years.

The investment in capital assets net of debt increased by \$2,970,000 in 2009 primarily due to the costs of equipment for the wastewater treatment plan upgrade, water plant upgrades, new radio read water meters, and the final adjudication of municipal water rights acquired through the Vandaveer purchase. In addition, the debt outstanding on the Vandaveer lease in the amount of \$737,000 was repaid during 2009. These capital investments help to ensure service for residents and will generate future revenues for the water and sewer funds.

The Statement of Cash Flows provides additional information on the sources and uses of cash for the proprietary funds. Operating activities generated less cash in 2009 compared to 2008 due primarily to the decline in system development and resource fees. Sewer operations generated cash that will be needed for the pending upgrade to comply with current regulatory standards. Water operations used \$1,483,000 in cash to retire debt and make the capital investments described above. The SteamPlant is not expected to breakeven or generate cash in its initial years of operations.

Budgetary Highlights

The original budget, final budget (which includes amendments passed by council during the year) and actual expenditures for each fund are shown on pages 32 through 41.

General Fund. Actual financial results differed from the budget primarily due to the early payoff of debt. In addition, total taxes fell short of the original budget by \$477,000, or 8.6%. This revenue shortfall resulted in mid-year budget cuts across all departments with the exception of one project that was predominately funded through a grant, resulting in no net increase in spending.

Water Enterprise. Operating results of the water fund were unfavorable in 2009 due to the significant decline in system development and resource fees, combined with the early payoff of outstanding debt.

The Salida municipal code provides for annual increases in the rates customers pay for water services. This price increase, along with growth in the number of customers, led to an increase in operating revenue. The City added 13 new customers and the average revenue per customer increased compared to 2008. Total operating expenditures were less than the approved budget figures; however, capital expenditures were 7% greater than the amended budget (but 23% less than the original budget) due to an acceleration of water meter purchases and a cost overrun on the water plant upgrade.

Sewer Enterprise. Operating results of the sewer fund were favorable, driven primarily by overestimating certain operating expenses. Rate increases of at least 15% for all customers were implemented mid-year following a rate study completed by the City's outside engineering firm; the final budget reflects an amendment to account for the incremental revenue.

System development fees slowed during 2009, and the reduced level of activity is also reflected in the final budget. The timing of the plant upgrade was accelerated during 2009 to take advantage of state grant funding and this change is also reflected in the final budget.

SteamPlant Theater and Event Center Enterprise. 2009 financial results reflect the first full year of operations of this facility that was renovated and expanded during 2008. Formerly a standalone theater owned by the City but operated by a nonprofit group, this property now contains a ballroom and annex available for weddings, business meetings and a variety of other events. It is expected to contribute to economic development in the region as Salida now has a facility to host events that it previously could not accommodate.

Long-term Debt

As of December 31, 2009 the City had total long-term financing obligations outstanding of \$7,255,000, with \$854,000 of principle and \$581,000 of interest due within one year. The general fund had obligations of \$2,840,000, with \$309,000 due within one year. Compared to total net assets, the City's long-term financing obligations were 19.7% at December 31, 2009, down from 39.0% a year ago.

Total bonded debt at December 31, 2009 was \$935,000 and \$3,490,000 in the general fund and water and sewer enterprise fund, respectively. The City's bonds are not rated.

A second schedule of the 2008 lease purchase agreement was entered into during 2009 that provided the City with \$1,100,000 in funds for the renovation of the former hospital building located in downtown Salida, now named the Touber Building. The City and Chaffee County own this facility as joint tenants and, in early 2010, completed a major renovation converting it for government services use.

The City repaid a portion of its long-term obligations in advance of their maturity during the first half of 2009. The principal amounts paid off consisted of the following:

- 2004 Vandaveer Note – \$1,621,000 (general fund)
- 2004 Vandaveer Note – \$737,000 (water and sewer enterprise fund)
- 2006 Equipment Capital Lease – \$203,000 (general fund)

- 2006 Equipment Capital Lease – \$118,000 (water and sewer enterprise fund)

Please see note 4 on pages 19 through 25 for additional information about long-term debt and financing arrangements.

Economic Factors and Financial Outlook

The economic outlook remained uncertain as the City prepared its 2010 budget. Some of the key budget assumptions are outlined below:

- Sales tax revenue – 0% growth in taxable sales
- Sewer rates – 5% increase in service / usage fees
- Water rates – 3% increase in service / usage fees; will consider a rate study in 2010
- Development and resource fees – 24 new water and sewer taps projected
- Franchise taxes – no changes
- Hot springs pool rates – no further rate increases in 2010
- Park rental rates – increases to be made effective in 2010
- Property rental income – includes rentals of excess space at the new facility and the vacated city hall in addition to other current rentals.
- Employee Pay – the salary freeze currently in place will be re-evaluated on July 1st. 2% included in budget will create a pool for up to 4% mid-year raises.
- Employee health insurance – 15% increase from 2009/2010 plan year or 7.5% budget effect

Although the approved budget provided for a re-building of general fund reserves, the costs for certain capital projects underway at the end of 2009 will be re-appropriated in 2010. Although fund equity is projected to further decrease by the end of 2010, these capital projects include substantial grant funding and will increase net assets, as reported on the government-wide financial statement.

Due to the incremental sales tax that became effective in 2009, the City will continue an increased level of spending for roads and public infrastructure as compared to historic levels.

The majority of capital spending for business-type activities will address the upgrade needed at the wastewater treatment facility. The City anticipates the issuance of debt to pay for a portion of future capital investments for both wastewater and water operations. It is also seeking grant funding to assist with these significant upgrades.

Appropriations for the 2010 budget are \$21,790,000, of which \$6,695,000 is for governmental activities and \$15,095,000 is for business-type activities. The budget for 2010 includes higher than normal capital spending in enterprise funds, primarily due to the upgrade of the wastewater treatment facility.

Requests for information

This financial report is designed to provide a general overview of the City of Salida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director at finance@cityofsalida.com or 448 East First Street, Suite 112, Salida, CO 81201.

City Council
City of Salida
Salida, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund, of the City of Salida, as of December 31, 2009, and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Salida's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Salida, as of December 31, 2009, and the respective change in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Salida. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



March 5, 2010
Centennial, CO

BASIC FINANCIAL STATEMENTS

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CITY OF SALIDA, COLORADO

STATEMENT OF NET ASSETS

December 31, 2009

	Government Activities	Business - Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 662,595	\$ 2,216,023	\$ 2,878,618
Cash with Fiscal Agent	2,042	-	2,042
Intergovernmental Receivables	1,884,190	-	1,884,190
Accounts Receivable	34,635	595,859	630,494
Total Current Assets	<u>2,583,462</u>	<u>2,811,882</u>	<u>5,395,344</u>
Noncurrent Assets			
Capital Assets	19,522,040	21,761,323	41,283,363
Accumulated Depreciation	(4,932,619)	(6,329,282)	(11,261,901)
Bond Issuance Costs - Net	-	84,040	84,040
Notes Receivable	-	152,964	152,964
Restricted Cash and Investments	686,351	942,713	1,629,064
Total Noncurrent Assets	<u>15,275,772</u>	<u>16,611,758</u>	<u>31,887,530</u>
TOTAL ASSETS	<u>17,859,234</u>	<u>19,423,640</u>	<u>37,282,874</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	478,117	185,804	663,921
Other Accrued Liabilities	1,444	33,331	34,775
Accrued Interest	12,587	16,724	29,311
Unearned Revenue	39,350	-	39,350
Accrued Salaries and Benefits	19,256	5,252	24,508
Current Portion of Long-Term Debt	309,368	393,110	702,478
Total Current Liabilities	<u>860,122</u>	<u>634,221</u>	<u>1,494,343</u>
Noncurrent Liabilities			
General Obligation Bonds Payable	685,000	-	685,000
Notes Payable	-	305,055	305,055
Capital Lease Payable	1,845,452	461,632	2,307,084
Revenue Bonds Payable	-	3,255,000	3,255,000
Accrued Compensated Absences	28,660	-	28,660
Total Noncurrent Liabilities	<u>2,559,112</u>	<u>4,021,687</u>	<u>6,580,799</u>
TOTAL LIABILITIES	<u>3,419,234</u>	<u>4,655,908</u>	<u>8,075,142</u>
NET ASSETS			
Invested in Capital Assets, net of Related Debt	11,749,601	11,017,244	22,766,845
Restricted Net Assets	961,699	942,713	1,904,412
Unrestricted Net Assets	1,728,700	2,807,775	4,536,475
TOTAL NET ASSETS	<u>\$ 14,440,000</u>	<u>\$ 14,767,732</u>	<u>\$ 29,207,732</u>

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

CITY OF SALIDA, COLORADO

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Government Activities				
Current:				
General Government	\$ 1,101,872	\$ 81,088	\$ 47,804	\$ -
Public Safety	1,968,399	76,568	2,621	-
Public Works	651,654	34,449	194,476	1,928,678
Culture, Parks and Recreation	891,034	323,872	-	49,278
Capital Outlay	171,849	-	-	-
Interest on Debt	176,458	-	-	-
TOTAL GOVERNMENT ACTIVITIES	<u>4,961,265</u>	<u>515,977</u>	<u>244,901</u>	<u>1,977,956</u>
Business - Type Activities				
Current:				
Water Operations	1,119,425	878,323	-	137,913
Sewer Operations	859,942	1,083,287	-	1,232,608
Theater and Events Center	338,581	150,187	-	54,930
TOTAL BUSINESS - TYPE ACTIVITIES	<u>2,317,948</u>	<u>2,111,797</u>	<u>-</u>	<u>1,425,451</u>
TOTAL GOVERNMENT	<u>\$ 7,279,213</u>	<u>\$ 2,627,774</u>	<u>\$ 244,901</u>	<u>\$ 3,403,407</u>
GENERAL REVENUES				
TAXES				
Property Taxes Levied for Debt Repayment				
Specific Ownership Taxes				
Sales Taxes				
Franchise Taxes				
Lodging Occupation Tax				
Other Taxes				
INTEREST INCOME				
TRANSFERS IN (OUT)				
OTHER REVENUES				
TOTAL GENERAL REVENUES				
CHANGE IN NET ASSETS				
NET ASSETS - Beginning of Year				
NET ASSETS - End of Year				

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

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

GOVERNMENT ACTIVITIES	BUSINESS - TYPE ACTIVITES	TOTAL
\$ (972,980)	\$ -	\$ (972,980)
(1,889,210)	-	(1,889,210)
1,505,949	-	1,505,949
(517,884)	-	(517,884)
(171,849)	-	(171,849)
(176,458)	-	(176,458)
<u>(2,222,431)</u>	<u>-</u>	<u>(2,222,431)</u>
-	(103,189)	(103,189)
-	1,455,953	1,455,953
<u>-</u>	<u>(133,464)</u>	<u>(133,464)</u>
<u>-</u>	<u>1,219,300</u>	<u>1,219,300</u>
<u>(2,222,431)</u>	<u>1,219,300</u>	<u>(1,003,131)</u>
-	354	354
3,135	-	3,135
4,692,939	-	4,692,939
294,584	-	294,584
108,747	-	108,747
1,171	-	1,171
13,616	41,131	54,747
(100,000)	100,000	-
666,987	-	666,987
<u>5,681,179</u>	<u>141,485</u>	<u>5,822,664</u>
3,458,748	1,360,785	4,819,533
<u>10,981,252</u>	<u>13,406,947</u>	<u>24,388,199</u>
<u>\$ 14,440,000</u>	<u>\$ 14,767,732</u>	<u>\$ 29,207,732</u>

CITY OF SALIDA, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2009
With Comparative Totals for December 31, 2008

	<u>GENERAL</u>	<u>CONSERVATION TRUST</u>	<u>TOTALS</u>	
			<u>2009</u>	<u>2008</u>
ASSETS				
Cash and Investments	\$ 499,585	\$ 163,010	\$ 662,595	\$ 1,342,886
Cash with Fiscal Agent	2,042	-	2,042	4,128
Intergovernmental Receivables	1,884,190	-	1,884,190	810,744
Accounts Receivable	34,635	-	34,635	46,390
Due from Other Funds	-	-	-	45,000
Restricted Cash and Investments	<u>686,351</u>	<u>-</u>	<u>686,351</u>	<u>2,252,123</u>
TOTAL ASSETS	<u>\$ 3,106,803</u>	<u>\$ 163,010</u>	<u>\$ 3,269,813</u>	<u>\$ 4,501,271</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 477,828	\$ 289	\$ 478,117	\$ 176,252
Other Accrued Liabilities	1,444	-	1,444	71,134
Due to Other Funds	-	-	-	45,000
Unearned Revenue	39,350	-	39,350	28,500
Accrued Salaries and Benefits	<u>19,256</u>	<u>-</u>	<u>19,256</u>	<u>67,772</u>
TOTAL LIABILITIES	<u>537,878</u>	<u>289</u>	<u>538,167</u>	<u>388,658</u>
FUND BALANCE				
Reserved for TABOR Emergencies	325,520	-	325,520	204,000
Reserved for Capital Expenditures	-	-	-	1,683,508
Reserved for Debt Service	617,606	-	617,606	644,276
Reserved for Economic Development	14,538	-	14,538	29,013
Reserved for Drug Surcharge Expenditures	3,655	-	3,655	3,639
Reserved for Employees	380	-	380	3,129
Unreserved	<u>1,607,226</u>	<u>162,721</u>	<u>1,769,947</u>	<u>1,545,048</u>
TOTAL FUND EQUITY	<u>2,568,925</u>	<u>162,721</u>	<u>2,731,646</u>	<u>4,112,613</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,106,803</u>	<u>\$ 163,010</u>	<u>\$ 3,269,813</u>	<u>\$ 4,501,271</u>
TOTAL FUND BALANCE - GOVERNMENTAL FUNDS			\$ 2,731,646	
Capital assets used in governmental activities are not resources and are not reported in the funds:				
Capital Assets			19,522,040	
Accumulated Depreciation			(4,932,619)	
Earned but unpaid accumulated leave balances are not reported in the funds:				
Accrued Compensated Absences			(28,660)	
Long-term liabilities are not due and payable in the current period				
Bonds Payable			(935,000)	
Capital Lease Payable			(1,904,820)	
Accrued Interest Payable			<u>(12,587)</u>	
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES			<u>\$ 14,440,000</u>	

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

CITY OF SALIDA, COLORADO

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	GENERAL	CONSERVATION TRUST	TOTALS	
			2009	2008
REVENUES				
Taxes	\$ 5,100,576	\$ -	\$ 5,100,576	\$ 4,312,946
Licenses and Permits	20,276	-	20,276	17,933
Intergovernmental	2,394,900	49,278	2,444,178	397,952
Fines and Forfeits	76,568	-	76,568	73,314
Charges for Services	361,828	-	361,828	365,886
Interest Revenue	13,551	65	13,616	90,503
Other	507,740	-	507,740	473,364
TOTAL REVENUES	8,475,439	49,343	8,524,782	5,731,898
EXPENDITURES				
Current				
General Government	1,037,708	-	1,037,708	1,031,722
Public Safety	1,921,103	-	1,921,103	1,683,282
Public Works	579,436	-	579,436	491,493
Culture and Recreation	768,422	-	768,422	708,009
Capital Outlay	4,196,494	55,084	4,251,578	1,537,334
Debt Service				
Principal	2,133,943	-	2,133,943	1,011,419
Interest	213,559	-	213,559	150,950
TOTAL EXPENDITURES	10,850,665	55,084	10,905,749	6,614,209
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,375,226)	(5,741)	(2,380,967)	(882,311)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(100,000)	-	(100,000)	(504,186)
Debt Proceeds	1,100,000	-	1,100,000	1,595,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,375,226)	(5,741)	(1,380,967)	208,503
FUND BALANCES, Beginning	3,944,151	168,462	4,112,613	3,904,110
FUND BALANCES, Ending	\$ 2,568,925	\$ 162,721	\$ 2,731,646	\$ 4,112,613

(Continued)

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

CITY OF SALIDA, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (Continued)
For the Year Ended December 31, 2009

NET CHANGE IN FUND BALANCES - ALL GOVERNMENTAL FUNDS	\$ (1,380,967)
Principal payments on debt are reported as expenditures in the funds and debt proceeds are shown as revenues:	
Principal Payments on Bonds Payable	240,000
Principal Payments on Notes Payable	1,621,016
Principal Payments on Capital Lease	272,928
Issuance of Capital Lease	(1,100,000)
Earned but unpaid accumulated leave balances are not reported in the funds:	
Change in Accrued Compensated Absences	195,981
Interest is reported on the cash basis in the funds:	
Change in Accrued Interest	37,101
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities:	
Capitalized Assets	4,079,229
Depreciation Expense	(502,270)
Loss on Disposal of Capital Assets	(4,270)
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 3,458,748</u>

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

CITY OF SALIDA, COLORADO

**STATEMENT OF NET ASSETS-
PROPRIETARY FUNDS**

December 31, 2009

With Comparative Totals for December 31, 2008

	WATER	SEWER	STEAMPLANT THEATER & EVENTS CENTER	TOTALS	
				2009	2008
ASSETS					
Current Assets					
Cash and Investments	\$ 57,842	\$ 2,139,446	\$ 18,735	\$ 2,216,023	\$ 2,849,906
Intergovernmental Receivables	-	-	-	-	70,000
Accounts Receivable	170,178	401,050	24,631	595,859	491,822
Total Current Assets	<u>228,020</u>	<u>2,540,496</u>	<u>43,366</u>	<u>2,811,882</u>	<u>3,411,728</u>
Capital Assets					
Property, Plant and Equipment	11,073,414	8,928,608	1,759,301	21,761,323	19,772,376
Accumulated Depreciation	(3,058,622)	(3,059,214)	(211,446)	(6,329,282)	(6,076,256)
Total Capital Assets	<u>8,014,792</u>	<u>5,869,394</u>	<u>1,547,855</u>	<u>15,432,041</u>	<u>13,696,120</u>
Other Assets					
Other Assets	84,040	-	-	84,040	173,792
Notes Receivable	152,964	-	-	152,964	216,912
Restricted Cash and Investments	515,477	427,236	-	942,713	1,667,129
Total Other Assets	<u>752,481</u>	<u>427,236</u>	<u>-</u>	<u>1,179,717</u>	<u>2,057,833</u>
TOTAL ASSETS	<u>8,995,293</u>	<u>8,837,126</u>	<u>1,591,221</u>	<u>19,423,640</u>	<u>19,165,681</u>
LIABILITIES					
Current Liabilities					
Accounts Payable	127,362	38,851	19,591	185,804	56,668
Other Accrued Liabilities	33,331	-	-	33,331	-
Accrued Interest	15,198	1,526	-	16,724	38,524
Accrued Salaries and Benefits	2,321	1,725	1,206	5,252	14,889
Current Portion of Long-Term Debt	307,819	57,990	27,301	393,110	677,684
Total Current Liabilities	<u>486,031</u>	<u>100,092</u>	<u>48,098</u>	<u>634,221</u>	<u>787,765</u>
Long-Term Liabilities					
General Obligation Bonds Payable	-	-	-	-	65,000
Notes Payable	116,643	188,412	-	305,055	1,076,092
Refunding and Improvement Bonds	3,255,000	-	-	3,255,000	3,490,000
Capital Lease Payable	-	-	461,632	461,632	339,877
Total Long-Term Liabilities	<u>3,371,643</u>	<u>188,412</u>	<u>461,632</u>	<u>4,021,687</u>	<u>4,970,969</u>
TOTAL LIABILITIES	<u>3,857,674</u>	<u>288,504</u>	<u>509,730</u>	<u>4,655,908</u>	<u>5,758,734</u>
NET ASSETS					
Invested in Capital Assets, net of Related Debt	4,335,330	5,622,992	1,058,922	11,017,244	8,047,468
Restricted Net Assets	515,477	427,236	-	942,713	1,667,129
Unrestricted Net Assets	<u>286,812</u>	<u>2,498,394</u>	<u>22,569</u>	<u>2,807,775</u>	<u>3,692,351</u>
TOTAL NET ASSETS	<u>\$ 5,137,619</u>	<u>\$ 8,548,622</u>	<u>\$ 1,081,491</u>	<u>\$ 14,767,732</u>	<u>\$ 13,406,947</u>

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

CITY OF SALIDA, COLORADO

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS**

For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	WATER	SEWER	STEAMPLANT THEATER & EVENTS CENTER	TOTALS	
				2009	2008
OPERATING REVENUES					
Charges for Services	\$ 873,927	\$ 1,071,798	\$ 150,187	\$ 2,095,912	\$ 1,884,860
Miscellaneous	4,396	11,489	-	15,885	70,389
TOTAL OPERATING REVENUES	<u>878,323</u>	<u>1,083,287</u>	<u>150,187</u>	<u>2,111,797</u>	<u>1,955,249</u>
OPERATING EXPENSES					
Operations	520,718	594,108	262,309	1,377,135	1,145,440
Public Works	100,671	57,714	-	158,385	227,845
Depreciation	315,024	196,644	65,100	576,768	457,004
TOTAL OPERATING EXPENSES	<u>936,413</u>	<u>848,466</u>	<u>327,409</u>	<u>2,112,288</u>	<u>1,830,289</u>
OPERATING INCOME (LOSS)	<u>(58,090)</u>	<u>234,821</u>	<u>(177,222)</u>	<u>(491)</u>	<u>124,960</u>
NON-OPERATING REVENUE (EXPENSE)					
Intergovernmental	3,389	1,173,577	-	1,176,966	912,974
Interest Revenue	9,203	31,928	-	41,131	135,148
Resource Fees	78,072	-	-	78,072	164,324
System Development Fees	56,806	59,031	-	115,837	411,003
Donations/Contributions	-	-	54,930	54,930	56,000
Transfers In	-	-	100,000	100,000	504,186
Interest Expense	(183,012)	(11,476)	(11,172)	(205,660)	(274,166)
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(35,542)</u>	<u>1,253,060</u>	<u>143,758</u>	<u>1,361,276</u>	<u>1,909,469</u>
NET INCOME (LOSS)	<u>(93,632)</u>	<u>1,487,881</u>	<u>(33,464)</u>	<u>1,360,785</u>	<u>2,034,429</u>
NET ASSETS - Beginning	<u>5,231,251</u>	<u>7,060,741</u>	<u>1,114,955</u>	<u>13,406,947</u>	<u>11,372,518</u>
NET ASSETS - Ending	<u>\$ 5,137,619</u>	<u>\$ 8,548,622</u>	<u>\$ 1,081,491</u>	<u>\$ 14,767,732</u>	<u>\$ 13,406,947</u>

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

CITY OF SALIDA, COLORADO

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	WATER	SEWER	STEAMPLANT THEATER & EVENTS CENTER	TOTAL	
				2009	2008
Cash Flows From Operating Activities:					
Cash Received from Customers	\$ 927,138	\$ 1,005,481	\$ 125,909	\$ 2,058,528	\$ 2,342,177
Cash Paid to Suppliers and Employees	(483,349)	(630,186)	(269,924)	(1,383,459)	(1,486,684)
Net Cash Provided (Used) by Operating Activities	<u>443,789</u>	<u>375,295</u>	<u>(144,015)</u>	<u>675,069</u>	<u>855,493</u>
Cash Flows From Noncapital Financing Activities:					
Notes Receivable Advances	63,948	-	-	63,948	21,005
Cash Received (Paid To) Other Funds	(768)	768	100,000	100,000	-
Property Taxes Received	354	-	-	354	74,814
Cash Flows Provided (Used) by Noncapital Financing Activities	<u>63,534</u>	<u>768</u>	<u>100,000</u>	<u>164,302</u>	<u>95,819</u>
Cash Flows From Capital and Related Financing Activities:					
System Development/Resources Fees	134,878	59,031	-	193,909	575,327
Interest Paid	(113,062)	(13,475)	(11,172)	(137,709)	(276,412)
Additions to Fixed Assets, Net	(932,222)	(1,350,338)	(15,526)	(2,298,086)	(2,835,927)
Debt Issuance	-	-	-	-	530,000
Principal Paid on Long-Term Debt	(1,092,645)	(115,061)	(26,152)	(1,233,858)	(420,746)
Grants Received	3,037	1,193,577	40,327	1,236,941	798,160
Cash Flows Used by Capital and Related Financing Activities	<u>(2,000,014)</u>	<u>(226,266)</u>	<u>(12,523)</u>	<u>(2,238,803)</u>	<u>(1,629,598)</u>
Cash Flows (Uses) From Investing Activities:					
Interest Received	9,203	31,928	-	41,131	135,148
Net Increase (Decrease) in Cash	(1,483,488)	181,725	(56,538)	(1,358,301)	(543,138)
Cash - Beginning	<u>2,056,807</u>	<u>2,384,955</u>	<u>75,273</u>	<u>4,517,035</u>	<u>5,155,292</u>
Cash - Ending	<u>\$ 573,319</u>	<u>\$ 2,566,680</u>	<u>\$ 18,735</u>	<u>\$ 3,158,734</u>	<u>\$ 4,612,155</u>
Cash and Investments	\$ 57,842	\$ 2,139,446	\$ 18,735	\$ 2,216,023	\$ 2,945,026
Restricted Cash and Investments	515,477	427,236	-	942,713	1,667,129
Total Cash - Ending	<u>\$ 573,319</u>	<u>\$ 2,566,682</u>	<u>\$ 18,735</u>	<u>\$ 3,158,736</u>	<u>\$ 4,612,155</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ (58,090)	\$ 234,821	\$ (177,222)	\$ (491)	\$ 124,960
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation Expense	315,024	196,644	65,100	576,768	457,004
(Increase) Decrease in:					
Accounts Receivable	(1,185)	(77,806)	(24,278)	(103,269)	(63,072)
Intergovernmental Receivables	50,000	-	-	50,000	450,000
Property Tax Receivable	-	-	-	-	75,230
Water Meter Inventory	-	-	-	-	(66,866)
Due from Other Funds	-	-	-	-	309
Other Assets	-	-	-	-	7,871
Increase (Decrease) in:					
Accounts Payable	107,999	25,849	(5,481)	128,367	(76,896)
Other Accrued Liabilities	33,331	-	-	33,331	-
Accrued Interest	-	-	-	-	20,697
Deferred Revenue	-	-	-	-	(75,230)
Accrued Salaries and Compensated Absences	(3,290)	(4,213)	(2,134)	(9,637)	1,486
Total Adjustments	<u>501,879</u>	<u>140,474</u>	<u>33,207</u>	<u>675,560</u>	<u>730,533</u>
Net Cash Provided by Operating Activities	<u>\$ 443,789</u>	<u>\$ 375,295</u>	<u>\$ (144,015)</u>	<u>\$ 675,069</u>	<u>\$ 855,493</u>
Noncash assets donated	-	-	14,603	14,603	-

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

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Function of the Organization

The City of Salida, Colorado (the City) is organized as a statutory city under the constitution of the State of Colorado. The City operates under a council-mayor form of government and provides the following services: public safety (fire and police), public works, culture-recreation, public improvements, planning and zoning, water and sewer, and general administrative services.

Reporting Entity

The City is organized under Colorado statutes for Cities. Management of the City is independent of other state or local governments. The County Treasurer collects taxes for the City, but exercises no control over its expense/expenditure.

The membership of the Council consists of six members and a mayor elected by the public. The Council has broad control responsibilities including the approval of the annual budget, establishment of a system of accounting and budgetary control, acquisition and disposition of property, and the establishment, organization and operation of City utilities.

In accordance with governmental accounting standards, the City has considered the possibility of inclusion of additional entities in its financial statements. 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 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 these criteria, the City does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *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 activities demonstrates the degree to which the direct expenses of the 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*.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the 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 provider 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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.

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

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.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund (Conservation Trust Fund) - This fund accounts for funds received through the State of Colorado Lottery/ Conservation Trust Fund program. These funds are required to be spent on parks and recreation. This type of fund is used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are restricted to expenditures for specified purposes.

The City also reports the following major proprietary funds:

Water, Sewer, and Steam Plant Theater Funds - These funds account for the activities related to offering services to the City's residents.

Budgetary Data

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary comparisons presented for the proprietary funds are presented on a non-GAAP budgetary basis. Under this basis debt proceeds are recognized as revenues for budget purposes. Capital outlays and debt principal payments are recognized as expenditures, while depreciation is not budgeted. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year end.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- o Budgets are required by state law for all funds. By October 15, the City Administrator submits to the City Council a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- o Public hearings are conducted by the City Council to obtain taxpayer comments.
- o Prior to December 15, the budget is adopted by formal resolution.
- o The City Administrator is authorized to transfer budgeted amounts between departments of any budgeted fund; however, any revisions that alter the total expenditures of any budgeted fund must be approved by the City Council.
- o Expenditures may not legally exceed appropriations at the fund level.
- o Budgeted amounts reported in the accompanying financial statements are as originally adopted or as revised by the City Council.
- o Encumbrance accounting is not utilized.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity

Cash – The City pools cash resources of its various funds in order to facilitate the management of cash. Cash is pooled in interest bearing accounts which are legally authorized. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets – The City’s capital assets are recorded at original cost. Donated assets are listed at their fair value at the date of donation. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

It is the policy of the City to capitalize all fixed assets costing more than \$5,000 with an estimated useful life of two or more years.

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

Collection, Transmission and Distribution systems -	50 years
Infrastructure -	15 to 30 years
Buildings and Improvements -	20 to 50 years
General Equipment -	5 to 30 years

The City began recording and depreciating infrastructure in 2003. The City has not retroactively added infrastructure acquired prior to January 1, 2003.

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

Vacation, Sick Leave, Salary Related Payments, and Other Compensated Absences – City employees are entitled to certain compensated absences based on their length of employment. Employees are allowed to accumulate benefits up to predetermined maximums and may be compensated for these accumulated benefits either through paid time off or, in the case of vacation, are paid at termination or retirement.

Net Assets/Fund Balances – Net assets in the government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute. In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by the grant agreement. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures

Revenues and Expenditures - Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues - Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor by December 10. Assessed values are an approximation of market value. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At year-end, outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Comparative Data

Comparative total data for the prior year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to understand.

**CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

NOTE 2: CASH AND INVESTMENTS

Cash and Investments at December 31, 2009 were:

Type	Rating	Carrying Value
Deposits:		
Demand deposits		\$ 622,396
Country Treasurer		2,042
Cash on hand		1,738
		<u>626,176</u>
Investments:		
Certificates of Deposit		-
Colostrust	AAAm by S & P	3,116,461
Money Market Treasury		-
Money Market		767,087
		<u>3,883,549</u>
Total deposits and investments		<u>\$ 4,509,724</u>
Reconciliation to Statement of Net Assets		
Current:		
Cash and Investments		\$ 2,878,618
Cash with Fiscal Agent		2,042
Restricted Cash and Investments		1,629,064
		<u>\$ 4,509,724</u>

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$100,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2009, all of the City's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

The City considers all cash held in checking and savings accounts and all certificates of deposits as cash and cash equivalents.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 2: CASH AND INVESTMENTS (Continued)

Credit Risk - Investments

Colorado statutes specify which instruments units of local government may invest, which include:

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

The City does not have an investment policy that would further limit its investment choices.

During the year ended December 31, 2009, the City invested \$7,410,843 in Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. It invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pool operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. This fund is rated AAAM by the Standard and Poor's Corporation. The City also has an investment in a U.S. Treasury money market fund at December 31, 2009 rated AAAM by Standard and Poor's Corporation with a weighted average maturity of 6 days.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in the statutes.

The City has restricted cash and investments for capital expenditures and as required by loan agreements as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Restricted for:				
Capital Improvements	\$ 391,830	\$ 171,870	\$ 427,236	\$ 990,936
Debt Service	63,000	343,607	-	406,607
Contingency 15%	212,948	-	-	212,948
Employees	380	-	-	380
Drug Surcharge Expenditures	3,655	-	-	3,655
Economic Development	14,538	-	-	14,538
	<u>\$ 686,351</u>	<u>\$ 515,477</u>	<u>\$ 427,236</u>	<u>\$ 1,629,064</u>

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 3: CAPITAL ASSETS

A summary of changes in governmental activity capital assets for the year is as follows:

GOVERNMENTAL ACTIVITIES:	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Capital assets not being depreciated:				
Land and Right-of-Way	\$ 3,571,654	\$ -	\$ (3,000)	\$ 3,568,654
Construction in progress	920,618	1,953,792	-	2,874,410
Total capital assets not being depreciated	4,492,272	1,953,792	(3,000)	6,443,064
Capital assets being depreciated:				
Buildings	3,121,544	157,985	-	3,279,529
Gen Govt Land Improvements	2,666,398	1,717,899	-	4,384,297
Park Land Improvements	2,224,228	-	-	2,224,228
Total Infrastructure	4,890,626	1,717,899	-	6,608,525
General Equipment	558,922	166,862	(10,130)	715,654
Fire Equipment	184,363	11,812	-	196,175
Equipment	743,285	178,674	(10,130)	911,829
Fire Vehicles	952,347	-	-	952,347
Other Vehicles	1,281,015	70,879	(25,148)	1,326,746
Total Vehicles	2,233,362	70,879	(25,148)	2,279,093
Total capital assets being depreciated	10,988,817	2,125,437	(35,278)	13,078,976
Total Capital Assets	15,481,089	4,079,229	(38,278)	19,522,040
Accumulated depreciation:				
Buildings	(1,458,992)	(100,603)	-	(1,559,595)
Gen Govt Land Improvements	(561,229)	(92,582)	-	(653,811)
Park Land Improvements	(703,458)	(76,145)	-	(779,603)
Total Infrastructure	(1,264,687)	(168,727)	-	(1,433,414)
General Equipment	(377,139)	(62,437)	10,130	(429,446)
Fire Equipment	(151,727)	(15,070)	-	(166,797)
Total Equipment	(528,866)	(77,507)	10,130	(596,243)
Fire Vehicles	(642,741)	(41,890)	-	(684,631)
Other Vehicles	(569,341)	(113,543)	24,148	(658,736)
Total Vehicles	(1,212,082)	(155,433)	24,148	(1,343,367)
Total capital assets being depreciated	(4,464,627)	(502,270)	34,278	(4,932,619)
Net capital assets	\$ 11,016,462	\$ 3,576,959	\$ (4,000)	\$ 14,589,421

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 3: CAPITAL ASSETS (Continued)

Depreciation has been recorded against the various governmental activities as follows:

General Government	\$111,384
Public Safety	134,719
Public Works	98,586
Culture, Parks and Recreation	157,581
	<u>\$502,270</u>

A summary of changes in business-type activity capital assets for the year is as follows:

	<u>Balance 12/31/08</u>	<u>Additions/ Transfers</u>	<u>Deletions</u>	<u>Balance 12/31/09</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 76,027	\$ -	\$ -	\$ 76,027
Water Rights	1,068,418	153,517	-	1,221,935
Work in Process	2,552,564	1,444,131	-	3,996,695
Capital assets being depreciated:				
Lines	7,078,885	14,804	-	7,093,689
Structures	6,783,543	-	(14,014)	6,769,529
Equipment	2,212,939	764,814	(374,305)	2,603,448
Total Capital Assets	<u>19,772,376</u>	<u>2,377,266</u>	<u>(388,319)</u>	<u>21,761,323</u>
Accumulated depreciation:				
Lines	(2,241,105)	(178,315)		(2,419,421)
Structures	(2,672,746)	(207,866)	5,815	(2,874,797)
Equipment	(1,162,405)	(190,586)	317,927	(1,035,064)
Total Accumulated Depreciation	<u>(6,076,256)</u>	<u>(576,768)</u>	<u>323,742</u>	<u>(6,329,282)</u>
Net Capital Assets	<u>\$ 13,696,120</u>	<u>\$ 1,800,498</u>	<u>\$ (64,577)</u>	<u>\$ 15,432,041</u>

Depreciation has been charged to the various business-type activities as follows:

	Depreciation Expense
Water Operations	\$ 315,023
Sewer Operations	196,644
Culture/Recreation Operations	65,100
Total Depreciation	<u>\$ 576,768</u>

**CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

NOTE 4: LONG-TERM DEBT

Governmental Activities - The following summarizes the changes in the City's governmental long-term debt activity for the year ended December 31, 2009:

	Balance January 1, 2009	Issued	Retired	Balance December 31, 2009	Due Within One Year
Governmental Activities					
1994 General Obligation Bonds	\$ 170,000	\$ -	\$ 25,000	\$ 145,000	\$ 25,000
1996 General Obligation Bonds	185,000	-	25,000	160,000	30,000
1998 Sales Tax Revenue Bonds	820,000	-	190,000	630,000	195,000
2004 Vandaveer Note	1,621,016	-	1,621,016	-	-
2008 Community Services Complex Lease Purchase	875,000	-	25,178	849,822	26,245
2009 Community Services Complex Lease Purchase	-	1,100,000	45,002	1,054,998	33,124
2006 Capital Lease - Equipment	202,748	-	202,748	-	-
	\$ 3,873,764	\$ 1,100,000	\$ 2,133,944	\$ 2,839,820	\$ 309,368

Issue: General Obligation Limited Tax Water Bonds, 1994 Series

Original Amount: \$370,000

Interest: 5.50% to 7.10%

Purpose: To pay the costs of certain water system improvements and hot springs pool improvements including the costs of a major water transmission line to transport geothermal water.

Reserve requirements: None.

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance December 31</u>
2010	\$ 25,000	\$ 10,295	\$ 35,295	\$ 120,000
2011	25,000	8,520	33,520	95,000
2012	30,000	6,745	36,745	65,000
2013	30,000	4,615	34,615	35,000
2014	35,000	2,485	37,485	-
	\$ 145,000	\$ 32,660	\$ 177,660	

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 4: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Issue: General Obligation Limited Tax Water Bonds, 1996 Series

Original Amount: \$410,000

Interest: 4.50% to 6.00%

Purpose: To pay the costs of certain water system improvements and hot springs pool improvements including the costs of a major water transmission line to transport geothermal water.

Reserve requirements: None.

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance December 31</u>
2010	\$ 30,000	\$ 9,600	\$ 39,600	\$ 130,000
2011	30,000	7,800	37,800	100,000
2012	30,000	6,000	36,000	70,000
2013	35,000	4,200	39,200	35,000
2014	35,000	2,100	37,100	-
	<u>\$ 160,000</u>	<u>\$ 29,700</u>	<u>\$ 189,700</u>	

Issue: Sales Tax Revenue Refunding Bonds, Series 1998

Original Amount: \$1,925,000

Interest: 4.10% to 4.90%

Purpose: To refinance the outstanding Sales Tax Revenue Refunding Bonds Series 1998

Reserve Requirement is the least of:

- (i) 10% of the principal amount of the outstanding bonds
- (ii) the maximum annual debt service in any calendar year on the outstanding bonds
- (iii) 125% of the average annual debt service on the outstanding bonds

The reserve requirement is to be calculated every 5 years

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance December 31</u>
2010	\$ 195,000	\$ 30,772	\$ 225,772	\$ 435,000
2011	435,000	21,315	456,315	-
	<u>\$ 630,000</u>	<u>\$ 52,087</u>	<u>\$ 682,087</u>	

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 4: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Issue: 2008 Community Services Complex Lease Purchase - General Fund

Original Amount: \$875,000

Interest: 5.51%

Purpose: To acquire and renovate the Community Services Complex

Reserve requirements: None.

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance December 31</u>
2010	\$ 26,245	\$ 46,469	\$ 72,713	\$ 823,577
2011	27,711	45,003	72,713	795,867
2012	29,259	43,455	72,713	766,608
2013	30,893	41,820	72,713	735,715
2014	32,619	40,095	72,713	703,096
2015-2019	192,547	171,020	363,567	510,549
2020-2024	252,678	110,889	363,567	257,871
2025-2028	257,871	32,982	290,854	
	<u>\$ 849,822</u>	<u>\$ 531,732</u>	<u>\$ 1,381,555</u>	

Issue: 2009 Community Services Complex Lease Purchase - General Fund

Original Amount: \$1,100,000

Interest: 5.35%

Purpose: To acquire and renovate the Community Services Complex

Reserve requirements: None.

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance December 31</u>
2010	\$ 33,123	\$ 56,005	\$ 89,128	\$ 1,021,875
2011	34,918	54,209	89,128	986,957
2012	36,811	52,316	89,128	950,145
2013	38,807	50,321	89,128	911,338
2013	40,911	48,217	89,128	870,427
2015-2019	240,331	205,308	445,639	630,095
2020-2024	312,937	132,712	445,649	317,158
2025-2028	317,158	39,353	356,511	
	<u>\$ 1,054,998</u>	<u>\$ 638,440</u>	<u>\$ 1,693,438</u>	

**CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

NOTE 4: LONG-TERM DEBT (Continued)

Business-Type Activities

The following summarizes the changes in the City's business-type long-term debt activity for the year ended December 31, 2009:

	Balance January 1, 2009	Issued	Retired	Balance December 31, 2009	Due Within One Year
Business-Type Activities					
1990 General Obligation Bonds	\$ 130,000	\$ -	\$ 65,000	\$ 65,000	\$ 65,000
2001 DOLA Note Payable - Water	131,909	-	7,447	124,462	7,819
2003 CWRPDA Loan Agreement	302,141	-	55,739	246,402	57,990
2004 Water Purchase Note - Vandav	736,825	-	736,825	-	-
2006 Capital Lease - Equipment	117,695	-	117,695	-	-
2007 Water & Sewer Refunding and Improvement Bonds	3,715,000	-	225,000	3,490,000	235,000
2008 SteamPlant Theater & Event Center Lease Purchase	515,085	-	26,152	488,933	27,301
Bond Disc./Issue Costs, Net	(91,912)	-	(7,871)	(84,041)	-
	<u>\$ 5,556,743</u>	<u>\$ -</u>	<u>\$ 1,225,986</u>	<u>\$ 4,330,756</u>	<u>\$ 393,110</u>

Issue: General Obligation Limited Water Refunding Bonds, Series 1990

Original Amount: \$710,000

Interest: 7.85% to 8.00%

Purpose: To restructure the City's 1987 G.O. Water Bonds and to provide improvements to the current water system. Planned improvements included the repair of a one million gallon storage tank, replacement of water lines, and upgrading of the chlorine and treatment processes of the City's water system.

Reserve requirements: None.

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance December 31</u>
2010	\$ 65,000	\$ 5,200	\$ 70,200	-
	<u>\$ 65,000</u>	<u>\$ 5,200</u>	<u>\$ 70,200</u>	

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 4: LONG-TERM DEBT (Continued)

Business-Type Activities(Continued)

Issue: 2001 Division of Local Affairs (DOLA), Energy Impact Assistance Loan

Original Amount: \$175,000

Interest: 5.00%

Purpose: The construction of a one million gallon steel tank for treated water storage and installation of approximately 9,300 linear feet of water transmission line from the tank to the existing distribution system for the City.

Reserve requirements: None.

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance December 31</u>
2010	\$ 7,819	\$ 6,223	\$ 14,042	\$ 116,643
2011	8,210	5,832	14,042	108,433
2012	8,621	5,421	14,042	99,812
2013	9,052	4,990	14,042	90,760
2014	9,504	4,538	14,042	81,256
2015-2019	55,145	15,065	70,210	26,111
2020-2021	26,111	1,973	28,084	-
	<u>\$ 124,462</u>	<u>\$ 44,042</u>	<u>\$ 168,504</u>	

**Issue: 2003 Colorado Water Resources and Power Development Authority
Water Pollution Control Revolving Fund Note**

Original Amount: \$550,000

Interest: 4.00%

Purpose: Construction of improvements to the existing wastewater treatment plant including installation of sludge digesters, a high solids centrifuge, and other associated appurtances

Reserve Requirement: An operating and maintenance reserve fund is to be established in an amount equal to three months of operations and maintenance expenses, excluding depreciation. Said reserve may be in the form of unobligated fund balance or other unobligated cash or securities.

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance December 31</u>
2010	\$ 57,990	\$ 9,282	\$ 67,272	\$ 188,412
2011	60,333	6,939	67,272	128,079
2012	62,771	4,501	67,272	65,308
2013	65,308	1,964	67,272	-
	<u>\$ 246,402</u>	<u>\$ 22,686</u>	<u>\$ 269,088</u>	

**CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

NOTE 4: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Issue: Water and Sewer Refunding and Improvement Revenue Bonds, 2007

Original Amount: \$3,940,000

Interest: 4.00%

Purpose: (i) To finance capital additions to the water system for the purpose of increasing capacity to serve customers and improving the reliability of the water system and (ii) the refunding, paying, and discharging the City's outstanding Water and Sewer Revenue Bonds Series 1996

Reserve Requirement: To be maintained in an amount equal to the least of (a) the maximum annual payments of principal and interest on the 2007 Bonds and all Parity Lien Bonds or (b) the maximum amount which may be credited to the Reserve Account and allow such account to qualify as a "reasonably required reserve or replacement fund" under Section 148(d) of the Code to prevent deficiencies in the payment of the Series 2007 Bonds. The minimum reserve requirement at December 31, 2009 was \$343,552; the City has exceeded this requirement by reserving \$343,605 on that date.

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance December 31</u>
2010	\$ 235,000	\$ 143,862	\$ 378,862	\$ 3,255,000
2011	250,000	134,463	384,463	3,005,000
2012	260,000	124,462	384,462	2,745,000
2013	250,000	114,063	364,063	2,495,000
2014	275,000	101,562	376,562	2,220,000
2015-2019	930,000	360,438	1,290,438	1,290,000
2020-2024	755,000	210,862	965,862	535,000
2025-2027	535,000	46,113	581,113	
	<u>\$ 3,490,000</u>	<u>\$ 1,235,825</u>	<u>\$ 4,725,825</u>	

**CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

NOTE 4: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Issue: 2008 Steam Plant Theater and Event Center Lease Purchase

Original Amount: \$530,000

Interest: 4.70%

Purpose: To finance the renovation and expansion costs of the Steam Plant Theater and Events Center

Reserve requirement: None.

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance December 31</u>
2010	\$ 27,301	\$ 20,973	\$ 48,275	\$ 461,632
2011	28,502	19,773	48,275	433,129
2012	29,703	18,572	48,275	403,427
2013	31,061	17,213	48,275	372,365
2014	32,427	15,848	48,275	339,938
2015-2019	184,779	56,595	241,375	155,159
2020-2023	155,159	13,803	168,962	-
	<u>\$ 488,933</u>	<u>\$ 162,779</u>	<u>\$ 651,712</u>	

NOTE 5: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions and employee health claims. The City provides for this risk of loss through their participation in the Colorado Intergovernmental Risk Sharing Agency (CIRSA) and the purchase of commercial insurance. The purposes of CIRSA are to provide members defined liability and property coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against CIRSA, their employees or officers. The City recognizes as an expense/expenditure the amounts paid to CIRSA annually for these coverages. Contingent liability claims for the coverage have not been recognized to date after reviewing claim history and the remoteness of potential loss in excess of actual contributions by the City.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 5: RISK MANAGEMENT (Continued)

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, and member of CIRSA against stated liability or 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 coverage 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 its budget, nor does it have the ability to significantly affect the operations of the unit. CIRSA is a combination of the Colorado Intergovernmental Risk Sharing Agency Property and Casualty Pool and the Colorado Intergovernmental Risk Sharing Agency for Worker's Compensation.

The City has not materially changed its coverage from previous years. Based on the lack of previous loss occurrences, the City has not recorded any liability for unpaid claims at December 31, 2009.

NOTE 6: FUND EQUITY

Certain portions of fund equity have been reserved that represent funds not available for appropriation in the subsequent year. In addition, the City has designated portions of their unreserved fund equity for certain subsequent year's expenditures which can be appropriated in future years. The following is a description of these reserves and designations:

RESERVATIONS OF FUND EQUITY

Reserve for debt service

The reserve for debt service in the general fund represents the reserve required for future interest and principal payments on the general obligation bonds. The reserve for debt service in the enterprise funds represents the reserve required to be maintained under provisions of the bond indenture.

Reserve for emergencies

This represents approximately 3% of the City's estimated 2009 fiscal year spending as that term is defined in the Colorado constitution. Under these provisions of the constitution, these reserves can be used for declared emergencies only.

Reserve for capital

This represents the portion of the general and enterprise fund equity reserved for capital improvements and expenditures, as defined in the Salida Municipal code.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 7: PENSION PLANS

The City participates in various retirement plans as follows:

OLD-HIRE FIRE PLAN

Plan description - The City of Salida, on behalf of its full-time, paid firefighters hired prior to April 7, 1978, contributes to the City of Salida old-hire fire plan, a defined benefit pension plan which is affiliated with the Colorado Fire and Police Member's Benefit Association (FPPA). Assets of the plan are commingled for investment purposes in the Fire and Police Members' Benefit Fund, an agent, multiple-employer defined benefit pension plan administered by FPPA. As outlined in Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, the plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the City of Salida. FPPA issues a publicly available annual financial report that includes the assets of the City of Salida old-hire fire plan. That report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado, 80111, or by calling FPPA at (303) 770-3772 in the Denver metro area, or 1-800-322-3772 from outside the metro area.

Funding Policy - Plan members and the City of Salida are required to contribute at a rate set by statute. Since all plan members are presently retired, no plan member contributions have been made for the last three years. The City of Salida's contributions to the pension plan fund for the years ended December 31, 2009, 2008 and 2007 were \$-0-, \$-0- and \$-0-. These contribution amounts have been actuarially determined and were equal to the required contribution for each year.

Annual Pension Cost/Actuarial Information - For the year ended December 31, 2009, the City of Salida's annual pension cost of \$0 for the old-hire fire plan was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2008 actuarial valuation using the entry age normal cost method. The actuarial assumptions used in the valuation at January 1, 2008 were (a) life expectancy of participants obtained from the 1994 group annuity mortality table set back two years and increased at each age by .0002 for fire and police experience; (b) retirement age assumption of age 50 and 20 years experience; (c) salary increases of 3.5% for inflation and 9.75% downgraded to .5% by years of service for merit raises; and (d) investment return of 8.0% per year net of operating expenses. The plan asset valuation method used was based on a three-year moving average of expected and actual market values as adjusted for various factors outlined in the actuarial study.

The actuarial valuation utilized a level dollar amortization over a closed period of the longer of: (i) the years remaining until 2022, or (ii) 10 years from the valuation date; but in no case longer than the average remaining life expectancy of the covered group.

The table below represents the required disclosures for the most recent actuarial valuation and the two preceding valuations:

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 7: PENSION PLANS (Continued)

OLD-HIRE FIRE PLAN (Continued)

Actuarial Valuation Date	Net Assets Available for Benefits	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Covered Payroll
1/1/2008	\$ 296,097	\$ 262,994	\$ 33,103	112.59%	\$ -	\$ -
1/1/2006	289,599	282,186	7,413	102.63%	-	-
1/1/2004	293,527	305,194	(11,667)	96.18%	-	-

OLD-HIRE POLICE PLAN

Plan Description - The City of Salida, on behalf of its full-time, paid police officers hired prior to April 7, 1978, contributes to the City of Salida old-hire police plan, a defined plan affiliated with the Colorado Fire and Police Pension Association of the plan are commingled for investment purposes in the Fire and Benefit Fund, an agent multiple-employer defined benefit pension plan FPPA. As outlined in Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, the plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the City of Salida. FPPA issues a publicly available annual financial report that includes the assets of the City of Salida old-hire police plan. That report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado, 80111, or by calling FPPA at (303) 770-3772 in the Denver metro area or 1 800-332-3772 from outside the metro area.

Funding Policy - Plan members and the City of Salida are required to contribute at a rate set by statute. The City is required to contribute at an actuarially determined rate; the current rate is 4.55% of covered salaries. The City of Salida's contributions to the pension fund for the years ended December 31, 2009, 2008 and 2007, were \$35,998, \$46,130, and \$38,370. The contributions of the City of Salida were equal to the required contribution for each year.

Annual Pension Cost/Actuarial Information - For the year ended December 31, 2009, the City of Salida's annual pension cost of \$35,998 for the old-hire police plan was equal to the City's required and actual contribution. The required contribution was determined as part of the January 1, 2008 actuarial valuation using the entry age normal cost method. The actuarial assumptions used in the valuation at January 1, 2008 were (a) life expectancy of participants obtained from the 1994 group annuity mortality table set back two years and increased at each age by .0002 for fire and police experience; (b) retirement age assumptions of age 55 and 20 years of service or upon completion of 25 years of service if earlier; (c) salary increases of 3.5% for inflation and 9.75% downgraded to 1.25% by years of service for merit raises; and (e) investment return of 8.0% net of operating expenses. The plan asset valuation method used was based on a three-year moving average of expected and actual market values as adjusted for various factors outlined in the actuarial study.

The actuarial valuation utilized a level dollar amortization over a closed period of the longer of: (i) the years remaining until 2022, or (ii) 10 years from the valuation date; but in no case longer than the average remaining life expectancy of the covered group.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 7: PENSION PLANS (Continued)

OLD-HIRE POLICE PLAN (Continued)

The table below represents the required disclosures for the most recent actuarial valuation and the two preceding valuations:

Actuarial Valuation Date	Net Assets Available for Benefits	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Covered Payroll
1/1/2008	\$ 1,055,166	\$ 1,373,164	\$ (317,998)	76.84%	\$ -	n/a
1/1/2006	1,008,884	1,425,499	(416,615)	70.77%	-	n/a
1/1/2004	1,019,915	1,408,282	(388,367)	72.42%	49,363	-786.76%

NEW-HIRE FIRE AND POLICE

The City of Salida contributes to this statewide, defined benefit pension plan which is a cost-sharing, multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The statewide defined benefit plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the statewide death and disability plan that is a non-contributory plan which is also administered by FPPA. All full-time paid police officers and firefighters of the City of Salida hired after April 7, 1978, are members of the statewide defined benefit plan and the statewide death and disability plan. Title 31, Article 30 of the Colorado Revised Statutes (CR5), as amended, assigns the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available financial report that includes financial statements and required supplementary information for both the statewide defined benefit plan and the statewide death and disability plan. The report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado, 80111, or by calling FPPA at (303) 770-3772 in the Denver metro area or 1-800-332-3772 from outside the metro area.

Plan members and the City of Salida are required to contribute at a rate set by statute. The contribution requirements of plan members and the City of Salida are established under Title 31, Article 30, Part 10 of the CRS, as amended. The contribution rate for members is 8% of covered salary. The City of Salida's contributions to the statewide benefit plan for the years ended December 31, 2009, 2008, and 2007 were \$92,088 \$81,458, and \$77,716 equal to their required contributions for each year.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 7: PENSION PLANS (Continued)

DEFINED CONTRIBUTION PLANS

The City contributes to a simplified employee pension (SEP) on behalf of all full-time employees, except full-time fire and police personnel. The plan is administered by FTJ Fund Choice and provides that the City contributes 3% for each full-time employee and then will match employee Section 457 contributions up to an additional 3% of each employee's compensation with the City's contribution totaling \$73,591 during 2009.

NOTE 8: TAXPAYER'S BILL OF RIGHTS AND ELECTION QUESTION

At the November 3, 1992 general election, Colorado voters approved an amendment to the Colorado Constitution commonly known as the Taxpayer's Bill of Rights (the Amendment). The Amendment was effective December 31, 1992, and its provisions limit government taxes, spending, revenues and debt without electoral approval.

The Amendment by its terms applies to local governments, such as the City, but excludes "enterprises" which are defined as a (1) government owned business, (2) authorized to issue its own debt and (3) receives less than 10% of its annual revenue in grants from all state and local governments. The City considers its Water and Sewer Funds to be "enterprise" funds and, therefore, considers them excluded from the terms of the Amendment.

In November 1993, an election question was put before and approved by the Citizen's of Salida. The election question asked the citizens for the City to retain the ability to collect and retain certain revenues generated without any increase in any tax rate and expenditures and revenues on debt service, municipal operations and capital projects without the limitation of the Amendment.

For 2009, the City was required to reserve 3% of its fiscal year spending as "emergency reserves". The Tabor emergency reserve of \$325,520 has been recorded as reserved net assets in the General Fund.

**CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

NOTE 9: COMPLIANCE WITH STATE STATUTES

Expenditures exceeded appropriations in the following funds which may be a violation of State statutes:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Expenditures in Excess of Appropriations</u>
Water Fund	\$2,859,388	\$2,870,741	\$(11,353)
SteamPlant	\$ 296,224	\$ 329,762	\$(33,538)

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALIDA, COLORADO

**BUDGETARY COMPARISON SCHEDULE
FOR THE GENERAL FUND**

For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009			VARIANCE POSITIVE (NEGATIVE)	2008 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 241,352
Specific Ownership Taxes	52,000	-	3,135	3,135	51,942
City Sales Tax	3,668,000	3,284,113	3,460,339	176,226	2,441,952
County Sales Tax	1,345,000	861,260	1,232,600	371,340	1,341,211
Lodging Occupation Tax	257,000	257,000	108,747	(148,253)	-
Delinquent Taxes and Interest	-	-	1,171	1,171	25
Franchise Taxes	256,000	256,000	294,584	38,584	236,464
Total Taxes	<u>5,578,000</u>	<u>4,658,373</u>	<u>5,100,576</u>	<u>442,203</u>	<u>4,312,946</u>
Licenses and Permits:					
Liquor Licenses	8,000	8,000	11,513	3,513	8,945
Permits	6,000	6,000	5,250	(750)	5,817
Business Licenses	1,200	1,200	2,455	1,255	2,108
Animal Licenses	1,500	1,500	1,058	(442)	1,437
Total Licenses and Permits	<u>16,700</u>	<u>16,700</u>	<u>20,276</u>	<u>3,576</u>	<u>18,307</u>
Intergovernmental:					
Cigarette Taxes	26,000	26,000	23,889	(2,111)	25,861
Motor Vehicle Registrations	26,000	26,000	22,856	(3,144)	27,580
Federal Grants	-	874,753	912,176	37,423	-
State Grants	1,983,700	1,815,634	1,154,313	(661,321)	25,394
Highway Users Taxes	171,630	171,630	186,468	14,838	176,149
Severance Taxes	15,000	15,000	17,190	2,190	11,887
South Ark. Fire District	70,000	70,000	70,000	-	70,000
County Road & Bridge	5,000	5,000	5,408	408	4,995
State Highway 291	2,600	2,600	2,600	-	2,600
Total Intergovernmental	<u>2,299,930</u>	<u>3,006,617</u>	<u>2,394,900</u>	<u>(611,717)</u>	<u>344,466</u>
Fines and Forfeits:					
Court Fines	79,000	79,000	65,507	(13,493)	61,229
Parking Fines	8,500	8,500	11,061	2,561	8,560
Other Fines and Forfeits	-	-	-	-	3,525
Total Fines and Forefeits	<u>87,500</u>	<u>87,500</u>	<u>76,568</u>	<u>(10,932)</u>	<u>73,314</u>
Charges for Services:					
Charges for Services	20,000	20,000	23,567	3,567	35,382
Vital Statistics Records	16,000	16,000	14,389	(1,611)	14,745
Hot Springs Pool Fees	330,000	330,000	277,479	(52,521)	272,562
Other Parks and Recreation Fees	46,000	46,000	46,393	393	43,197
Total Charges for Services	<u>412,000</u>	<u>412,000</u>	<u>361,828</u>	<u>(50,172)</u>	<u>365,886</u>
Interest Revenue:	<u>100,000</u>	<u>100,000</u>	<u>13,551</u>	<u>(86,449)</u>	<u>90,403</u>
Miscellaneous:					
Rents and Leases	12,000	12,000	8,868	(3,132)	10,363
Planning and Zoning	30,000	42,600	34,449	(8,151)	48,036
Donations	6,000	6,000	6,725	725	6,199
Asset contributions	-	-	304,186	304,186	-
Other Revenue	25,000	25,000	123,157	98,157	28,322
Non-Governmental	-	-	9,450	9,450	-
Sales of Fixed Assets	500,000	10,000	9,059	(941)	367,321
Medical/Dental Reimbursement (COBRA)	9,400	9,400	11,846	2,446	8,109
Insurance Proceeds	-	-	-	-	4,641
Total Miscellaneous	<u>582,400</u>	<u>105,000</u>	<u>507,740</u>	<u>402,740</u>	<u>472,991</u>
TOTAL REVENUES	<u>9,076,530</u>	<u>8,386,190</u>	<u>8,475,439</u>	<u>89,249</u>	<u>5,678,313</u>

(Continued)

See the accompanying Independent Auditors' Report.

CITY OF SALIDA, COLORADO

**BUDGETARY COMPARISON SCHEDULE
FOR THE GENERAL FUND**

For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009			VARIANCE POSITIVE (NEGATIVE)	2008 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES					
General Government:					
Administration					
Personnel Services	355,550	373,900	385,320	(11,420)	422,408
Supplies	16,500	12,800	17,550	(4,750)	27,481
Purchased Services	270,200	295,300	290,993	4,307	213,119
Fixed Charges	180,000	141,000	132,345	8,655	136,177
Grants and Contributions	-	-	-	-	5,847
Capital Outlay	2,084,800	2,037,900	1,826,160	211,740	898,513
Total Administration	2,907,050	2,860,900	2,652,368	208,532	1,703,545
Community Development					
Personnel Services	180,800	180,500	177,673	2,827	113,794
Supplies	1,900	1,500	1,191	309	1,422
Purchased Services	60,400	33,000	32,636	364	60,242
Grants and Contributions	-	-	-	-	5,000
Capital Outlay	6,895	2,700	2,643	57	12,631
Total Community Development	249,995	217,700	214,143	3,557	193,089
Total General Government	3,157,045	3,078,600	2,866,511	212,089	1,896,634
Public Safety:					
Police					
Personnel Services	1,039,964	1,043,200	1,059,352	(16,152)	910,352
Supplies	55,350	50,000	58,808	(8,808)	71,226
Purchased Services	135,236	123,800	123,520	280	114,859
Capital Outlay	69,425	75,900	75,091	809	70,165
Total Police	1,299,975	1,292,900	1,316,771	(23,871)	1,166,602
Fire					
Personnel Services	636,400	605,300	613,117	(7,817)	561,109
Supplies	35,050	32,500	29,166	3,334	32,693
Purchased Services	64,150	45,200	37,140	8,060	39,277
Capital Outlay	33,340	27,800	30,208	(2,408)	13,676
Total Fire	768,940	710,800	709,631	1,169	646,755
Total Public Safety	2,068,915	2,003,700	2,026,402	(22,702)	1,813,357
Public Works:					
Personnel Services	315,795	387,000	394,280	(7,280)	332,066
Supplies	65,140	37,000	75,619	(38,619)	70,854
Purchased Services	110,815	117,400	108,964	8,436	88,573
Fixed Charges	-	-	573	(573)	-
Capital Outlay	1,553,815	2,004,400	1,911,756	92,644	473,039
Total Public Works	2,045,565	2,545,800	2,491,192	54,608	964,532
Culture, Parks and Recreation:					
Recreation					
Personnel Services	39,905	31,200	24,880	6,320	19,798
Supplies	4,750	3,500	2,236	1,264	3,065
Purchased Services	18,745	18,300	18,381	(81)	14,481
Capital Outlay	1,200	1,000	876	124	1,495
Total Recreation	64,600	54,000	46,373	7,627	38,839

(Continued)

See the accompanying Independent Auditors' Report.

CITY OF SALIDA, COLORADO

BUDGETARY COMPARISON SCHEDULE
FOR THE GENERAL FUND

For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009			VARIANCE POSITIVE (NEGATIVE)	2008 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES (Continued)					
Hot Springs Pool					
Personnel Services	262,492	287,000	284,255	2,745	252,708
Supplies	61,125	55,500	52,221	3,279	52,830
Purchased Services	114,133	113,000	100,745	12,255	111,485
Fixed Charges	-	-	1,810	(1,810)	1,709
Capital Outlay	945,800	938,300	278,034	660,266	22,912
Total Hot Springs Pool	<u>1,383,550</u>	<u>1,393,800</u>	<u>717,065</u>	<u>676,735</u>	<u>441,644</u>
Parks & Trails					
Personnel Services	122,690	117,300	101,390	15,910	69,787
Supplies	23,360	22,600	23,453	(853)	29,877
Purchased Services	82,700	65,000	74,850	(9,850)	70,038
Grants and Contributions	5,000	5,000	-	5,000	-
Capital Outlay	71,500	32,000	30,676	1,324	25,350
Total Parks & Trails	<u>305,250</u>	<u>241,900</u>	<u>230,369</u>	<u>11,531</u>	<u>195,052</u>
Other Properties					
Purchased Services	63,450	20,800	31,416	(10,616)	52,231
Grants and Contributions	53,950	54,700	22,785	31,915	-
Capital Outlay	8,000	5,000	41,050	(36,050)	-
Airport Operations	30,000	30,000	30,000	-	30,000
Total Other Properties	<u>155,400</u>	<u>110,500</u>	<u>125,251</u>	<u>(14,751)</u>	<u>82,231</u>
Total Culture, Parks and Recreation	<u>1,908,800</u>	<u>1,800,200</u>	<u>1,119,058</u>	<u>681,142</u>	<u>757,766</u>
Debt Service					
Interest	221,578	214,000	213,559	441	150,950
Principal	461,796	2,134,000	2,133,943	57	1,011,419
Total Debt Service	<u>683,374</u>	<u>2,348,000</u>	<u>2,347,502</u>	<u>498</u>	<u>1,162,369</u>
TOTAL EXPENDITURES	<u>9,863,699</u>	<u>11,776,300</u>	<u>10,850,665</u>	<u>925,635</u>	<u>6,594,658</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	(100,000)	(100,000)	(504,186)
Debt Proceeds	800,000	1,100,000	1,100,000	-	1,595,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>800,000</u>	<u>1,100,000</u>	<u>1,000,000</u>	<u>(100,000)</u>	<u>1,090,814</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	12,831	(2,290,110)	(1,375,226)	914,884	174,469
FUND BALANCE - Beginning of Year	<u>3,651,570</u>	<u>3,944,151</u>	<u>3,944,151</u>	-	<u>3,769,682</u>
FUND BALANCE - End of Year	<u>\$ 3,664,401</u>	<u>\$ 1,654,041</u>	<u>\$ 2,568,925</u>	<u>\$ 914,884</u>	<u>\$ 3,944,151</u>

See the accompanying Independent Auditors' Report.

CITY OF SALIDA, COLORADO

BUDGETARY COMPARISON SCHEDULE
FOR THE CONSERVATION TRUST FUND

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	2009			2008 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
REVENUES				
Other Intergovernmental	\$ 50,100	\$ 49,278	\$ (822)	\$ 53,486
Interest Revenue	-	65	65	100
Total Revenues	<u>50,100</u>	<u>49,343</u>	<u>(757)</u>	<u>53,586</u>
EXPENDITURES				
Other City Assets	<u>97,000</u>	<u>55,084</u>	<u>41,916</u>	<u>19,552</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(46,900)	(5,741)	41,159	34,034
FUND BALANCE - Beginning of Year	<u>134,428</u>	<u>168,462</u>	<u>34,034</u>	<u>134,428</u>
FUND BALANCE - End of Year	<u>\$ 87,528</u>	<u>\$ 162,721</u>	<u>\$ 75,193</u>	<u>\$ 168,462</u>

See the accompanying Independent Auditors' Report.

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OTHER SUPPLEMENTARY INFORMATION

CITY OF SALIDA, COLORADO

WATER FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	2009			VARIANCE POSITIVE (NEGATIVE)	2008 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes	\$ -	\$ 20	\$ 354	\$ 334	\$ 74,814
Other Intergovernmental	2,900	2,900	3,035	135	75,960
Charges for Services	803,000	794,900	873,927	79,027	851,757
Resource Fees	150,000	65,000	78,072	13,072	164,324
System Development Fees	200,000	200,000	56,806	(143,194)	213,853
Other Revenue	15,000	22,000	4,396	(17,604)	57,208
Interest Revenue	75,000	10,000	9,203	(797)	77,996
TOTAL OPERATING REVENUES	1,245,900	1,094,820	1,025,793	(69,027)	1,515,912
EXPENDITURES					
Water					
Personnel Services	241,000	211,000	230,958	(19,958)	211,527
Supplies	9,700	5,000	5,608	(608)	6,844
Chemicals, Laboratory Supplies	20,000	24,000	23,967	33	18,706
Purchased Water	23,200	23,200	16,676	6,524	43,886
Purchased Services	91,000	90,800	56,207	34,593	74,485
Utilities	41,500	42,000	37,343	4,657	43,555
Legal	50,000	25,000	17,247	7,753	20,830
Fixed Charges	45,000	44,000	45,034	(1,034)	43,730
Debt Service Principal	359,810	1,092,645	1,092,645	-	352,033
Interest Expense	206,518	199,743	183,012	16,731	238,631
Water Rights	75,000	150,000	156,572	(6,572)	-
Total Water	1,162,728	1,907,388	1,865,269	42,119	1,054,227
Public Works - Water					
Personnel Services	113,000	70,000	74,371	(4,371)	103,383
Supplies	10,300	9,000	8,797	203	21,445
Purchased Services	39,100	20,000	10,780	9,220	2,185
Construction and Building	10,000	8,000	6,723	1,277	12,866
Total Public Works - Water	172,400	107,000	100,671	6,329	139,879
Capital Outlay	1,181,835	845,000	904,801	(59,801)	1,715,414
TOTAL EXPENDITURES	2,516,963	2,859,388	2,870,741	(11,353)	2,909,520
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS	(1,271,063)	(1,764,568)	(1,844,948)	(80,380)	(1,393,608)

(Continued)

See the accompanying Independent Auditors' Report.

CITY OF SALIDA, COLORADO

WATER FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	2009			VARIANCE POSITIVE (NEGATIVE)	2008 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS	<u>\$ (1,271,063)</u>	<u>\$ (1,764,568)</u>	\$ (1,844,948)	<u>\$ (80,380)</u>	\$ (1,393,608)
GAAP BASIS ADJUSTMENTS					
Capital Outlay			973,695		1,688,652
Depreciation			(315,024)		(216,035)
Debt Service Principal			<u>1,092,645</u>		<u>352,033</u>
TOTAL GAAP BASIS ADJUSTMENTS			<u>1,751,316</u>		<u>1,824,650</u>
NET INCOME - GAAP BASIS			(93,632)		431,042
NET ASSETS - Beginning of Year			<u>5,231,251</u>		<u>4,800,209</u>
NET ASSETS - End of Year			<u>\$ 5,137,619</u>		<u>\$ 5,231,251</u>

See the accompanying Independent Auditors' Report.

CITY OF SALIDA, COLORADO

SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	2009			VARIANCE POSITIVE (NEGATIVE)	2008 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Charges for Services	\$ 997,000	\$ 1,045,500	\$ 1,071,798	\$ 26,298	\$ 981,223
Other Intergovernmental	-	1,170,000	1,173,577	3,577	20,000
System Development Fees	150,000	60,000	59,031	(969)	197,150
Other Revenue	15,000	32,200	11,489	(20,711)	13,181
Interest Revenue	30,000	30,000	31,928	1,928	57,152
TOTAL REVENUES	1,192,000	2,337,700	2,347,823	10,123	1,268,706
EXPENDITURES					
Sewer					
Personnel Services	282,000	282,000	270,555	11,445	218,966
Chemicals, Laboratory Supplies	45,000	45,000	43,687	1,313	33,020
Supplies	15,000	15,000	12,772	2,228	13,514
Utilities	125,000	125,000	96,113	28,887	96,748
Professional Services	10,000	10,000	5,300	4,700	7,191
Legal	20,000	60,000	52,447	7,553	11,974
Purchased Services	50,000	118,000	69,702	48,298	77,935
Construction and Building	1,000	1,000	-	1,000	885
Fixed Charges	42,000	42,000	43,532	(1,532)	43,137
Debt Service Principal	84,806	115,061	115,061	-	53,574
Interest Expense	13,960	13,475	11,476	1,999	13,342
Total Operations	688,766	826,536	720,645	105,891	570,286
Public Works - Sewer					
Personnel Services	94,000	20,000	9,462	10,538	9,345
Supplies	3,000	1,000	4,050	(3,050)	640
Sewer Cleaning	50,000	45,000	45,000	-	45,000
Purchased Services	8,500	5,000	(1,444)	6,444	1,512
Construction and Building	3,500	1,000	-	1,000	181
Debt Service Principal	-	-	-	-	27,925
Interest Expense	-	-	-	-	2,801
Total Administration	159,000	72,000	57,068	14,932	87,404
Capital Outlay	319,000	1,513,000	1,354,486	158,514	178,321
TOTAL EXPENDITURES	1,166,766	2,411,536	2,132,199	279,337	836,011
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS	25,234	(73,836)	215,624	289,460	432,695

(Continued)

See the accompanying Independent Auditors' Report.

CITY OF SALIDA, COLORADO

SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	2009			VARIANCE POSITIVE (NEGATIVE)	2008 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS	<u>\$ 25,234</u>	<u>\$ (73,836)</u>	\$ 215,624	<u>\$ 289,460</u>	\$ 432,695
GAAP BASIS ADJUSTMENTS					
Depreciation			(196,644)		(203,521)
Capital Outlay			1,353,840		177,759
Principal Paid			<u>115,061</u>		<u>81,499</u>
TOTAL GAAP BASIS ADJUSTMENTS			<u>1,272,257</u>		<u>55,737</u>
NET INCOME - GAAP BASIS			1,487,881		488,432
NET ASSETS - Beginning of Year			<u>7,060,741</u>		<u>6,572,309</u>
NET ASSETS - End of Year			<u>\$ 8,548,622</u>		<u>\$ 7,060,741</u>

See the accompanying Independent Auditors' Report.

CITY OF SALIDA, COLORADO

STEAMPLANT THEATER & EVENTS CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	2009				2008
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ACTUAL
REVENUES					
Other Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 438,014
Charges for Services	73,000	75,264	72,076	(3,188)	24,236
Rents and Leases	100,500	83,200	78,111	(5,089)	27,644
Donations/Contributions	18,000	43,000	54,930	11,930	360,186
Transfers In	25,000	94,760	100,000	5,240	504,186
TOTAL REVENUES	216,500	296,224	305,117	8,893	1,354,266
EXPENDITURES					
Cost of Sales	25,750	29,577	34,005	(4,428)	18,964
Personnel Services	170,000	140,000	140,553	(553)	73,665
Supplies	7,500	15,500	12,661	2,839	13,625
Purchased Services	35,500	56,500	67,773	(11,273)	55,349
Capital Outlay	21,400	6,372	37,446	(31,074)	1,334,154
Interest Expense	22,123	22,123	11,172	10,951	22,193
Debt Service Principal	26,152	26,152	26,152	-	14,915
TOTAL EXPENDITURES	308,425	296,224	329,762	(33,538)	1,532,866
EXCESS OF REVENUES OVER (UNDER)					
EXPENDITURES - BUDGET BASIS	\$ (91,925)	\$ -	(24,645)	\$ (24,645)	(178,600)
GAAP BASIS ADJUSTMENTS					
Depreciation			(65,100)		(37,448)
Capital Outlay			30,129		1,316,088
Principal Paid			26,152		14,915
TOTAL GAAP BASIS ADJUSTMENTS			(8,819)		1,293,555
NET INCOME - GAAP BASIS			(33,464)		1,114,955
NET ASSETS - Beginning of Year			1,114,955		-
NET ASSETS - End of Year			\$ 1,081,491		\$ 1,114,955

See the accompanying Independent Auditors' Report.

STATE REQUIRED REPORT SECTION

City Council
City of Salida
Salida, Colorado

**INDEPENDENT AUDITORS' REPORT ON THE
LOCAL HIGHWAY FINANCE REPORT**

We have audited the basic financial statements of the City of Salida, Colorado, as of and for the year ended December 31, 2009, and have issued our report thereon dated March 5, 2010. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Salida, Colorado, taken as a whole. The accompanying local highway finance report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that report has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Johnson, Holscher & Company, P.C.

March 5, 2010
Centennial, CO

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Salida
	YEAR ENDING : December 2009

This Information From The Records Of (example - City of _ or County of) Prepared By: Brenda Wallis
Phone: 719-539-6257

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES	III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES
--	--

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,762,764
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	7,043
2. General fund appropriations		b. Snow and ice removal	1,744
3. Other local imposts (from page 2)	1,011,807	c. Other	
4. Miscellaneous local receipts (from page 2)	11,060	d. Total (a. through c.)	8,787
5. Transfers from toll facilities		4. General administration & miscellaneous	14,086
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	620,789
a. Bonds - Original Issues		6. Total (1 through 5)	2,406,426
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	39,798
7. Total (1 through 6)	1,022,867	b. Redemption	190,000
B. Private Contributions		c. Total (a. + b.)	229,798
C. Receipts from State government (from page 2)	226,319	2. Notes:	
D. Receipts from Federal Government (from page 2)	908,976	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,158,162	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	229,798
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,636,224

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

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	820,000		190,000	630,000
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		2,158,162	2,636,224		(478,062)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2009

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	11,060
1. Sales Taxes	1,003,264	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Road & Bridge	5,408	f. Charges for Services	
5. Specific Ownership &/or Other	3,135	g. Other Misc. Receipts	
6. Total (1. through 5.)	1,011,807	h. Other	
c. Total (a. + b.)	1,011,807	i. Total (a. through h.)	11,060
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	200,863	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	22,856	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)	2,600	f. Other Federal	908,976
f. Total (a. through e.)	25,456	g. Total (a. through f.)	908,976
4. Total (1. + 2. + 3.f)	226,319	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		736,548	736,548
(4). System Enhancement & Operation		1,026,216	1,026,216
(5). Total Construction (1) + (2) + (3) + (4)	0	1,762,764	1,762,764
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,762,764	1,762,764
			(Carry forward to page 1)

Notes and Comments:

SINGLE AUDIT SECTION

City Council
City of Salida
Salida, Colorado

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

We have audited the financial statements of City of Salida as of and for the year ended December 31, 2009, and have issued our report thereon dated March 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the City Council, others within the entity, and the U.S. Departments of Transportation and Justice, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Holscher & Company, P.C.

March 5, 2010
Centennial, Colorado

City Council
City of Salida
Salida, Colorado

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

Compliance

We have audited the compliance of City of Salida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. City of Salida' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Salida' management. Our responsibility is to express an opinion on City of Salida' compliance based on our audit.

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

In our opinion, City of Salida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of City of Salida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Salida' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Salida' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the entity, the U.S. Departments of Transportation and Justice, and is not intended to be and should not be used by anyone other than these specified parties.

Toburn, Halcher & Company, P.C.

March 5, 2010
Centennial, Colorado

CITY OF SALIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. Department of Transportation Hwy 50 Enhancement	20.205	ESS 050A-009	\$ 908,976
U.S. Department of Justice Justice Grant	16.804	2009-5B-B9-3076	<u>3,200</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 912,176</u>

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City of Salida and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

See the accompanying Independent Auditors' Report.