

CITY OF SALIDA, COLORADO
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

**CITY OF SALIDA, COLORADO
CITY COUNCIL AND KEY EMPLOYEES
December 31, 2006**

City Council

Danny Knight, Mayor

Michael Delcavo, Councilmember

Nancy McAninch, Councilmember

Jim McCormick, Councilmember

Jay Moore, Councilmember

Hugh Young, Councilmember

Tom Yerkey, Councilmember

Key Employees

Steve Golnar, City Manager

Janella Martinez, City Clerk

Christine Sturgeon, City Treasurer

Christine DeChristopher, Finance Director

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FINANCIAL SECTION

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, 2006, and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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, 2006, 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.

Johnson, Holscher & Company, P.C.

June 1, 2007

Management's Discussion and Analysis

As management of the City of Salida, we offer readers of the City of Salida's financial statement this narrative overview and analysis of the financial activities of the City of Salida for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information contained in the notes to the financial statements.

Financial Highlights

- The assets of the City of Salida exceeded its liabilities at the close of calendar year 2006 by \$20,185,637 (net assets). This is an increase of \$1,611,620 during 2006. Of this amount \$4,464,549 (unrestricted net assets) may be used to meet the City's obligations to citizens and creditors for both governmental activities and business type activities.
- The unrestricted net assets available on December 31, 2006 to meet obligations to citizens and creditors for governmental activities was \$1,920,657 an increase of \$783,499 during 2006.
- As of December 31, 2006 the Governmental Activities total fund balance was \$3,732,614, of which \$126,066 was in the Conservation Trust Fund. The total increase in the governmental fund balance during 2006 was \$1,233,475.
- As of December 31, 2006, the unreserved fund balance for the general fund was \$1,987,689 or 51.5 % of the 2007 General Fund budgeted operating expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Salida's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

The *Statement of Net Assets* presents information on all of the City of Salida'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 financial position of the City of Salida 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 only result in cash flows in future periods (e.g. taxes earned but not collected, and unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Salida that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Salida include general government, public safety, streets, and recreation. The business-type activities of the City of Salida include the operations of water and wastewater facilities.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information 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 governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Salida maintains two (2) governmental funds. Information is presented separately in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund and the Conservation Trust Fund. The City of Salida adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-16.

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. The City of Salida maintains one Enterprise fund to account for the Water and the Wastewater Treatment Utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utilities and the Sewer Utilities 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 17-19 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 20-39 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Salida's compliance with the appropriated budget for the year ended December 31, 2006 and the Local Highway Finance Report. The Budgetary comparison schedules are on pages 40-48 of this report. The Local Highway Report begins on page 49 on the report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Salida, assets exceeded liabilities by \$20,185,637 as of December 31, 2006.

A portion of the City's net assets (66.3%) reflects its investment in capital assets (e.g. land, water rights, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding (\$13,378,402). The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investments in its 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 cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (11.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4,464,549) may be used to meet the City's ongoing obligations to citizens and creditors. Of the unrestricted assets, \$2,543,892 (57%) are held in the business type activities.

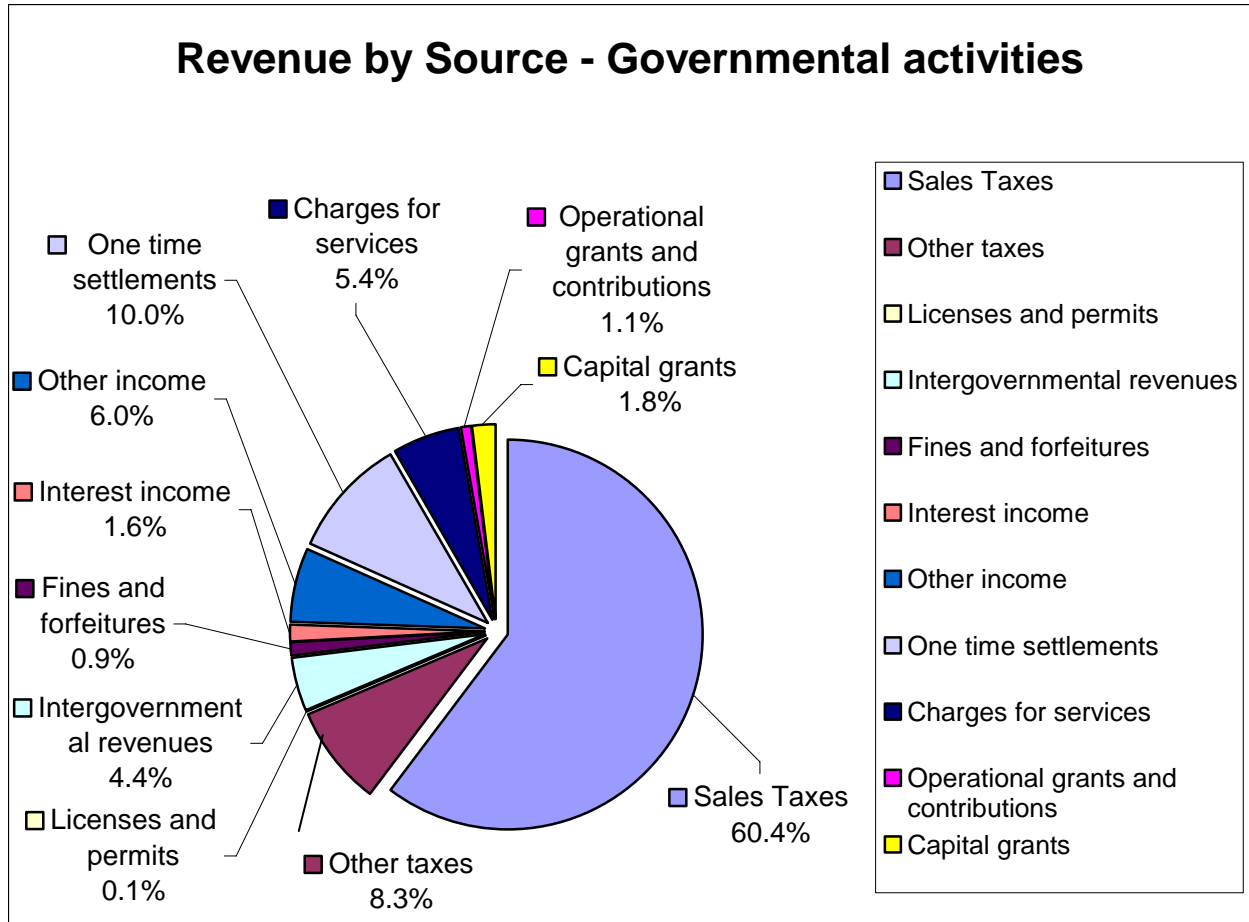
Changes in Net Assets

CHANGES IN NET ASSETS						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$ 406,866	\$ 416,941	\$ 1,488,547	\$ 1,671,175	\$ 1,895,413	\$ 2,088,116
Operating Grants	298,690	256,301	-	-	298,690	256,301
Capital Grants	105,329	88,160	390,396	891,003	495,725	979,163
General revenues:						
Property taxes	228,305	221,469	73,898	72,295	302,203	293,764
Sales and use taxes	3,472,567	3,350,449	-	-	3,472,567	3,350,449
Other taxes	247,173	233,773	-	-	247,173	233,773
Other general revenue	990,068	152,282	87,665	55,323	1,077,733	207,605
Total revenues	\$ 5,748,998	\$ 4,719,375	\$ 2,040,506	\$ 2,689,796	\$ 7,789,504	\$ 7,409,171
Expenses						
General government	1,071,209	876,718	-	-	1,071,209	876,718
Public Safety	1,629,640	1,747,626	-	-	1,629,640	1,747,626
Public Works	571,597	496,005	-	-	571,597	496,005
Culture, Parks, & recreation	773,907	823,249	-	-	773,907	823,249
Interest on Debt	177,697	212,537	-	748,158	177,697	212,537
Water operations	-	-	813,472	640,253	813,472	748,158
Sewer operations	-	-	737,655	-	737,655	640,253
Total expenses	\$ 4,224,050	\$ 4,156,135	\$ 1,551,127	\$ 1,388,411	\$ 5,775,177	\$ 5,544,546
Increase in net assets	\$ 1,524,948	\$ 563,240	\$ 489,379	\$ 1,301,385	\$ 2,014,327	\$ 1,864,625
Beginning Net assets	8,480,673	7,917,431	9,690,637	8,389,251	18,171,310	16,306,682
Ending Net assets	\$ 10,005,621	\$ 8,480,671	\$ 10,180,016	\$ 9,690,636	\$ 20,185,637	\$ 18,171,307

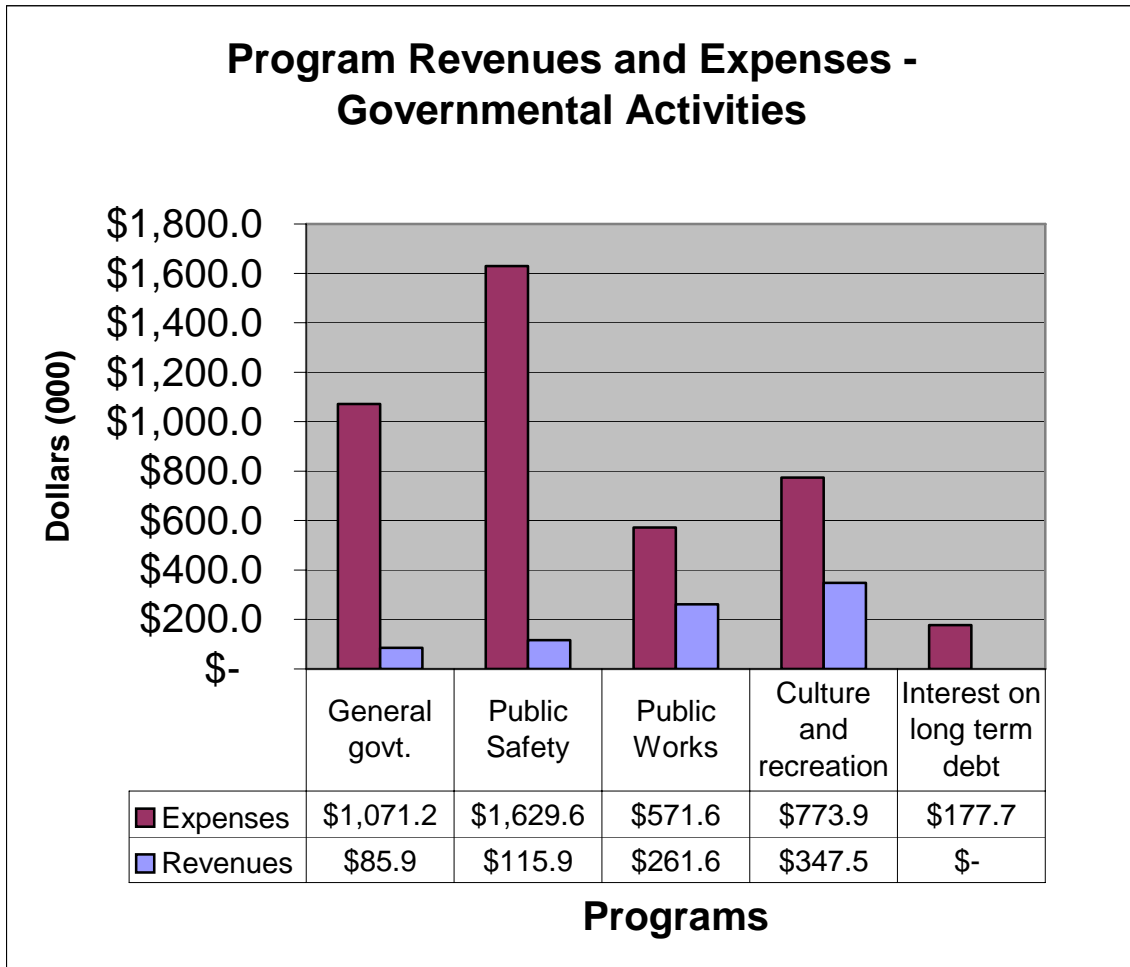
Governmental Activities: Governmental Activities increased the City of Salida's net assets by \$1,524,948. Key elements of this increase are as follows:

- Sales tax receipts increased \$118,836, (3.6%) over the prior year
- Intergovernmental revenues increased \$62,476 (17.2%) due to increased state grants received in 2006.
- Interest revenue increased \$30,655 (52.4%) due to increased interest rates available on the city's reserves.
- Other revenue increased \$484,194 due to the sale of a small piece of real property owned by the city (\$238,560) and the receipt of an insurance settlement for \$250,000.
- Other financing provided \$325,000 from a legal settlement dating from 2002 and proceeds from lease purchase financing (\$553,321) of heavy equipment used by Public Works.
- Expenditures increased on \$78,308 (1.6%) from 2005 to 2006.

Governmental Activities were financed primarily by city and county sales tax revenues (60.4% of total revenue. Property and other taxes provided another 8.3% of revenue. One time settlements provided 10% of revenue. All other sources including fees, licenses, grants, fines, rents, and interest income provided the remaining 21.3% or revenue for 2006. The following chart shows the revenue provided by each activity type.



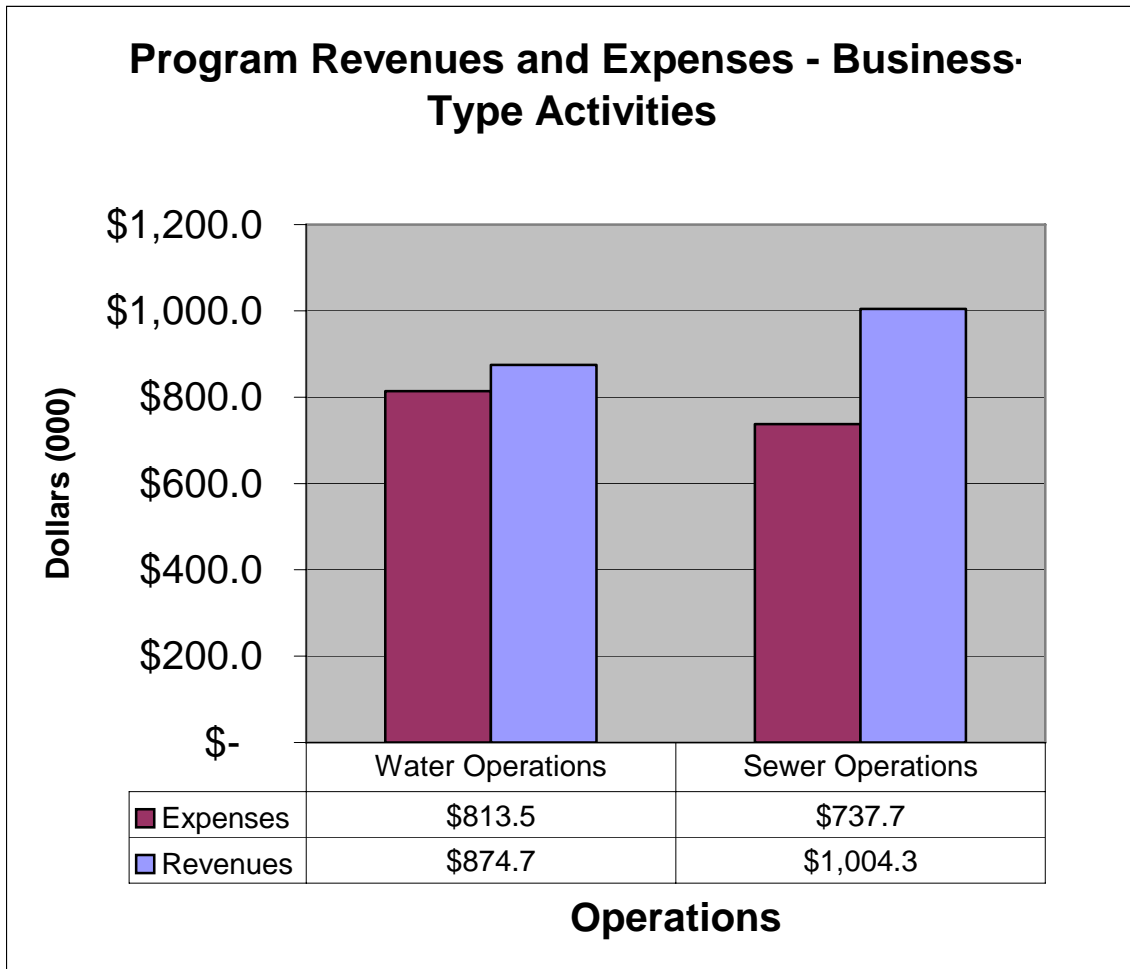
The following graph shows the program revenues and expenses for 2006.



Business-type activities: Business type activities increased the City of Salida’s net assets by \$489,376 due to the impact fees collected from new development, and the ability of the service fees to cover expenses in order to rebuild reserve for future infrastructure improvements. Sewer operations generated 54.5% of the increase in net assets for business-type activities. Additional plant upgrades and infrastructure improvements are needed for both the water and sewer system over the next 5 years.

Expenses for water and sewer operations increased by \$162,719 (11.7%) over 2005 expenses, of which 40% of the increase was from water operations and 60% was from sewer operations. Water and sewer revenues generated from service charges decreased \$182,628 from 2005, and revenues from system development fees and grants decreased \$500,607.

The following chart demonstrates the current level of recovery for the City’s business-type activities.



Financial Analysis of the City’s Funds

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 Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances 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, 2006, the City of Salida’s governmental fund reported combined ending fund equity of \$3,732,614, an increase of \$1,233,475 in comparison with December 31, 2005. The unreserved fund equity, which is available for spending at the City’s discretion, represented 56.6% or \$2,113,755 of the fund equity. The unreserved fund balance for the General Fund is \$1,987,689, while \$126,066 of unreserved fund balance is in the Conservation Trust Fund as shown on page 14 in the Balance Sheet.

The General Fund is the City of Salida's chief 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 on page 15 shows that in 2006 General Fund revenues exceeded expenditures by \$1,180,765. This was primarily the result of one-time settlements (\$575,000) and the lease purchase financing of heavy equipment (\$553,321 financed out of the \$873,221 purchase) over four (4) years.

The Conservation Trust Fund increased the fund balance by \$52,710 due to a reduction in projects for parks and trails in 2006. Parks and trails projects generally require matching funds from grant sources, or several years' accumulation of funds from lottery proceeds in order to pay for projects. The Conservation Trust Fund receives money from lottery proceeds that are distributed to local governments based on population.

Proprietary funds: The Proprietary Funds Statement of Net Assets and Statement of Revenues, Expenditures and Changes in Fund Balances 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, 2006 were \$2,543,892, a decrease of \$149,074 from December 31, 2005. The decrease is due to the use of reserves for capital improvements. The unrestricted net assets equal 154% of the Proprietary Fund 2007 Budgeted Operating Expenditures.

The investment in capital assets net of debt increased by \$614,684 in 2006. The capital assets are used to 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 fund. With the increased utility rates that took effect in 2005 and 2006, the operating activities provided a positive cash flow of \$755,624 that was used to pay for the investment in capital assets and the financing costs of previous capital assets of \$533,395. Water operations generated \$362,631 (48%) of the net cash provided by operations in the Proprietary funds, but invested \$194,733 more than the cash generated from water operations. As a result, water had a net decrease in cash of \$135,993 due to the investment of \$656,360 in capital assets. After all capital and investing activities, net cash increased in 2006 by \$309,914 for the Water and Sewer Fund. The increased cash was primarily due to the receipt of \$400,000 of grant money reimbursing the 2005 expenditures that had been pre-approved to receive DOLA mineral impact grant funding.

General Fund Budgetary Highlights

Pages 40 through 44 show the Original budget, the final budget which was amended by Council and the actual expenditures. The final expenditures budget was \$276,948 higher than the original budget, due to increased COBRA health insurance expenditures that would be reimbursed, legal fees for lawsuits filed by the City, grants awarded in 2006, costs for replacing the City Administrator, and increased capital expenditures for the fire department and the aquatic center. The revenue budget was amended to increase \$1,084,405 over the original budget to recognize the award of grants, legal settlements, insurance proceeds, COBRA payments, and the sale of City assets. Actual revenue was \$90,062 more than the amended budget due to higher sales and

franchise tax receipts, and increased interest due to higher interest rates on investments. Note that the settlement proceeds of \$325,000 were budgeted as insurance proceeds.

Each year grant applications submitted but not yet approved when the original budget is passed, are amended into the budget, both revenues and expenditures, once the grant has been awarded. In 2006 a grant was awarded for Historic Preservation training and surveys, and the balance of outstanding grants from 2005 were received.

Capital Assets:

As of December 31, 2006 the City of Salida had invested in a broad range of capital assets, including police and fire equipment, roads, sidewalks, trails, parks, water and sewer plants and infrastructure. Footnote 3 on pages 27-28 contains a summary of changes in capital assets for the year. Total capital assets net of depreciation at December 31, 2006 was \$20,208,189 of which \$10,227,086 or 50.6% was in governmental activities and the balance was in business-type activities.

Major capital additions in 2006 included the purchase of 11 pieces of heavy equipment for Public Works that were financed with a 4 year lease purchase agreement, additions to the new Public Works building that was purchased in 2005, and investment in source water protection for the Harrington Ditch. The new Public Works building was occupied in June, 2006.

Long-term Debt

As of December 1, 2006 the City of Salida had total long-term debt outstanding of \$7,030,145, with \$683,048 due within one year. The General Fund had total long-term debt of \$3,760,981 which accounts for 53.5% of the total. Total long-term debt consists of:

- \$1,165,000 of debt backed by sales tax revenues,
- \$445,000 of bonded debt are General obligation bonds in the General fund,
- \$2,561,607 is a note backed by the land and water purchased with the note,
- \$245,000 are General Obligation bonds backed by a specific dedicated mil levy on property taxes for payment within a business-type activity,
- \$1,997,339 are bonds backed by business-type activity revenues, and
- \$616,199 is lease purchase agreement secured by the heavy equipment purchased in 2006.

No new bonded debt was issued in 2006. The City's bonds are not rated. Additional information on the City of Salida's long term debt can be found in note 4 on pages 28 through 34.

Economic Factors and Next Year's Budgets and Rates

City Sales tax revenues increased 4.85% in 2006 and are expected to increase about 4% in 2007 primarily due increasing tourist visits. Due to the methodology for sharing the county wide sales tax between the county and the municipalities in the county based on percentage of motor vehicle registrations, the City of Salida will continue to receive less and less of the county wide sales tax even though the total county wide sales tax is expected to increase about 4-5% a year. Finding a funding source for the reduction in county sales taxes is the biggest challenge facing the City at this time. The City cannot increase property taxes without a vote of the people. As a statutory city, Salida is limited to a total combined state, county and city sales tax rate of 6.9% which is the existing rate, therefore voters cannot choose to raise the City Sales tax rate above the current 2%.

When preparing the budget for 2007, the City considered all the factors and decided to use some of the City's reserves for spending needs in 2007. The 2007 Water Fund budget includes significant capital investment in a new water storage tank, water transmission line, and plant improvements that will require the issuance of new bond debt and an increase in water rates.

Appropriations for the 2007 budget are \$11,427,072, of which \$6,099,215 is for governmental activities and \$5,327,857 is for business-type activities. Most of the receivables are included as the City prepared the budget, which is primarily cash basis, for the following year. This does not significantly impact the level of the Fund balance, as the following year-end will include comparable receivables. The budget for 2007 includes using Economic Development funds to pay for the costs of marketing and developing the Vandaveer Ranch owned by the City, and improving the local airport which is managed by the County, but co-owned by the City.

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, P.O. Box 417, Salida, CO 81201.

BASIC FINANCIAL STATEMENTS

CITY OF SALIDA, COLORADO

STATEMENT OF NET ASSETS

December 31, 2006

	<u>Government Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Investments	\$ 1,248,385	\$ 1,987,022	\$ 3,235,407
Cash with Fiscal Agent	5,790	-	5,790
Property Tax Receivable	237,883	75,031	312,914
Intergovernmental Receivables	782,590	-	782,590
Accounts Receivable	361,972	369,920	731,892
Total Current Assets	<u>2,636,620</u>	<u>2,431,973</u>	<u>5,068,593</u>
Noncurrent Assets			
Capital Assets	14,029,666	15,314,838	29,344,504
Accumulated Depreciation	(3,802,580)	(5,097,752)	(8,900,332)
Bond Issuance Costs - Net	-	53,101	53,101
Notes Receivable	-	205,529	205,529
Restricted Cash and Investments	1,478,858	723,827	2,202,685
Total Noncurrent Assets	<u>11,705,944</u>	<u>11,199,543</u>	<u>22,905,487</u>
TOTAL ASSETS	<u>14,342,564</u>	<u>13,631,516</u>	<u>27,974,080</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	36,366	26,879	63,245
Other Accrued Liabilities	21,000	-	21,000
Accrued Interest	49,688	32,186	81,874
Unearned Revenue	255,127	75,031	330,158
Accrued Salaries and Benefits	70,371	12,615	82,986
Current Portion of Long-Term Debt	375,360	254,463	629,823
Total Current Liabilities	<u>807,912</u>	<u>401,174</u>	<u>1,209,086</u>
Noncurrent Liabilities			
General Obligation Bonds Payable	1,395,000	190,000	1,585,000
Notes Payable	1,692,434	1,264,003	2,956,437
Capital Lease Payable	298,187	226,323	524,510
Revenue Bonds Payable	-	1,370,000	1,370,000
Accrued Compensated Absences	143,410	-	143,410
Total Noncurrent Liabilities	<u>3,529,031</u>	<u>3,050,326</u>	<u>6,579,357</u>
TOTAL LIABILITIES	<u>4,336,943</u>	<u>3,451,500</u>	<u>7,788,443</u>
NET ASSETS			
Invested in Capital Assets, net of Related Debt	6,466,105	6,912,297	13,378,402
Restricted Net Assets	1,618,859	723,827	2,342,686
Unrestricted Net Assets	1,920,657	2,543,892	4,464,549
TOTAL NET ASSETS	<u>\$ 10,005,621</u>	<u>\$ 10,180,016</u>	<u>\$ 20,185,637</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, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Government Activities				
Current:				
General Government	\$ 1,071,209	\$ 58,398	\$ 35,680	\$ -
Public Safety	1,629,640	54,487	61,422	-
Public Works	571,597	16,665	201,588	43,322
Culture, Parks and Recreation	773,907	277,316	-	62,007
Interest on Debt	177,697	-	-	-
TOTAL GOVERNMENT ACTIVITIES	<u>4,224,050</u>	<u>406,866</u>	<u>298,690</u>	<u>105,329</u>
Business - Type Activities				
Current:				
Water Operations	813,472	619,247	-	255,405
Sewer Operations	<u>737,655</u>	<u>869,300</u>	<u>-</u>	<u>134,991</u>
TOTAL BUSINESS - TYPE ACTIVITIES	<u>1,551,127</u>	<u>1,488,547</u>	<u>-</u>	<u>390,396</u>
TOTAL GOVERNMENT	<u>\$ 5,775,177</u>	<u>\$ 1,895,413</u>	<u>\$ 298,690</u>	<u>\$ 495,725</u>
GENERAL REVENUES				
TAXES				
Property Taxes Levied for General Operations				
Property Taxes Levied for Debt Repayment				
Specific Ownership Taxes				
Sales Taxes				
Franchise Taxes				
Other Taxes				
INTEREST INCOME				
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
\$ (977,131)	\$ -	\$ (977,131)
(1,513,731)	-	(1,513,731)
(310,022)	-	(310,022)
(434,584)	-	(434,584)
(177,697)	-	(177,697)
<u>(3,413,165)</u>	<u>-</u>	<u>(3,413,165)</u>
-	61,180	61,180
<u>-</u>	<u>266,636</u>	<u>266,636</u>
-	327,816	327,816
<u>(3,413,165)</u>	<u>327,816</u>	<u>(3,085,349)</u>
228,305	-	228,305
-	73,898	73,898
51,800	-	51,800
3,472,567	-	3,472,567
195,287	-	195,287
86	-	86
89,134	87,665	176,799
900,934	-	900,934
<u>4,938,113</u>	<u>161,563</u>	<u>5,099,676</u>
1,524,948	489,379	2,014,327
<u>8,480,673</u>	<u>9,690,637</u>	<u>18,171,310</u>
<u>\$ 10,005,621</u>	<u>\$ 10,180,016</u>	<u>\$ 20,185,637</u>

CITY OF SALIDA, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2006
With Comparative Totals for December 31, 2005

	<u>GENERAL</u>	<u>CONSERVATION TRUST</u>	<u>TOTALS</u>	
			<u>2006</u>	<u>2005</u>
ASSETS				
Cash and Investments	\$ 1,121,420	\$ 126,965	\$ 1,248,385	\$ 1,053,979
Cash with Fiscal Agent	5,790	-	5,790	5,403
Property Tax Receivable	237,883	-	237,883	228,757
Intergovernmental Receivables	782,590	-	782,590	579,158
Accounts Receivable	361,972	-	361,972	181,969
Due from Other Funds	-	-	-	780
Restricted Cash and Investments	<u>1,478,858</u>	<u>-</u>	<u>1,478,858</u>	<u>787,810</u>
TOTAL ASSETS	<u>\$ 3,988,513</u>	<u>\$ 126,965</u>	<u>\$ 4,115,478</u>	<u>\$ 2,837,856</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 35,467	\$ 899	\$ 36,366	\$ 26,778
Other Accrued Liabilities	21,000	-	21,000	21,000
Due to Other Funds	-	-	-	1,315
Unearned Revenue	255,127	-	255,127	229,757
Accrued Salaries and Benefits	<u>70,371</u>	<u>-</u>	<u>70,371</u>	<u>59,867</u>
TOTAL LIABILITIES	<u>381,965</u>	<u>899</u>	<u>382,864</u>	<u>338,717</u>
FUND BALANCE				
Reserved for TABOR Emergencies	140,000	-	140,000	140,000
Reserved for Capital Expenditures	1,138,712	-	1,138,712	678,781
Reserved for Debt Service	210,616	-	210,616	193,108
Reserved for Economic Development	120,904	-	120,904	181,994
Reserved for Drug Surcharge Expenditures	4,896	-	4,896	12,605
Reserved for Employees	3,731	-	3,731	1,622
Unreserved	<u>1,987,689</u>	<u>126,066</u>	<u>2,113,755</u>	<u>3,181,654</u>
TOTAL FUND EQUITY	<u>3,606,548</u>	<u>126,066</u>	<u>3,732,614</u>	<u>4,389,764</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,988,513</u>	<u>\$ 126,965</u>	<u>\$ 4,115,478</u>	<u>\$ 4,728,481</u>
TOTAL FUND BALANCE - GOVERNMENTAL FUNDS			\$ 3,732,614	
Capital assets used in governmental activities are not resources and are not reported in the funds:				
Capital Assets			14,029,666	
Accumulated Depreciation			(3,802,580)	
Earned but unpaid accumulated leave balances are not reported in the funds:				
Accrued Compensated Absences			(143,410)	
Long-term liabilities are not due and payable in the current period				
Bonds Payable			(1,610,000)	
Notes Payable			(1,761,105)	
Capital Lease Payable			(389,876)	
Accrued Interest Payable			(49,688)	
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES			<u>\$ 10,005,621</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, 2006

With Comparative Totals for the Year Ended December 31, 2005

	GENERAL	CONSERVATION TRUST	TOTALS	
			2006	2005
REVENUES				
Taxes	\$ 3,948,045	\$ -	\$ 3,948,045	\$ 3,805,691
Licenses and Permits	3,486	-	3,486	16,801
Intergovernmental	361,676	62,007	423,683	361,207
Fines and Forfeits	54,487	-	54,487	52,412
Charges for Services	307,353	-	307,353	314,679
Interest Revenue	88,207	927	89,134	58,469
Other	597,810	-	597,810	113,616
TOTAL REVENUES	5,361,064	62,934	5,423,998	4,722,875
EXPENDITURES				
Current				
General Government	990,054	-	990,054	845,850
Public Safety	1,514,109	-	1,514,109	1,643,847
Public Works	370,843	-	370,843	399,237
Culture and Recreation	650,894	-	650,894	671,732
Capital Outlay	929,516	10,224	939,740	990,220
Debt Service				
Principal	434,475	-	434,475	258,490
Interest and Fees	168,729	-	168,729	181,160
TOTAL EXPENDITURES	5,058,620	10,224	5,068,844	4,990,536
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	302,444	52,710	355,154	(267,661)
OTHER FINANCING SOURCES (USES)				
Settlement Proceeds	325,000	-	325,000	-
Debt Proceeds	553,321	-	553,321	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,180,765	52,710	1,233,475	(267,661)
FUND BALANCES, Beginning	2,425,783	73,356	2,499,139	2,766,800
FUND BALANCES, Ending	\$ 3,606,548	\$ 126,066	\$ 3,732,614	\$ 2,499,139

(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, 2006

	TOTALS
	2006
NET CHANGE IN FUND BALANCES - ALL GOVERNMENTAL FUNDS	\$ 1,233,475
Principal payments on debt are reported as expenditures in the funds and debt proceeds are shown as revenues:	
Principal Payments on Bonds Payable	205,000
Principal Payments on Notes Payable	66,030
Principal Payments on Capital Lease	163,445
Issuance of Capital Lease	(553,321)
Some prepayments are recorded as current year expenditures in the funds:	
Change In Prepaid Expenses	(25,759)
Earned but unpaid accumulated leave balances are not reported in the funds:	
Change in Accrued Compensated Absences	(4,500)
Interest is reported on the cash basis in the funds:	
Change in Accrued Interest	(8,968)
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities:	
Capitalized Assets	864,903
Depreciation Expense	(460,488)
Gain on Disposal of Capital Assets	45,131
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ 1,524,948

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

CITY OF SALIDA, COLORADO

STATEMENT OF NET ASSETS-
PROPRIETARY FUNDS

December 31, 2006

With Comparative Totals for December 31, 2005

			<u>TOTALS</u>	
	<u>WATER</u>	<u>SEWER</u>	<u>2006</u>	<u>2005</u>
ASSETS				
Current Assets				
Cash and Investments	\$ 597,654	\$ 1,389,368	\$ 1,987,022	\$ 1,701,644
Property Tax Receivable	75,031	-	75,031	-
Intergovernmental Receivables	-	-	-	400,000
Accounts Receivable	109,678	260,242	369,920	504,540
Due from Other Funds	-	-	-	535
Total Current Assets	<u>782,363</u>	<u>1,649,610</u>	<u>2,431,973</u>	<u>2,606,719</u>
Capital Assets				
Property, Plant and Equipment	7,812,147	7,502,691	15,314,838	14,238,616
Accumulated Depreciation	(2,499,313)	(2,598,439)	(5,097,752)	(4,621,595)
Total Capital Assets	<u>5,312,834</u>	<u>4,904,252</u>	<u>10,217,086</u>	<u>9,617,021</u>
Other Assets				
Other Assets	53,101	-	53,101	40,062
Notes Receivable	190,366	15,163	205,529	97,143
Restricted Cash and Investments	539,932	183,895	723,827	700,052
Total Other Assets	<u>783,399</u>	<u>199,058</u>	<u>982,457</u>	<u>837,257</u>
TOTAL ASSETS	<u>6,878,596</u>	<u>6,752,920</u>	<u>13,631,516</u>	<u>13,060,997</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	13,183	13,696	26,879	515
Accrued Interest	27,715	4,471	32,186	35,939
Deferred Revenue	75,031	-	75,031	-
Accrued Salaries and Benefits	6,391	6,224	12,615	14,498
Current Portion of Long-Term Debt	202,969	51,494	254,463	246,247
Total Current Liabilities	<u>325,289</u>	<u>75,885</u>	<u>401,174</u>	<u>297,199</u>
Long-Term Liabilities				
General Obligation Bonds Payable	190,000	-	190,000	245,000
Notes Payable	908,289	355,714	1,264,003	1,353,161
Revenue Bonds Payable	1,370,000	-	1,370,000	1,475,000
Capital Lease Payable	112,248	114,075	226,323	-
Total Long-Term Liabilities	<u>2,580,537</u>	<u>469,789</u>	<u>3,050,326</u>	<u>3,073,161</u>
TOTAL LIABILITIES	<u>2,905,826</u>	<u>545,674</u>	<u>3,451,500</u>	<u>3,370,360</u>
NET ASSETS				
Invested in Capital Assets, net of Related Debt	2,529,328	4,382,969	6,912,297	6,297,613
Restricted Net Assets	539,932	183,895	723,827	700,052
Unrestricted Net Assets	903,510	1,640,382	2,543,892	2,692,966
TOTAL NET ASSETS	<u>\$ 3,972,770</u>	<u>\$ 6,207,246</u>	<u>\$ 10,180,016</u>	<u>\$ 9,690,631</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, 2006

With Comparative Totals for the Year Ended December 31, 2005

	WATER	SEWER	TOTALS	
			2006	2005
OPERATING REVENUES				
Charges for Services	\$ 553,057	\$ 925,546	\$ 1,478,603	\$ 1,499,825
Miscellaneous	66,190	(56,246)	9,944	171,350
TOTAL OPERATING REVENUES	619,247	869,300	1,488,547	1,671,175
OPERATING EXPENSES				
Operations	390,815	457,973	848,788	763,488
Public Works	50,044	51,260	101,304	114,221
Depreciation	206,942	207,678	414,620	335,177
TOTAL OPERATING EXPENSES	647,801	716,911	1,364,712	1,212,886
OPERATING INCOME (LOSS)	(28,554)	152,389	123,835	458,289
NON-OPERATING REVENUE (EXPENSE)				
Intergovernmental	73,898	-	73,898	522,295
Interest Revenue	58,740	28,925	87,665	55,323
Resource Fees	125,000	-	125,000	163,120
System Development Fees	130,405	134,991	265,396	277,883
Interest Expense	(165,671)	(20,744)	(186,415)	(175,525)
TOTAL NON-OPERATING REVENUE (EXPENSE)	222,372	143,172	365,544	843,096
NET INCOME (LOSS)	193,818	295,561	489,379	1,301,385
NET ASSETS - Beginning	3,778,952	5,911,685	9,690,637	8,389,252
NET ASSETS - Ending	\$ 3,972,770	\$ 6,207,246	\$ 10,180,016	\$ 9,690,637

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, 2006
With Comparative Totals for the Year Ended December 31, 2005**

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	
			<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 807,503	\$ 890,694	\$ 1,698,197	\$ 1,579,319
Cash Paid to Suppliers and Employees	(444,872)	(497,681)	(942,553)	(928,196)
Net Cash Provided by Operating Activities	<u>362,631</u>	<u>393,013</u>	<u>755,644</u>	<u>651,123</u>
Cash Flows From Capital and Related Financing Activities:				
System Development/Resources Fees	255,405	134,991	390,396	441,003
Interest Paid	(165,671)	(19,318)	(184,989)	(189,088)
Purchases of Fixed Assets	(656,360)	(207,012)	(863,372)	(816,063)
Notes Receivable Advances	(112,975)	4,588	(108,387)	(97,143)
Principal Paid on Long-Term Debt	(191,447)	(49,494)	(240,941)	(227,558)
Grants Received	239,786	160,214	400,000	50,000
Property Taxes Received	73,898	-	73,898	72,295
Cash Flows Used by Capital and Related Financing Activities	<u>(557,364)</u>	<u>23,969</u>	<u>(533,395)</u>	<u>(766,554)</u>
Cash Flows (Uses) From Investing Activities:				
Interest Received	<u>58,740</u>	<u>28,925</u>	<u>87,665</u>	<u>55,323</u>
Net Increase (Decrease) in Cash	(135,993)	445,907	309,914	(60,108)
Cash - Beginning	<u>1,274,341</u>	<u>1,127,355</u>	<u>2,401,696</u>	<u>2,461,804</u>
Cash - Ending	<u>\$ 1,138,348</u>	<u>\$ 1,573,262</u>	<u>\$ 2,711,610</u>	<u>\$ 2,401,696</u>
Cash and Investments	\$ 597,654	\$ 1,389,368	\$ 1,987,022	\$ 1,701,644
Restricted Cash and Investments	539,932	183,895	723,827	700,052
Total Cash - Ending	<u>\$ 1,137,586</u>	<u>\$ 1,573,263</u>	<u>\$ 2,710,849</u>	<u>\$ 2,401,696</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (28,554)	\$ 152,389	\$ 123,835	\$ 458,289
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	206,942	207,678	414,620	335,177
Changes in Assets and Liabilities Related to Operations:				
(Increase) Decrease in:				
Accounts Receivable	113,225	21,394	134,619	(91,856)
Water Meter Inventory	(17,476)	-	(17,476)	-
Due from Other Funds	380	155	535	(535)
Increase (Decrease) in:				
Accounts Payable	14,557	11,805	26,362	(35,462)
Accrued Salaries and Compensated Absences	(1,474)	(408)	(1,882)	(14,490)
Total Adjustments	<u>391,185</u>	<u>240,624</u>	<u>631,809</u>	<u>192,834</u>
Net Cash Provided by Operating Activities	<u>\$ 362,631</u>	<u>\$ 393,013</u>	<u>\$ 755,644</u>	<u>\$ 651,123</u>

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

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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 Board 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, 2006

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 and proprietary fund 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, 2006

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 reports the following major proprietary funds:

Enterprise Funds (Water and Sewer Funds) – These funds account for the utility operations of the City.

Budgetary Data

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles. For the year ended December 31, 2006, the City's General Fund budget was adopted on a cash basis. 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, 2006

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 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, 2006

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.

NOTE 2: CASH AND INVESTMENTS

Deposits

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, 2006, 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.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

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

Deposits at December 31, 2006 were as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured Deposits	\$ 417,686	\$ 417,686
PDPA Collateralized Deposits	979,232	977,793
Petty Cash	-	1,438
Total Deposits	<u>\$ 1,396,918</u>	<u>\$ 1,396,917</u>

Investments

Credit Risk

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.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

During the year ended December 31, 2006, the City invested funds 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, 2006 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.

A summary of the City's investments is as follows:

	<u>Fair Value</u>
Local Government Pools	\$ 3,507,909
Money Market Mutual Funds	328,702
Total Investments	<u>\$ 3,836,611</u>

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	\$ 1,138,712	\$ 334,730	\$ 147,963	\$ 1,621,405
Debt Service	210,615	202,941	33,636	447,192
Employees	3,731	-	184	3,915
Drug Surcharge Expenditures	4,895	-	-	4,895
Economic Development	120,904	-	-	120,904
Capital Lease Escrow	-	2,261	2,112	4,373
Total	<u>\$ 1,478,857</u>	<u>\$ 539,932</u>	<u>\$ 183,895</u>	<u>\$ 2,202,684</u>

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 3: CAPITAL ASSETS

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

	<u>Balance</u> <u>12/31/2005</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance</u> <u>12/31/2006</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land and Right-of-Way	\$ 3,572,904	\$ -	\$ -	\$ 3,572,904
Construction in progress	234,664	-	(199,925)	34,739
Capital assets being depreciated:				
Administrative Equipment	18,131	7,695	-	25,826
Buildings	1,031,325	48,085	-	1,079,409
Recreation Buildings	1,901,970	32,379	-	1,934,349
Public Works Buildings	242,409	143,249	-	385,658
Public Works Streets Equipment	387,209	-	(275,638)	111,571
Finance/Clerk Equipment	24,422	-	-	24,422
Police Equipment	142,748	-	-	142,748
Fire Equipment & Vehicles	1,150,012	20,631	-	1,170,643
PW & Police Vehicles	694,097	582,703	-	1,276,801
Pool Equipment	41,023	20,161	-	61,184
Park/Rec Equipment	184,842	-	-	184,842
General Govt Improvements	21,324	-	-	21,324
Park Land Improvements	2,224,228	-	-	2,224,228
General Govt Land Improvements	1,769,018	10,000	-	1,779,018
Other	(176,169)	-	176,169	-
Total Capital Assets	<u>13,464,157</u>	<u>864,903</u>	<u>(299,394)</u>	<u>14,029,666</u>
Accumulated depreciation:				
Administrative Equipment	18,131	1,539	-	19,670
Buildings	349,497	28,902	-	378,399
Recreation Buildings	964,753	60,192	-	1,024,945
Public Works Buildings	22,927	11,406	-	34,333
Public Works Streets Equipment	368,828	2,167	(275,638)	95,357
Finance/Clerk Equipment	6,777	4,884	-	11,661
Police Equipment	47,945	24,527	-	72,472
Fire Equipment & Vehicles	577,323	65,456	-	642,779
PW & Police Vehicles	388,352	93,166	-	481,518
Pool Equipment	11,882	6,584	-	18,466
Park/Rec Equipment	77,561	12,218	-	89,779
General Govt Improvements	6,397	2,132	-	8,529
Park Land Improvements	472,463	76,144	-	548,608
General Govt Land & Improvements	304,894	71,169	-	376,063
Other	68,887	-	(68,887)	-
Total Accumulated Depreciation	<u>3,686,617</u>	<u>460,488</u>	<u>(344,525)</u>	<u>3,802,580</u>
Net Capital Assets	<u>\$ 9,777,540</u>	<u>\$ 404,415</u>	<u>\$ 45,131</u>	<u>\$ 10,227,086</u>

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 3: CAPITAL ASSETS (Continued)

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

General Government	\$	80,918
Public Safety		117,693
Public Works		106,739
Culture, Parks and Recreation		<u>155,138</u>
	\$	<u>460,488</u>

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

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land and Right-of-Way	\$ 76,027	\$ -	\$ -	\$ 76,027
Water Rights	1,068,418	-	-	1,068,418
Construction in Progress	179,652	235,982	-	415,634
Capital assets being depreciated:				
Lines	6,156,097	259,860	-	6,415,957
Structures	5,116,746	-	-	5,116,746
Equipment	<u>1,641,676</u>	<u>589,873</u>	<u>(9,493)</u>	<u>2,222,056</u>
Total Capital Assets	<u>14,238,616</u>	<u>1,085,715</u>	<u>(9,493)</u>	<u>15,314,838</u>
Accumulated depreciation:				
Lines	(1,775,820)	(137,923)	(6,070)	(1,919,813)
Structures	(2,119,105)	(138,050)	-	(2,257,155)
Equipment	<u>(726,670)</u>	<u>(138,646)</u>	<u>(55,469)</u>	<u>(920,785)</u>
Total Accumulated Depreciation	<u>(4,621,595)</u>	<u>(414,619)</u>	<u>(61,539)</u>	<u>(5,097,753)</u>
Net Capital Assets	<u>\$ 9,617,021</u>	<u>\$ 671,096</u>	<u>\$ (71,032)</u>	<u>\$ 10,217,085</u>

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

Water Operations	\$	206,942
Sewer Operations		<u>207,677</u>
Total Depreciation	\$	<u>414,619</u>

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, 2006:

	Balance January 1, 2006	Issued	Retired	Balance December 31, 2006	Due Within One Year
General Long-Term Debt:					
2004 Vandaveer Note	\$ 1,827,135	\$ -	\$ 66,030	\$ 1,761,105	\$ 68,671
1998 Sales Tax Revenue Bonds	1,330,000	-	165,000	1,165,000	170,000
1994 General Obligation Bonds	230,000	-	20,000	210,000	20,000
1996 General Obligation Bonds	255,000	-	20,000	235,000	25,000
2006 Capital Lease - Equipment	-	553,321	163,445	389,876	91,689
Total	<u>\$ 3,642,135</u>	<u>\$ 553,321</u>	<u>\$ 434,475</u>	<u>\$ 3,760,981</u>	<u>\$ 375,360</u>

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 4: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Bonds

Issue: Sales Tax Revenue Refunding, Series 1998

Issue Date: 1998

Original Amount: \$1,925,000

December 31, 2006 Balance: \$1,330,000

Annual Payments: \$144,013 to \$456,315

Interest: 4.10% to 4.90%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 170,000	\$ 55,670	\$ 225,670
2008	175,000	47,935	222,935
2009	190,000	39,798	229,798
2010	195,000	30,772	225,772
2011	435,000	21,315	456,315
	<u>\$ 1,165,000</u>	<u>\$ 195,490</u>	<u>\$ 1,360,490</u>

Issue: General Obligation Limited Tax Water Bonds, 1994 Series

Issue Date: 1994

Original Amount: \$370,000

December 31, 2006 Balance: \$230,000

Annual Payments: \$32,738 to \$37,485

Interest: 5.50% to 7.10%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 20,000	\$ 14,748	\$ 34,748
2008	20,000	13,378	33,378
2009	25,000	12,008	37,008
2010	25,000	10,295	35,295
2011	25,000	8,520	33,520
2012	30,000	6,745	36,745
2013	30,000	4,615	34,615
2014	35,000	2,485	37,485
	<u>\$ 210,000</u>	<u>\$ 72,794</u>	<u>\$ 282,794</u>

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 4: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Bonds (Continued)

Issue: General Obligation Limited Tax Water Bonds, 1996 Series

Issue Date: 1996

Original Amount: \$410,000

December 31, 2006 Balance: \$255,000

Annual Payments: \$35,935 to \$37,100

Interest: 4.50% to 6.00%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 25,000	\$ 14,100	\$ 39,100
2008	25,000	12,600	37,600
2009	25,000	11,100	36,100
2010	30,000	9,600	39,600
2011	30,000	7,800	37,800
2012	30,000	6,000	36,000
2013	35,000	4,200	39,200
2014	35,000	2,100	37,100
	<u>\$ 235,000</u>	<u>\$ 67,500</u>	<u>\$ 302,500</u>

Issue: General Obligation Vandaveer: Land Purchase Note

Issue Date: 2004

Original Amount: \$1,890,625

December 31, 2006 Balance: \$1,827,135

Annual Payments: \$139,115. Balloon payment on 6/30/2014

Interest: 4.00%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 68,671	\$ 70,444	\$ 139,115
2008	71,418	67,697	139,115
2009	74,275	64,841	139,116
2010	77,246	61,870	139,116
2011	80,336	58,780	139,116
2012	83,549	55,566	139,115
2013	86,891	52,224	139,115
2014	1,218,719	48,749	1,267,468
	<u>\$ 1,761,105</u>	<u>\$ 480,171</u>	<u>\$ 2,241,276</u>

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 4: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Issue: 2006 Equipment Lease Purchase – General Fund

Issue Date: 2006
 Original Amount: \$553,320
 December 31, 2006 Balance: \$389,876
 Annual Payments: \$107,635.
 Interest: 4.09%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 91,689	\$ 15,946	\$ 107,635
2008	95,439	12,196	107,635
2009	99,343	8,292	107,635
2010	103,405	4,229	107,634
	<u>\$ 389,876</u>	<u>\$ 40,663</u>	<u>\$ 430,539</u>

Business-Type Activities

The following summarizes the changes in the City's business-type long-term debt activity for the year ended December 31, 2006:

	<u>Balance January 1, 2006</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2006</u>	<u>Due Within One Year</u>
Long Term Debt:					
1990 General Obligation Bonds	\$ 295,000	\$ -	\$ 50,000	\$ 245,000	\$ 55,000
1996 Water and Sewer Rev. Bonds	1,585,000	-	105,000	1,480,000	110,000
2001 DOLA Note Payable - Water	152,189	-	6,433	145,756	6,755
2003 CWRPDA Loan Agreement	456,703	-	49,494	407,209	51,494
2004 Vandaveer Note	830,516	-	30,014	800,502	31,214
2006 Capital Lease - Equipment	-	321,203	94,880	226,323	53,225
Bond Disc./Issue Costs, Net	(40,062)	-	(4,436)	(35,626)	-
Total	\$ 3,279,346	\$ 321,203	\$ 331,385	\$ 3,269,164	\$ 307,688

Issue: General Obligation Limited Water Refunding Bonds, Series 1990

Issue Date: 1990
 Original Amount: \$710,000
 December 31, 2006 Balance: \$245,000
 Annual Payments: \$70,200 to \$75,400
 Interest: 7.85% to 8.00%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 55,000	\$ 19,600	\$ 74,600
2008	60,000	15,200	75,200
2009	65,000	10,400	75,400
2010	65,000	5,200	70,200
	<u>\$ 245,000</u>	<u>\$ 50,400</u>	<u>\$ 295,400</u>

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 4: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Issue: Water and Sewer Revenue Bonds, Series 1996

Issue Date: 1996

Original Amount: \$2,265,000

December 31, 2006 Balance: \$1,480,000

Annual Payments: \$198,390 to \$202,940

Interest: 5.10% to 6.10%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 110,000	\$ 88,390	\$ 198,390
2008	120,000	82,230	202,230
2009	125,000	75,150	200,150
2010	135,000	67,775	202,775
2011	140,000	59,810	199,810
2012	150,000	51,550	201,550
2013	160,000	42,700	202,700
2014	170,000	32,940	202,940
2015	180,000	22,570	202,570
2016	190,000	11,590	201,590
	<u>\$ 1,480,000</u>	<u>\$ 534,705</u>	<u>\$ 2,014,705</u>

Issue: Division of Local Affairs, Energy Impact Assistance Loan

Issue Date: 2001

Original Amount: \$175,000

December 31, 2006 Balance: \$145,756

Annual Payments: \$14,042

Interest: 5.00%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 6,755	\$ 7,287	\$ 14,042
2008	7,092	6,950	14,042
2009	7,447	6,595	14,042
2010	7,819	6,223	14,042
2011	8,210	5,832	14,042
2012	8,621	5,421	14,042
2013	9,052	4,990	14,042
2014	9,504	4,538	14,042
2015	9,980	4,062	14,042
2016	10,479	3,563	14,042
2017	11,003	3,039	14,042
2018	11,553	2,489	14,042
2019	12,130	1,912	14,042
2020	12,737	1,305	14,042
2021	13,374	668	14,042
	<u>\$ 145,756</u>	<u>\$ 64,874</u>	<u>\$ 210,630</u>

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 4: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

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

Issue Date: 2003
Original Amount: \$550,000
December 31, 2006 Balance: \$407,209
Semi-Annual Payments: \$33,636
Interest: 4.00%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 51,494	\$ 15,778	\$ 67,272
2008	53,574	13,698	67,272
2009	55,739	11,533	67,272
2010	57,990	9,282	67,272
2011	60,333	6,939	67,272
2012	62,771	4,501	67,272
2013	65,308	1,964	67,272
	<u>\$ 407,209</u>	<u>\$ 63,695</u>	<u>\$ 470,904</u>

Issue: Water Purchase Note - Vandaveer

Issue Date: 2004
Original Amount: \$859,375
December 31, 2006 Balance: \$800,502
Annual Payments: \$63,234. Balloon payment on 6/30/2014 of \$576,122.
Interest: 4.00%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 31,214	\$ 32,020	\$ 63,234
2008	32,463	30,772	63,235
2009	33,761	29,473	63,234
2010	35,112	28,123	63,235
2011	36,516	26,718	63,234
2012	37,977	25,257	63,234
2013	39,496	23,738	63,234
2014	553,963	22,159	576,122
	<u>\$ 800,502</u>	<u>\$ 218,260</u>	<u>\$ 1,018,762</u>

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 4: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Issue: 2006 Equipment Lease Purchase – Water and Sewer
 Issue Date: 2006
 Original Amount: \$321,204
 December 31, 2006 Balance: \$226,324
 Annual Payments: \$64,482
 Interest: 4.09%

<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 53,225	\$ 9,257	\$ 62,482
2008	55,403	7,079	62,482
2009	57,669	4,813	62,482
2010	60,027	2,455	62,482
	<u>\$ 226,324</u>	<u>\$ 23,604</u>	<u>\$ 249,928</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.

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, 2006.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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 2006 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 additions.

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.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 7: PENSION PLANS (Continued)

OLD-HIRE FIRE PLAN (Continued)

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, 2006, 2005 and 2004 were \$1,220, \$1,220 and \$1,294. 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, 2006, the City of Salida's annual pension cost of \$1,220 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, 2004 actuarial valuation using the entry age normal cost method. The actuarial assumptions used in the valuation at January 1, 2006 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:

	(a)	(b)	(c)	(a)/(b)	(e)	(c)/(e)
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
1/1/2006	\$ 289,599	\$ 282,186	\$ 7,413	102.63%	\$ -	\$ -
1/1/2004	293,527	305,194	(11,667)	96.18%	-	-
1/1/2002	390,667	404,393	(13,726)	96.61%	-	-

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 7: PENSION PLANS (Continued)

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, 2006, 2005 and 2004, were \$38,370, \$38,370, and \$5,221. 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, 2006, the City of Salida's annual pension cost of \$38,370 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, 2004 actuarial valuation using the entry age normal cost method. The actuarial assumptions used in the valuation at January 1, 2006 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.

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

	(a)	(b)	(c)	(a)/(b)	(e)	(c)/(e)
	Net Assets	Actuarial	Unfunded		Annual	Unfunded
	Available	Accrued	Actuarial	Funded	Covered	Actuarial
	for Benefits	Liability	Liability	Ratio	Payroll	Liability as a
						% of Covered
Valuation Date						Payroll
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%
1/1/2002	1,327,318	1,382,682	(55,364)	96.00%	47,001	-117.79%

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 7: PENSION PLANS (Continued)

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, 2006, 2005, and 2004 were \$75,195, \$76,027 and \$69,722, equal to their required contributions for each year.

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 \$53,458 during 2006.

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.

CITY OF SALIDA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

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 2006, the City was required to reserve 3% of its fiscal year spending as "emergency reserves". The Tabor emergency reserve of \$140,000 has been recorded as reserved net assets in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALIDA, COLORADO

**BUDGETARY COMPARISON SCHEDULE
FOR THE GENERAL FUND**

For the Year Ended December 31, 2006
With Comparative Totals for the Year Ended December 31, 2005

	2006			VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes:					
Property Taxes	\$ 228,757	\$ 228,757	\$ 228,305	\$ (452)	\$ 221,453
Specific Ownership Taxes	45,000	45,000	51,800	6,800	46,849
City Sales Tax	2,107,000	2,211,650	2,244,088	32,438	2,115,695
County Sales Tax	1,213,000	1,228,000	1,228,479	479	1,211,645
Delinquent Taxes and Interest	100	100	86	(14)	116
Franchise Taxes	165,000	165,000	195,287	30,287	171,557
Total Taxes	3,758,857	3,878,507	3,948,045	69,538	3,767,315
Licenses and Permits:					
Liquor Licenses	6,200	6,200	5,614	(586)	6,773
Permits	4,000	4,000	(2,810)	(6,810)	9,065
Business Licenses	500	500	370	(130)	610
Animal Licenses	500	500	312	(188)	353
Total Licenses and Permits	11,200	11,200	3,486	(7,714)	16,801
Intergovernmental:					
Cigarette Taxes	27,000	27,000	27,025	25	27,127
Motor Vehicle Registrations	24,500	24,500	24,875	375	24,991
Federal Grants	750	29,893	-	(29,893)	3,551
State Grants	5,140	53,458	43,322	(10,136)	36,357
Highway Users Taxes	179,000	179,000	194,412	15,412	174,310
Severance Taxes	-	-	3,444	3,444	-
South Ark. Fire District	60,000	60,000	61,422	1,422	35,504
County Road & Bridge	4,200	4,200	4,576	376	4,494
State Highway 291	2,600	2,600	2,600	-	2,600
Total Intergovernmental	303,190	380,651	361,676	(18,975)	308,934
Fines and Forfeits:					
Court Fines	53,000	53,000	49,612	(3,388)	48,697
Parking Fines	8,000	8,000	4,855	(3,145)	3,415
Other Fines and Forfeits	-	-	20	20	300
Total Fines and Forefeits	61,000	61,000	54,487	(6,513)	52,412
Charges for Services:					
Charges for Services	6,300	6,300	15,678	9,378	14,444
Vital Statistics Records	11,900	11,900	14,359	2,459	14,894
Hot Springs Pool Fees	245,000	245,000	249,315	4,315	247,005
Other Parks and Recreation Fees	42,500	42,500	28,001	(14,499)	38,336
Total Charges for Services	305,700	305,700	307,353	1,653	314,679
Interest Revenue:	25,000	75,000	88,207	13,207	58,301
Miscellaneous:					
Rents and Leases	22,500	15,200	19,349	4,149	21,503
Planning and Zoning	10,000	10,000	16,665	6,665	8,175
Donations	5,500	5,500	5,211	(289)	8,128
Other Revenue	8,150	39,184	64,907	25,723	39,978
Sales of Fixed Assets	500	239,060	238,560	(500)	1,780
Non-Governmental Grants	-	-	-	-	61,163
Insurance Proceeds	-	575,000	253,118	(321,882)	12,340
Total Miscellaneous	46,650	883,944	597,810	(286,134)	153,067
TOTAL REVENUES	4,511,597	5,596,002	5,361,064	(234,938)	4,671,509

(Continued)

See the accompanying Independent Auditors' Report.

CITY OF SALIDA, COLORADO

BUDGETARY COMPARISON SCHEDULE
FOR THE GENERAL FUND

For the Year Ended December 31, 2006
With Comparative Totals for the Year Ended December 31, 2005

EXPENDITURES	2006			VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
General Government:					
General Government					
Personnel Services	77,024	99,024	73,712	25,312	53,276
Supplies	850	850	260	590	1,992
Purchased Services	173,379	313,379	303,592	9,787	219,940
Fixed Charges	105,886	109,480	109,013	467	91,360
Grants and Contributions	8,625	8,625	6,808	1,817	8,578
Capital Outlay	-	-	-	-	3,051
Total General Government	<u>365,764</u>	<u>531,358</u>	<u>493,385</u>	<u>37,973</u>	<u>378,197</u>
City Clerk					
Personnel Services	147,001	139,024	130,490	8,534	144,903
Supplies	8,550	8,925	9,019	(94)	9,147
Purchased Services	7,655	7,655	9,001	(1,346)	8,796
Fixed Charges	-	-	4	(4)	-
Capital Outlay	10,600	13,600	11,515	2,085	17,188
Total City Clerk	<u>173,806</u>	<u>169,204</u>	<u>160,029</u>	<u>9,175</u>	<u>180,034</u>
Court Clerk					
Personnel Services	18,208	18,208	19,414	(1,206)	14,467
Supplies	200	200	296	(96)	686
Purchased Services	34,046	34,046	35,395	(1,349)	39,949
Fixed Charges	75	75	4	71	4
Capital Outlay	-	-	-	-	945
Total Court Clerk	<u>52,529</u>	<u>52,529</u>	<u>55,109</u>	<u>(2,580)</u>	<u>56,051</u>
Administration					
Personnel Services	108,968	131,822	124,721	7,101	121,586
Supplies	6,240	6,240	3,800	2,440	5,668
Purchased Services	18,736	25,736	22,721	3,015	16,094
Total Administration	<u>133,944</u>	<u>163,798</u>	<u>151,242</u>	<u>12,556</u>	<u>143,348</u>
Community Development					
Personnel Services	51,982	51,982	52,162	(180)	54,752
Supplies	725	725	664	61	688
Purchased Services	67,501	95,801	88,978	6,823	60,085
Capital Outlay	2,700	2,700	2,173	527	2,130
Total Community Development	<u>122,908</u>	<u>151,208</u>	<u>143,977</u>	<u>7,231</u>	<u>117,655</u>
Total General Government	<u>848,951</u>	<u>1,068,097</u>	<u>1,003,742</u>	<u>64,355</u>	<u>876,089</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, 2006
With Comparative Totals for the Year Ended December 31, 2005

	2006			VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES (Continued)					
Public Safety:					
Police					
Personnel Services	866,533	868,533	849,648	18,885	894,697
Supplies	57,800	54,800	55,038	(238)	67,970
Purchased Services	70,040	72,240	74,615	(2,375)	94,300
Capital Outlay	63,900	64,879	57,357	7,522	83,231
Total Police	<u>1,058,273</u>	<u>1,060,452</u>	<u>1,036,658</u>	<u>23,794</u>	<u>1,140,198</u>
Fire					
Personnel Services	530,334	530,334	466,699	63,635	502,353
Supplies	29,550	29,550	28,497	1,053	34,386
Purchased Services	24,761	25,261	39,612	(14,351)	32,692
Capital Outlay	8,000	28,081	41,120	(13,039)	46,167
Total Fire	<u>592,645</u>	<u>613,226</u>	<u>575,928</u>	<u>37,298</u>	<u>615,598</u>
Total Public Safety	<u>1,650,918</u>	<u>1,673,678</u>	<u>1,612,586</u>	<u>61,092</u>	<u>1,755,796</u>
Public Works:					
Personnel Services	235,792	269,814	244,729	25,085	267,464
Supplies	48,400	48,400	35,288	13,112	45,140
Purchased Services	139,477	120,977	90,826	30,151	82,736
Fixed Charges	500	500	-	500	-
Capital Outlay	859,750	745,850	682,099	63,751	642,683
Total Public Works	<u>1,283,919</u>	<u>1,185,541</u>	<u>1,052,942</u>	<u>132,599</u>	<u>1,038,023</u>
Culture, Parks and Recreation:					
Recreation Coordinator					
Personnel Services	33,301	33,301	28,175	5,126	33,171
Supplies	3,850	3,850	5,052	(1,202)	9,609
Purchased Services	22,185	22,185	17,810	4,375	26,446
Fixed Charges	-	-	4	(4)	-
Capital Outlay	8,000	-	-	-	-
Total Recreation Coordinator	<u>67,336</u>	<u>59,336</u>	<u>51,041</u>	<u>8,295</u>	<u>69,226</u>
Hot Springs Pool					
Personnel Services	265,775	265,775	263,123	2,652	293,238
Supplies	41,425	51,425	53,364	(1,939)	51,671
Purchased Services	82,286	93,953	94,816	(863)	75,311
Fixed Charges	1,160	2,160	2,288	(128)	1,847
Capital Outlay	41,400	76,208	57,235	18,973	55,274
Total Hot Springs Pool	<u>432,046</u>	<u>489,521</u>	<u>470,826</u>	<u>18,695</u>	<u>477,341</u>
Marvin Park					
Personnel Services	5,844	8,844	9,032	(188)	5,831
Supplies	2,425	2,425	1,480	945	3,044
Purchased Services	22,200	24,200	24,193	7	20,560
Total Marvin Park	<u>30,469</u>	<u>35,469</u>	<u>34,705</u>	<u>764</u>	<u>29,435</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, 2006
With Comparative Totals for the Year Ended December 31, 2005
(Continued)

	2006			VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES (Continued)					
Culture, Parks and Recreation (Continued)					
Other City Assets					
Personnel Services	72,466	59,814	66,676	(6,862)	68,868
Supplies	7,775	7,775	9,152	(1,377)	11,023
Purchased Services	80,140	80,140	75,729	4,411	73,889
Capital Outlay	16,000	31,150	78,018	(46,868)	140,997
Total Other City Assets	<u>176,381</u>	<u>178,879</u>	<u>229,575</u>	<u>(50,696)</u>	<u>294,777</u>
Total Culture, Parks and Recreation	<u>706,232</u>	<u>763,205</u>	<u>786,147</u>	<u>(22,942)</u>	<u>870,779</u>
Debt Service					
Interest	95,551	171,176	168,729	2,447	181,160
Principal	268,490	268,490	434,475	(165,985)	258,490
Total Debt Service	<u>364,041</u>	<u>439,666</u>	<u>603,204</u>	<u>(163,538)</u>	<u>439,650</u>
TOTAL EXPENDITURES	<u>4,854,061</u>	<u>5,130,187</u>	<u>5,058,621</u>	<u>71,566</u>	<u>4,980,337</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - Budget Basis	<u>(342,464)</u>	<u>465,815</u>	<u>302,443</u>	<u>(163,372)</u>	<u>(308,828)</u>
OTHER FINANCING SOURCES (USES)					
Settlement Proceeds	-	-	325,000	325,000	-
Debt Proceeds	-	-	553,321	553,321	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>878,321</u>	<u>878,321</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(342,464)</u>	<u>465,815</u>	<u>1,180,764</u>	<u>714,949</u>	<u>(308,890)</u>
FUND BALANCE - Beginning of Year	<u>2,425,783</u>	<u>2,425,783</u>	<u>2,425,783</u>	<u>-</u>	<u>2,734,673</u>
FUND BALANCE - End of Year	<u>\$ 2,083,319</u>	<u>\$ 2,891,598</u>	<u>\$ 3,606,547</u>	<u>\$ 714,949</u>	<u>\$ 2,425,783</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, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006			2005 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Intergovernmental Revenues	\$ 62,007	\$ 62,007	\$ -	\$ 51,803
Interest Revenue	147	927	780	89
Total Revenues	<u>62,154</u>	<u>62,934</u>	<u>780</u>	<u>51,892</u>
EXPENDITURES				
Capital Outlay:				
Other City Asssets	<u>10,224</u>	<u>10,224</u>	<u>-</u>	<u>10,663</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	51,930	52,710	780	41,229
FUND BALANCE - Beginning of Year	<u>-</u>	<u>73,356</u>	<u>73,356</u>	<u>32,127</u>
FUND BALANCE - End of Year	<u>\$ 51,930</u>	<u>\$ 126,066</u>	<u>\$ 74,136</u>	<u>\$ 73,356</u>

See the accompanying Independent Auditors' Report.

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, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006			VARIANCE- FAVORABLE (UNFAVORABLE)	2005 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes	\$ 74,061	\$ 74,061	\$ 73,898	\$ (163)	\$ 72,295
Intergovernmental Revenues	225,000	225,000	-	(225,000)	289,786
Charges for Services	618,831	618,831	536,205	(82,626)	587,235
Line Maintenance Charges	16,888	16,888	16,852	(36)	16,699
Resource Fees	51,284	51,284	125,000	73,716	163,120
System Development Fees	49,831	49,831	130,405	80,574	139,889
Other Revenue	53,420	53,420	66,190	12,770	119,401
Interest Revenue	32,000	32,000	58,740	26,740	41,318
TOTAL OPERATING REVENUES	1,121,315	1,121,315	1,007,290	(114,025)	1,429,743
EXPENDITURES					
Water					
Personnel Services	186,171	186,171	194,606	(8,435)	173,212
Supplies	6,465	6,465	9,062	(2,597)	4,978
Chemicals, Laboratory Supplies	19,500	19,500	17,073	2,427	19,231
Purchased Water	57,917	57,917	17,203	40,714	5,263
Purchased Services	65,427	65,427	34,132	31,295	45,725
Utilities	56,905	56,905	38,750	18,155	37,556
Legal	28,800	28,800	26,792	2,008	40,816
Fixed Charges	35,047	35,047	35,442	(395)	30,448
Debt Service Principal	80,014	80,014	80,014	-	73,859
Interest Expense	57,221	57,221	60,109	(2,888)	75,689
Total Water	593,467	593,467	513,183	80,284	506,780
Public Works - Water					
Personnel Services	102,228	53,725	34,491	19,234	44,707
Supplies	4,275	4,275	5,126	(851)	4,460
Purchased Services	10,290	10,290	9,143	1,147	(2,458)
Construction and Building	6,700	6,700	1,284	5,416	3,826
Debt Service Principal	111,433	111,433	111,433	-	106,127
Interest Expense	101,975	101,975	105,562	(3,587)	78,772
Total Public Works - Water	336,901	288,398	267,039	21,359	235,434
Capital Outlay	3,288,800	907,000	707,690	199,310	525,979
TOTAL EXPENDITURES	4,219,168	1,788,865	1,487,912	300,953	1,268,193
EXCESS OF REVENUES OVER (UNDER)					
EXPENDITURES - BUDGET BASIS	(3,097,853)	(667,550)	(480,622)	186,928	161,550

(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, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006		VARIANCE- FAVORABLE (UNFAVORABLE)	2005 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS	<u>\$ (3,097,853)</u>	<u>\$ (667,550)</u>	<u>\$ (480,622)</u>	<u>\$ 186,928</u>
GAAP BASIS ADJUSTMENTS				
Capital Outlay			689,915	517,024
Depreciation			(206,942)	(176,975)
Debt Service Principal			<u>191,447</u>	<u>179,986</u>
TOTAL GAAP BASIS ADJUSTMENTS			<u>674,440</u>	<u>520,035</u>
NET INCOME - GAAP BASIS			193,818	681,585
NET ASSETS - Beginning of Year			<u>3,778,952</u>	<u>3,097,367</u>
NET ASSETS - End of Year			<u>\$ 3,972,770</u>	<u>\$ 3,778,952</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, 2006
 With Comparative Totals for the Year Ended December 31, 2005

	2006		VARIANCE- FAVORABLE (UNFAVORABLE)	2005 ACTUAL
	BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 813,111	\$ 925,546	\$ 112,435	\$ 895,891
Intergovernmental Revenues	-	-	-	160,214
System Development Fees	43,000	134,991	91,991	137,994
Other Revenue	15,500	(56,246)	(71,746)	51,949
Interest Revenue	8,205	28,925	20,720	14,005
TOTAL REVENUES	879,816	1,033,216	153,400	1,260,053
EXPENDITURES				
Sewer				
Personnel Services	222,262	220,782	1,480	206,488
Chemicals, Laboratory Supplies	36,000	36,162	(162)	34,416
Supplies	22,350	16,429	5,921	11,162
Utilities	112,320	95,682	16,638	83,070
Professional Services	5,200	4,354	846	7,878
Legal	3,000	3,220	(220)	3,160
Purchased Services	34,160	45,258	(11,098)	27,241
Construction and Building	3,000	2,134	866	1,792
Fixed Charges	33,219	33,952	(733)	31,049
Debt Service Principal	49,494	49,494	-	47,572
Interest Expense	17,778	20,744	(2,966)	21,064
Total Operations	538,783	528,211	10,572	474,891
Public Works - Sewer				
Personnel Services	14,236	11,612	2,624	16,006
Supplies	1,350	2,256	(906)	343
Sewer Cleaning	35,000	34,977	23	35,715
Purchased Services	5,300	2,318	2,982	367
Construction and Building	2,450	97	2,353	102
Total Administration	58,336	51,260	7,076	52,533
Capital Outlay	603,250	394,570	208,680	301,237
TOTAL EXPENDITURES	1,200,369	974,041	226,328	828,661
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS	(320,553)	59,175	379,728	431,392

(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, 2006
 With Comparative Totals for the Year Ended December 31, 2005

	2006		VARIANCE- FAVORABLE (UNFAVORABLE)	2005 ACTUAL
	BUDGET	ACTUAL		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS	<u>\$ (320,553)</u>	<u>\$ 59,175</u>	<u>\$ 379,728</u>	<u>\$ 431,391</u>
GAAP BASIS ADJUSTMENTS				
Depreciation		(207,678)		(158,202)
Capital Outlay		394,570		299,039
Principal Paid		<u>49,494</u>		<u>47,572</u>
TOTAL GAAP BASIS ADJUSTMENTS		<u>236,386</u>		<u>188,409</u>
NET INCOME - GAAP BASIS		295,561		619,800
NET ASSETS - Beginning of Year		<u>5,911,685</u>		<u>5,291,885</u>
NET ASSETS - End of Year		<u>\$ 6,207,246</u>		<u>\$ 5,911,685</u>

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, 2006, and have issued our report thereon dated June 1, 2007. 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.

June 1, 2007

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

LOCAL HIGHWAY FINANCE REPORT	City or County: City of Salida
YEAR ENDING : December 2006	
This Information From The Records Of (example - City of _ or County of) City of Salida	Prepared By: Christine DeChristopher Phone: 719-539-2311

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

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	240,445
3. Other local imposts (from page 2)	317,286
4. Miscellaneous local receipts (from page 2)	14,855
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	572,586
B. Private Contributions	
C. Receipts from State government (from page 2)	221,311
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	793,897

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	33,011
2. Maintenance:	
3. Road and street services:	
a. Traffic control operations	39,591
b. Snow and ice removal	792
c. Other	
d. Total (a. through c.)	40,382
4. General administration & miscellaneous	7,918
5. Highway law enforcement and safety	484,273
6. Total (1 through 5)	565,584
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	63,313
b. Redemption	165,000
c. Total (a. + b.)	228,313
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	228,313
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	793,897

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	1,330,000	0	165,000	1,165,000
1. Bonds (Refunding Portion)		0	0	
B. Notes (Total)	0	0	0	0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		793,897	793,897		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
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	14,855
1. Sales Taxes	261,324	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Road & Bridge	4,576	f. Charges for Services	
5. Specific Ownership &/or Other	51,386	g. Other Misc. Receipts	
6. Total (1. through 5.)	317,286	h. Other	
c. Total (a. + b.)	317,286	i. Total (a. through h.)	14,855
	(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	193,810	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	24,901	d. Federal Transit Admin	
d. Other (Specify)	2,600	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	27,501	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	221,311	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		3,558	3,558
(4). System Enhancement & Operation		29,453	29,453
(5). Total Construction (1) + (2) + (3) + (4)	0	33,011	33,011
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	33,011	33,011
			(Carry forward to page 1)

Notes and Comments: