

**CITY OF RIFLE, COLORADO**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**CITY OF RIFLE, COLORADO**  
**ROSTER OF CITY OFFICIALS**  
**DECEMBER 31, 2011**

**CITY COUNCIL**

Jay Miller – Mayor

Alan Lambert – Mayor Pro Tem

Keith Lambert – Councilor

Jonathan Rice – Councilor

Jennifer Sanborn – Councilor

Rich Carter - Councilor

Randy Winkler – Councilor

**ADMINISTRATION**

John Hier – City Manager

Charles Kelty – Finance Director

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## City of Rifle, Colorado

### Management's Discussion and Analysis December 31, 2011

Management of the City of Rifle offers readers of the City of Rifle's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the notes to the financial statements and financial statement to broaden their understanding of the city's position.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued June 1999.

### **Financial Highlights**

- All amounts, unless otherwise indicated, are expressed in thousands of dollars.
- City of Rifle's assets exceeded its liabilities at the close of 2011 by \$110,392 (net assets). Of this amount, \$18,916 may be used to meet the government's ongoing obligations.
- Total net assets, city-wide, increased by \$808 or 0.7%.
- The General Fund received an energy impact severance tax payment of \$604 in 2011, an increase from the \$296 received in 2010. These funds are intended to help the City deal with impacts of the energy industry.
- As of December 31, 2011, combined governmental fund balances totaled \$15,277, a decrease of \$1,486 from the prior year.
- General fund unassigned fund balance at December 31, 2011 was \$3,944 or 53% of total general fund expenditures.
- The business-type activities net assets increased \$106 to \$46,181 during the year.
- Restricted and Unrestricted net assets for the business-type activities decreased \$476; Water Fund decreased \$228; Sewer Fund decreased \$622; and Sanitation Fund increased \$374.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Rifle's basic financial statements. The City's basic financial statements comprise 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.

**Government-wide financial statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Net asset increases or decreases, over time, may serve as a useful indicator of whether the financial position of the City of Rifle is improving or deteriorating. Other non-financial factors such as the condition of the City's roads and changes in the City's property and sales tax base will also need to be considered to assess the overall health of the City.

The *Statement of Activities* presents information showing how the government'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 change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, for example, uncollected taxes and earned but unpaid wages.

The *Statement of Net Assets* and the *Statement of Activities* report City activities in two categories - *government activities* and *business-type activities*.

Government activities are most of the City's basic services including general administration, police, property inspection, animal shelter, public works, cemetery, parks maintenance and recreation, senior services, information center, Downtown Development Authority, Visitor Improvement, and Urban Renewal Authority. Taxes and intergovernmental revenues principally support these services.

Business-type activities include the City's water, wastewater (sewer) and sanitation (trash) services. Customer service fees are expected to cover all or most of the cost of services provided support these activities.

The government-wide financial statements can be found on pages 1-2 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 Rifle like other local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories, governmental funds, proprietary funds, and fiduciary 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 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 governmental funds with similar information presented for governmental activities in the *government-wide financial statements*. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both The *Balance Sheet-Governmental Funds* and *Statement of Revenues*,

*Expenditures, and Changes in Fund Equity-Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The *Balance Sheet-Governmental Funds* and *Statement of Revenues, Expenditures, and Changes in Fund Equity-Governmental Funds* present the City's major governmental funds separately and combine the non-major funds into a single, aggregated presentation. The City's major governmental funds are the General, Street Improvement, Economic Development, and Parks and Recreation. The non-major funds are Capital, Conservation Trust, Visitor Improvement, Downtown Development, Rifle Information Center, Energy Efficiency Fund, and the Urban Renewal Authority.

The City of Rifle adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with the state budget statutes.

The basic governmental financial statements for the major funds are found on pages 3-9 of this report. The basic governmental financial statements for the non-major funds are found on pages 39-47.

**Proprietary funds** – The City of Rifle maintains three proprietary funds. Proprietary (Enterprise) funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Rifle uses two internal service funds to account for its fleet maintenance and information technology operations. The fleet maintenance and information technology services predominantly benefit the governmental rather than the business-type functions, and are included with the governmental activities in the government-wide financial statements.

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 each of the proprietary funds. However, only the water and sewer funds are considered major funds.

The City uses two internal service funds: Fleet Maintenance and Information Technology to report activities for services provided to the following funds: General, Parks and Recreation, Water, Sewer, and Sanitation. Because the majority of the services are provided to the General Fund, the net assets of these activities are blended into governmental activities in the government-wide reports.

The basic proprietary fund financial statements can be found on pages 10-12 of this report. The schedule of revenues, expenditures, and changes in net assets – budget and actual reports are shown on pages 48-50.

**Fiduciary Funds** – The City has one fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of outside parties. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to finance City operations. The City's fiduciary activities are reported in a separate *Statement of Fiduciary Net Assets* and *Statement of Changes in Fiduciary Net Assets* which are reported on pages 13-14.

**Notes to the Financial Statements** – The notes provide additional information that is essential to the 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 15-38 of this report.

**Other Financial Statements** - The combined basic financial statements referred to earlier in connection with non-major governmental funds and the individual fund statements can be found on pages 39-47 of this report.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also includes the Local Highway Finance Report. This information is presented on pages 56-57.

### Government-wide Financial Analysis

As noted earlier, the government-wide financial statements are designed to provide readers with a broad overview and long-term analysis of the City’s financial position in a manner similar to a private-sector business.

### Net Assets

The following table shows the City’s net assets for 2011 as compared to 2010.

**SUMMARY OF NET ASSETS**  
December 31, 2011 and 2010  
In Thousands of Dollars

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 18,205	\$ 19,829	\$ 8,365	\$ 8,867	\$ 26,570	\$ 28,696
Capital assets (net)	53,731	52,501	57,082	57,521	110,814	110,022
<b>Total assets</b>	<u>71,936</u>	<u>72,330</u>	<u>65,447</u>	<u>66,387</u>	<u>137,383</u>	<u>138,718</u>
Other liabilities	2,815	3,207	1,841	1,822	4,656	5,028
Long-term liabilities	4,910	5,615	17,425	18,491	22,335	24,106
<b>Total liabilities</b>	<u>7,725</u>	<u>8,822</u>	<u>19,266</u>	<u>20,312</u>	<u>26,992</u>	<u>29,134</u>
Net assets:						
Invested in capital assets						
net of related debt	48,542	46,621	38,627	38,045	87,169	84,666
Restricted:						
for Debt Service and O&M Reserves	447	380	765	1,048	1,212	1,428
for Emergencies	396	439	-	-	396	439
for Senior Center Meals and Capital	165	106	-	-	165	106
for Street and Drainage Improvements	561	1,241	-	-	561	1,241
for Water Capital Acquisitions	-	-	1,290	2,048	1,290	2,048
for Parks and Recreation	682	773	-	-	682	773
Unrestricted	<u>13,418</u>	<u>13,948</u>	<u>5,499</u>	<u>4,933</u>	<u>18,917</u>	<u>18,881</u>
<b>Total net assets</b>	<u>\$ 64,211</u>	<u>\$ 63,508</u>	<u>\$ 46,181</u>	<u>\$ 46,075</u>	<u>\$ 110,392</u>	<u>\$ 109,584</u>

Net assets may serve over time as a useful indicator of the City’s financial position. The City of Rifle’s assets exceeded its liabilities (net assets) at the close of 2011 by \$110,392.

At the end of 2011, the City of Rifle had positive balances in all three categories of net assets, both for the City as a whole and also for its governmental activities.

Total net assets for the City as a whole increased by \$808 or 0.7%.

The largest portion of the City's net assets (79%) is its investment in capital assets (e.g. land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire the assets. These capital assets are used to provide services to citizens, and consequently are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the related resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

Governmental activities investment in capital assets net of related debt increased \$1,921 or 4%. This increase was primarily due to economic development of the old Valley Lumber Site located on West 2<sup>nd</sup> street to welcome a multi-screen movie theatre, land development, street overlays, drainage improvements, and equipment purchases during 2011.

Business-type activities investment in capital assets net of related debt increased \$582 or 2%. This increase was a result of water and sewer infrastructure improvements. The City of Rifle also continued designing a new Water Treatment Plant facility.

Restricted net assets are the portion of net assets legally restricted less any non-capital-related liabilities payable from those resources. In the 2011 report, more detail is provided in the restricted net asset category. As of December 31, 2011, restricted net assets in the governmental activities included the following: Debt Service and O&M Reserves (\$447), TABOR Emergencies (\$396), Senior Center Meals and Capital (\$165), Street and Drainage Improvements (\$561), and Parks and Recreation (\$682). The Business-Type Activities includes restricted net assets of the following: Debt Service and O&M reserves (\$765) and Water Capital Acquisitions (\$1,290).

The remaining balance of net assets (unrestricted net assets) totals \$18,917. These assets may be used to meet the City's ongoing obligations to citizens and creditors.

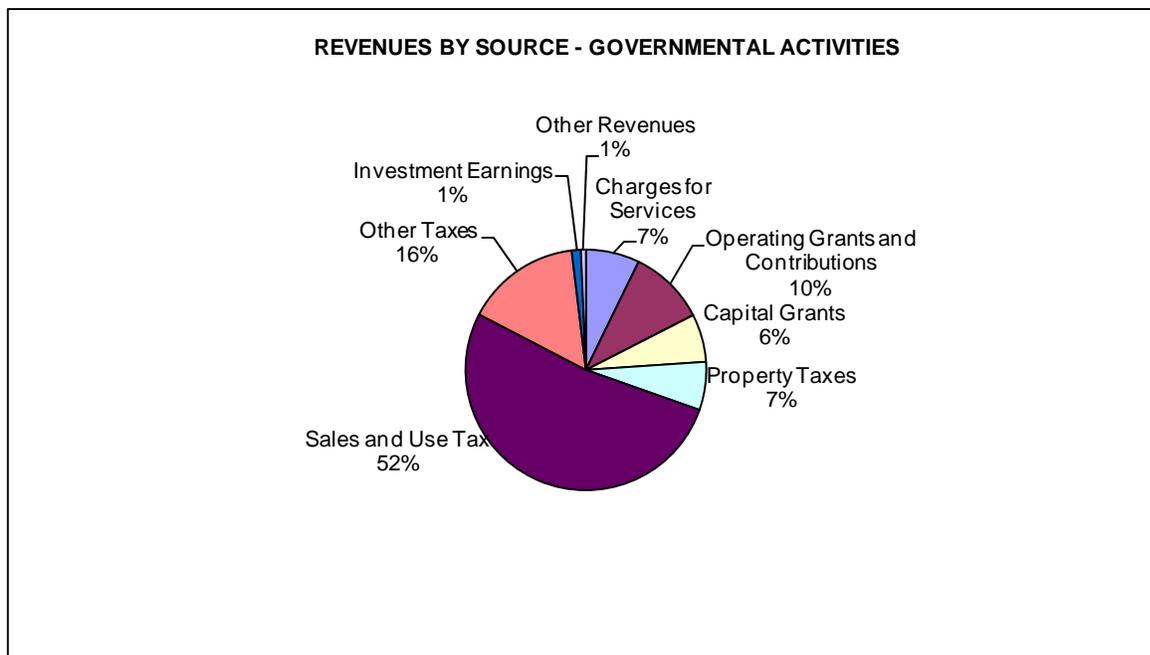
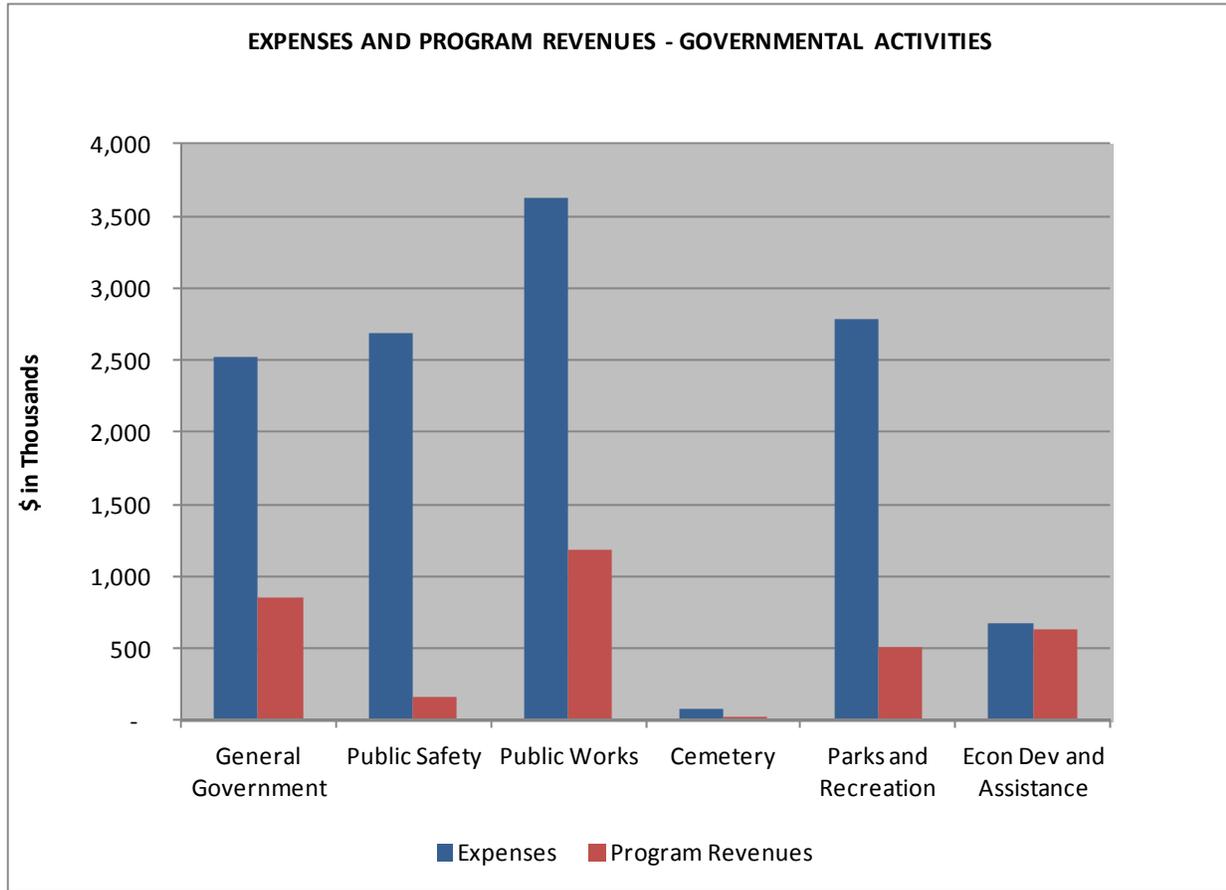
### **Changes in Net Assets**

The following shows the detail of the City's changes in net assets for the year ended December 31, 2011. There was a prior period adjustment of \$767,263 that impacted the governmental funds. The prior period adjustment was due to a sales tax vendor filing a claim for a refund. The vendor paid sales taxes for 2009-2010 based on the assumption they were located within the City limits. This was determined to not be the case. Additional information can be found in Footnote Disclosure #13 on page 38.

**SUMMARY OF CHANGES IN NET ASSETS**  
**For Years Ended December 31, 2011 and 2010**

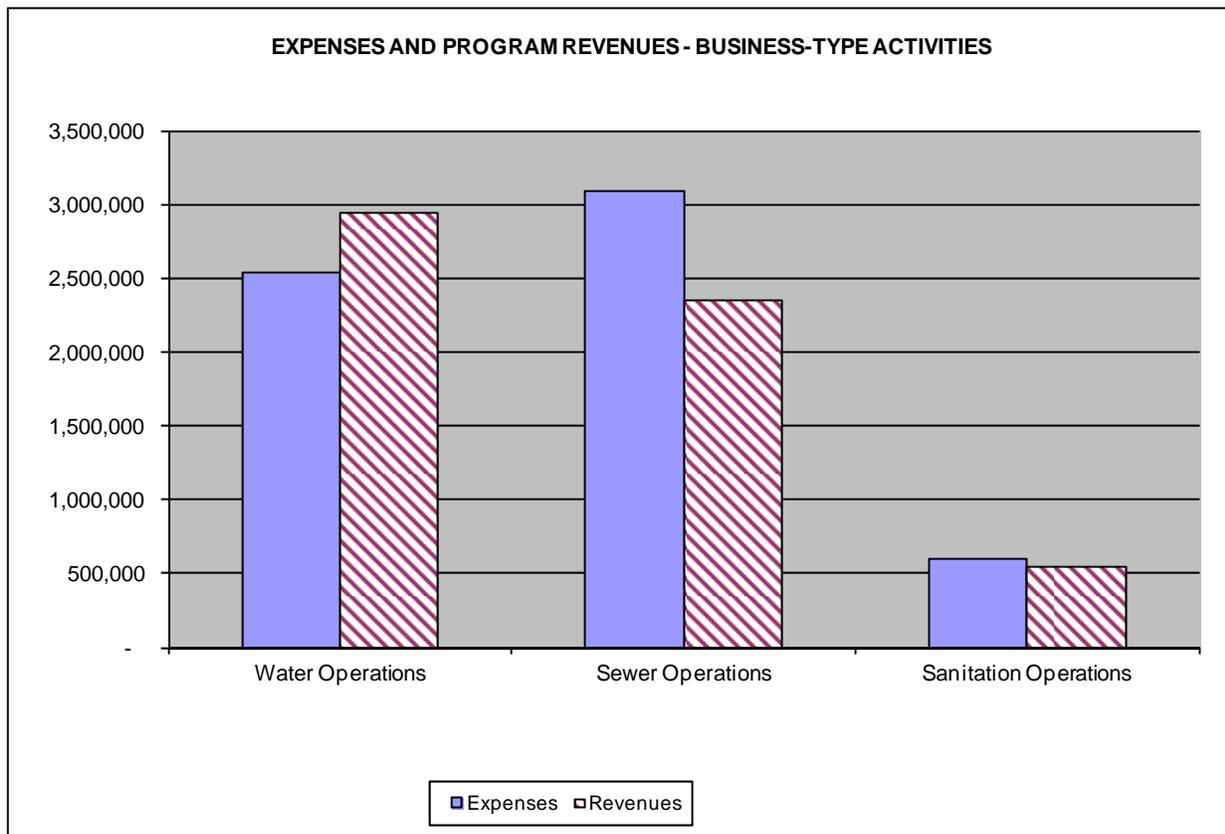
	Governmental		Business Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 1,013,498	\$ 995,712	\$ 5,001,925	\$ 5,502,332	\$ 6,015,423	\$ 6,498,044
Operating grants and contributions	1,440,275	1,202,489	-	-	1,440,275	1,202,489
Capital grants and contributions	903,454	2,684,037	839,714	913,587	1,743,168	3,597,624
General Revenues:						
Property taxes	908,762	872,389	-	-	908,762	872,389
Sales and use taxes	7,330,046	7,254,568	-	-	7,330,046	7,254,568
Other taxes	2,174,345	1,515,229	-	-	2,174,345	1,515,229
Investment earnings	171,001	163,625	78,415	68,941	249,416	232,566
Other revenues	93,767	84,295	214,941	84,764	308,708	169,059
Total revenues	<u>14,035,148</u>	<u>14,772,344</u>	<u>6,134,995</u>	<u>6,569,624</u>	<u>20,170,143</u>	<u>21,341,968</u>
<b>EXPENSES</b>						
General government	2,525,018	2,604,504	-	-	2,525,018	2,604,504
Public Safety	2,689,148	2,627,783	-	-	2,689,148	2,627,783
Public Works	3,628,782	3,325,613	-	-	3,628,782	3,325,613
Cemetery	73,591	67,600	-	-	73,591	67,600
Parks and recreation	2,787,025	2,269,465	-	-	2,787,025	2,269,465
Economic development and assistance	666,142	1,083,415	-	-	666,142	1,083,415
Interest Expense	-	(402,000)	-	-	-	(402,000)
Water operations	-	-	2,537,343	2,661,270	2,537,343	2,661,270
Sewer operations	-	-	3,093,284	2,658,304	3,093,284	2,658,304
Sanitation operations	-	-	594,425	534,698	594,425	534,698
Total expenses	<u>12,369,706</u>	<u>11,576,380</u>	<u>6,225,052</u>	<u>5,854,272</u>	<u>18,594,758</u>	<u>17,430,652</u>
Increase in net assets before transfers	1,665,442	3,195,964	(90,057)	715,352	1,575,385	3,911,316
Transfers	(196,022)	(62,302)	196,022	62,302	-	-
Increase in net assets	1,469,420	3,133,662	105,965	777,654	1,575,385	3,911,316
Net assets, Beginning of year	63,508,462	60,374,800	46,075,266	45,297,612	109,583,728	105,672,412
Prior Period Adjustment	(767,263)	-	-	-	(767,263)	-
Net assets, end of year	<u>\$ 64,210,619</u>	<u>\$ 63,508,462</u>	<u>\$ 46,181,231</u>	<u>\$ 46,075,266</u>	<u>\$ 110,391,850</u>	<u>\$ 109,583,728</u>

## Governmental Activities

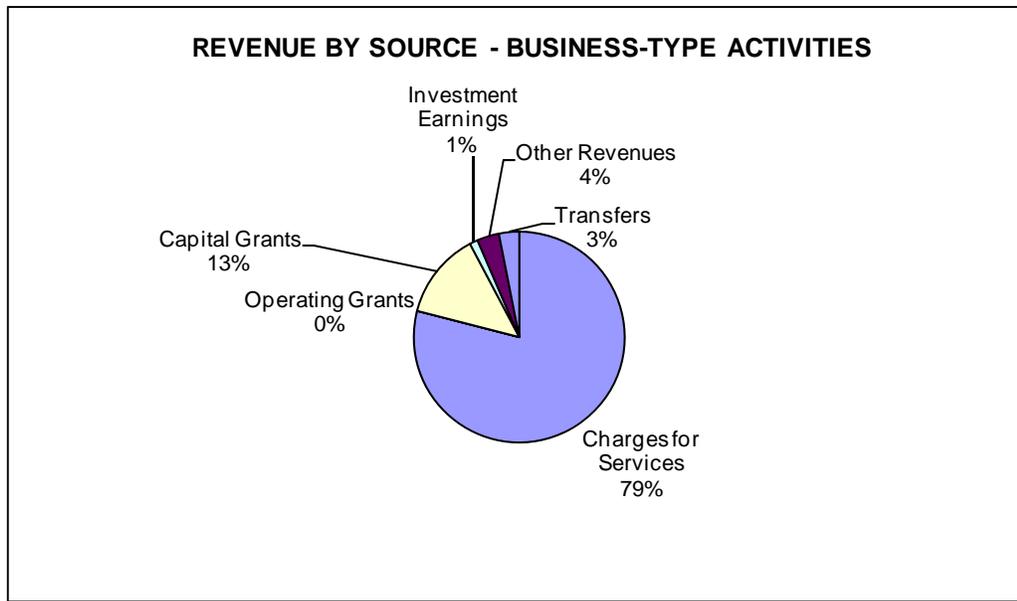


## Business-Type Activities

Below is a graph of the business-type activities expenses and related program revenues. As illustrated below and in the Statement of Activities, charges for services, operating grants and contributions, and capital grants received for the services provided cover program expenses in the Water, Sewer, and Sanitation funds. The Water Fund is in need of a new treatment plant and design continues. The Sanitation Fund outsourced, in November 2011, sanitation collection services to MRI, Inc.



Below is a graph illustrating revenues by source for the business-type activities: seventy-nine percent (79%) of collected revenues are from service related fees.



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Rifle uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

One of the differences between the governmental activities as reported in the government-wide *Statement of Activities* and the individual governmental fund financial statements is the reporting of capital asset acquisitions. For the government-wide financial statements, any new assets are capitalized and only depreciation expense for those assets is reported in the *Statement of Activities*. In the individual governmental fund financial statements, the expenditure for the capital asset acquisitions is reported in the *Statement of Revenues, Expenditures, and Changes in Fund Equity*. Therefore, governmental fund capital outlay expenditures of \$3,661 acquired in 2011 (page 4) are not reflected in the *Statement of Activities*.

At year-end 2011, governmental funds as reported on the *Balance Sheet – Governmental Funds* (page 3) reported a combined fund balance of \$15,277, a decrease of \$1,486 or 9% from the prior year. The General Fund balance decreased \$68 or 1%. The Street Improvement Fund balance decreased \$395 or 12%. The Economic Development Fund increased \$474 primarily due to improvements completed on West 2<sup>nd</sup> Street to encourage Brenden Theatres to build in the City of Rifle. The Parks and Recreation Fund balance decreased \$190 or 20% primarily due to park improvements, start-up costs associated with the City of Rifle Fitness Center, and continuing Deerfield Park design expenses.

The General Fund unassigned fund balance at December 31, 2011 was \$3,944 or 53% of annual expenditures. Unassigned fund balance decreased \$369. The decrease in fund balance was primarily due to the increase in subsequent year's expenditures. Overall, the General Fund

revenues exceeded expenditures by \$352 during 2011, however, the subsequent year's expenditures increased to \$858 for 2012.

General Fund revenues increased by \$714 or 9% primarily due to: general sales tax (0.8% increase), building and motor vehicle use taxes (45% increase), and severance and mineral lease (64% increase).

General Fund expenditures increased \$1,336 or 18% during 2011 due to additional transfers to the following funds: Capital (\$535), Sewer (\$200), Information Technology (\$280), and Energy Efficiency (\$50). Additionally, \$206 was spent installing energy efficient building improvements to City of Rifle buildings.

The Street Improvement Fund revenues increased \$287 or 25% in 2011 primarily due to Department of Local Affairs grant funds received to assist with Fairway Avenue re-construction performed during the year.

The Street Improvement Fund's expenditures vary depending on planned public work projects. In 2011, the City performed major street overlays (\$432), traffic signals (\$68), and the Fairway Ave project (\$673).

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Proprietary Funds include the Water, Wastewater (Sewer), and Sanitation Funds. During 2011 the Sanitation fund trash collection services were outsourced to MRI, Inc. As a result of this change, Sanitation trash charges to the community saw a slight decrease in November 2011.

Net assets increased \$106 to \$46,181 for all proprietary funds. Investment in capital assets, net of related debt represents 84% of total net assets.

**ENTERPRISE FUND NET ASSETS**  
December 31, 2011 and 2010  
In Thousands of Dollars

	Water		Sewer		Sanitation		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Investment in capital assets net of related debt	\$ 20,663	\$ 19,950	\$ 17,964	\$ 17,868	\$ -	\$ 227	\$ 38,627	38,045
Restricted:								
For Capital Improvements	1,267	1,554	0		0	0	1,267	1,554
For Operations and Maintenance Reserve	415	670	351	378	0	0	766	1,048
For Water Rights Acquisition	23	84	0	0	0	0	23	84
Unrestricted	<u>4,067</u>	<u>3,691</u>	<u>647</u>	<u>1,242</u>	<u>785</u>	<u>411</u>	<u>5,499</u>	<u>5,344</u>
<b>Total net assets</b>	<u>\$ 26,435</u>	<u>\$ 25,949</u>	<u>\$ 18,962</u>	<u>\$ 19,488</u>	<u>\$ 785</u>	<u>\$ 638</u>	<u>\$ 46,182</u>	<u>\$ 46,075</u>

In the Wastewater Fund, a new treatment plant was completed in 2009. The plant was funded via Colorado Water Resources and Power Development Authority. Unfortunately, the debt covenant is not being met for 2011 (see Footnote Disclosure #12: Rate Maintenance, page 37). The City transferred \$235,000 from the General Fund to assist with the Debt Covenant, however it was not enough. As a result, the City increased Wastewater User rates 14.6% on January 1<sup>st</sup>, 2012. A replacement Water Treatment plant is under design, and design is estimated to be completed mid-2012. Anticipated construction start date is Fall-2012.

Unrestricted net assets are reserves for the operation and maintenance component of all the proprietary funds. Again, both the Water Fund and Sewer Fund have been increasing user fees annually to meet increasing costs of operation and to replace decaying infrastructure, which includes collection and distribution lines.

In 2011, the Water and Sanitation funds showed positive net profits of \$485 and \$147 respectively. The Wastewater fund incurred a \$527 net loss.

Total unrestricted net assets decreased \$476 during 2011. The Water Fund's unrestricted net assets decreased \$228; Sewer Fund decreased \$622; and the Sanitation Fund increased \$374.

### General Fund Budgetary Highlights

Overall the General Fund saw an increase in revenues from 2010. The national recession continues to impact Rifle. Fortunately, the City has been building up its reserves for several years in preparation for a possible economic downturn. Overall, total revenues exceeded budget by \$1,812. However, Property Tax Revenues were higher than budget by 2%; Sales Tax revenues were higher than budget by 11%; Building Use Tax was higher than budget by \$81; Motor Vehicle Use Tax was higher than budget by 17%; and Severance/Mineral Lease dollars exceeded budget by \$1,332. Expenditures were under budget by 0.6%. Management and City Council continues to budget conservatively to weather the recession, as well as ensure the City is responsive to community needs.

The General Fund unassigned fund balance decreased to \$3,944 or approximately 53% of expenditures.

### Capital Asset and Debt Administration

Capital assets – At the end of 2011, the City had \$110,813 invested in capital assets. Investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, bridges, and trails. Total investment in capital assets for the current year increased 0.7% - an 2% increase for governmental activities and a 0.8% decrease in business-type activities respectively.

CAPITAL ASSETS AT YEAR-END (Net of Depreciation) As of December 31, 2011 and 2010 In Thousands of Dollars						
	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land & Rights	\$ 3,216	\$ 3,146	\$ 2,349	\$ 2,109	\$ 5,565	\$ 5,255
Buildings	10,663	10,786	29,399	29,956	40,062	40,742
Improvements	38,481	36,907	24,337	24,090	62,818	60,997
Equipment	1,371	1,663	997	1,365	2,368	3,028
<b>Total</b>	<b>\$ 53,731</b>	<b>\$ 52,502</b>	<b>\$ 57,082</b>	<b>\$ 57,520</b>	<b>\$ 110,813</b>	<b>\$ 110,022</b>

Major changes in the capital assets activity include:

- Energy Efficient Building Improvements \$303
- Parks and trails, and equipment improvements at \$192
- Water infrastructure improvements and equipment at \$552
- Water treatment plant design \$874
- Sewer Treatment Plant Sludge Removal \$240
- Sanitation Fund Outsourcing – sold two sanitation trucks
- Capital purchases replacing and/or improving furniture and equipment.

**Debt administration** – At the end of 2011, the City of Rifle had a balance of \$24,114 outstanding in revenue bonds, revenue notes payable, notes payable and capital leases. The City repaid \$1,672 of its outstanding obligations.

The City has no general obligation debt at this time.

<b>OUTSTANDING DEBT</b>						
<b>Years Ended December 31, 2011 and 2010</b>						
<b>In Thousands of Dollars</b>						
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue bonds and notes payable	\$ 2,280	\$ 2,560	\$ 17,984	\$ 18,922	\$ 20,264	\$ 21,482
Capital leases	3,392	3,751	471	553	3,863	4,304
<b>Total</b>	<u>\$ 5,672</u>	<u>\$ 6,311</u>	<u>\$ 18,455</u>	<u>\$ 19,475</u>	<u>\$ 24,127</u>	<u>\$ 25,786</u>

### **Economic Factors and Next Year's Budget**

The economic downturn continues to impact the City of Rifle. However, 2011 revenues came in slightly better than anticipated. General sales tax increased 0.8%, building and motor vehicle use taxes experienced a 45% increase, and severance and mineral lease showed a 64% increase. The 2012 budget was prepared with an assumption of sales taxes growing 3.6% in the area. The first quarter of 2012 shows sales tax revenues are approximately 11% higher than the first quarter of 2011. The oil and gas industry reduced staff on the Western Slope and the building industry decreased development over the past several years. The 2012 budget reflects these economic issues since these items have a significant impact on the City of Rifle finances.

Fortunately, the City of Rifle, as a result of prudent management in prior years, has built up the reserves in its general fund. As of December 31, 2011 the audited General Fund unassigned and designated for subsequent year's expenditures fund balance is approximately \$4.8 million. There continues to be adequate funds to continue weathering the economic downturn.

While the economy continues to struggle, the City of Rifle has positioned itself for just such a period. Management and City Council will make necessary changes as needed to the budget to make sure future services will continue to meet the public's needs.

Overall City growth experienced an increase during 2011. Early in 2011 the City of Rifle entered into an agreement to redevelop the old Valley Lumber site on West 2<sup>nd</sup> street into a seven screen movie theatre. This project was completed in November 2011 and Brenden Theatres officially opened for business. As part of this project, the City contributed approximately \$2.0 million developing the infrastructure for this project. Funds for this project came from Garfield County (\$500,000) and City of Rifle's Capital Fund (\$1.5 million). Extra room was developed so that new retail businesses might be encouraged to relocate to the City of Rifle, thus possibly improving our tax base.

2012 will continue to be a year of challenges for the City as we continue adjusting to the new financial reality. We have made significant budget adjustments, and continue to explore ways to provide services at reduced costs. Possibly, the biggest challenge during 2012 will be the construction of a new Water Treatment Plant to replace the two old water treatment plants. Graham Mesa and Beaver Creek plants are approximately 30 years old and need to be replaced. The primary reason for construction is health and safety issues. Plant design is expected to be completed in the summer of 2012. City Council voted to move forward with construction and a loan of \$25 million was approved by the Colorado Water Resources and Power Development Authority in May 2012. However, significant rate increases will need to be implemented to fund the annual debt service. The first phase of the rate increase is expected on September 1<sup>st</sup> 2012. The second phase of the rate increase will be implemented in April 2013 if a ½ cent sales tax being considered for the November ballot is rejected.

Finally, City Council had the foresight to set aside significant reserves over the past years and those reserves have assisted the City during the recession and as the City moves towards an economic recovery.

### **Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Finance Director's office at the City of Rifle, 202 Railroad Ave, Rifle, CO 81650.

## **FINANCIAL SECTION**

# Holscher, Mayberry & Company, LLC

## Certified Public Accountants

Member of the American Institute of Certified Public Accountants  
Governmental Audit Quality Center  
and Private Company Practice Section

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City Council  
City of Rifle  
Rifle, Colorado

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison statements of the City of Rifle, Colorado, as of and for the year ended December 31, 2011, 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 Rifle, Colorado's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Rifle Colorado's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rifle, Colorado, as of December 31, 2011, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison of the General, Street Improvement, Economic Development, and Parks and Recreation Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rifle, Colorado's basic financial statements. The other supplementary information as presented in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Holscher, Mayberry + Company, LLC*

Centennial, CO  
May 25, 2012

## ***BASIC FINANCIAL STATEMENTS***

The Basic Financial Statements provide a financial overview of the City's operations. These financial statements present the financial position, operating results, and cash flows, where applicable, of all funds and activities as of December 31, 2011.

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CITY OF RIFLE, COLORADO

**STATEMENT OF NET ASSETS**

December 31, 2011

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 14,161,388	\$ 5,494,107	\$ 19,655,495
Property Taxes Receivable	701,527	-	701,527
Special Assessments Receivable	119,442	-	119,442
Other Receivable	1,054,227	484,405	1,538,632
Interest Receivable	50,616	-	50,616
Prepaid Expenses	27,767	2,276	30,043
Due from Other Governments	165,001	201,214	366,215
Inventory	29,717	109,169	138,886
<b>TOTAL CURRENT ASSETS</b>	<u>16,309,685</u>	<u>6,291,171</u>	<u>22,600,856</u>
<b>NONCURRENT ASSETS</b>			
Capital Assets, net	53,731,067	57,082,489	110,813,556
Restricted Cash	1,820,452	2,054,977	3,875,429
Debt Issuance Costs	74,879	18,735	93,614
<b>TOTAL NONCURRENT ASSETS</b>	<u>55,626,398</u>	<u>59,156,201</u>	<u>114,782,599</u>
<b>TOTAL ASSETS</b>	<u>71,936,083</u>	<u>65,447,372</u>	<u>137,383,455</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	675,674	392,421	1,068,095
Accrued Wages & Comp. Absences	375,174	50,330	425,504
Accrued Interest Payable	19,274	264,220	283,494
Deposits	161,767	10,000	171,767
Deferred Revenue	820,969	94,148	915,117
Current Portion - Long Term Debt	762,511	1,059,773	1,822,284
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,815,369</u>	<u>1,870,892</u>	<u>4,686,261</u>
<b>NONCURRENT LIABILITIES</b>			
Bonds Payable	1,990,000	-	1,990,000
Bond Premiums	11,045	-	11,045
Notes Payable	-	17,011,286	17,011,286
Capital Leases Payable	2,909,050	383,963	3,293,013
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>4,910,095</u>	<u>17,395,249</u>	<u>22,305,344</u>
<b>TOTAL LIABILITIES</b>	<u>7,725,464</u>	<u>19,266,141</u>	<u>26,991,605</u>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt	48,542,017	38,627,467	87,169,484
Restricted:			
for Debt Service and O&M Reserves	446,840	765,453	1,212,293
for Emergencies	396,000	-	396,000
for Senior Center Meals and Capital	165,086	-	165,086
for Street and Drainage Improvements	560,589	-	560,589
for Water Capital Acquisitions	-	1,289,524	1,289,524
for Parks and Recreation	682,319	-	682,319
Unrestricted	13,417,768	5,498,787	18,916,555
<b>TOTAL NET ASSETS</b>	<u>\$ 64,210,619</u>	<u>\$ 46,181,231</u>	<u>\$ 110,391,850</u>

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

CITY OF RIFLE, COLORADO

**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS
Governmental Activities				
Current:				
General Government	\$ 2,525,018	\$ 569,240	\$ 209,966	\$ 77,500
Public Safety	2,689,148	39,849	57,393	65,000
Public Works	3,628,782	41,675	444,363	691,032
Cemetery	73,591	28,673	-	-
Parks and Recreation	2,787,025	263,888	172,865	69,922
Economic Development and Assistance	666,142	70,173	555,688	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>12,369,706</u>	<u>1,013,498</u>	<u>1,440,275</u>	<u>903,454</u>
Business - Type Activities				
Current:				
Water Operations	2,537,343	2,296,232	-	645,084
Sewer Operations	3,093,284	2,158,611	-	194,630
Sanitation Operations	594,425	547,082	-	-
TOTAL BUSINESS - TYPE ACTIVITIES	<u>6,225,052</u>	<u>5,001,925</u>	<u>-</u>	<u>839,714</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 18,594,758</u>	<u>\$ 6,015,423</u>	<u>\$ 1,440,275</u>	<u>\$ 1,743,168</u>
GENERAL REVENUES				
Property Taxes				
Sales and Use Taxes				
Other Taxes				
Investment Earnings				
Other Revenues				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET ASSETS				
NET ASSETS - Beginning of Year				
PRIOR PERIOD ADJUSTMENT				
NET ASSETS - Beginning of Year (As Restated)				
NET ASSETS - End of Year				

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

**NET (EXPENSE) REVENUE AND  
CHANGES IN NET ASSETS**

<b>PRIMARY GOVERNMENT</b>		
<b>GOVERNMENT ACTIVITIES</b>	<b>BUSINESS - TYPE ACTIVITES</b>	<b>TOTAL</b>
\$ (1,668,312)	\$ -	\$ (1,668,312)
(2,526,906)	-	(2,526,906)
(2,451,712)	-	(2,451,712)
(44,918)	-	(44,918)
(2,280,350)	-	(2,280,350)
(40,281)	-	(40,281)
<u>(9,012,479)</u>	<u>-</u>	<u>(9,012,479)</u>
-	403,973	403,973
-	(740,043)	(740,043)
-	(47,343)	(47,343)
<u>-</u>	<u>(383,413)</u>	<u>(383,413)</u>
<u>(9,012,479)</u>	<u>(383,413)</u>	<u>(9,395,892)</u>
908,762	-	908,762
7,330,046	-	7,330,046
2,174,345	-	2,174,345
171,001	78,415	249,416
93,767	214,941	308,708
(196,022)	196,022	-
<u>10,481,899</u>	<u>489,378</u>	<u>10,971,277</u>
<u>1,469,420</u>	<u>105,965</u>	<u>1,575,385</u>
63,508,462	46,075,266	109,583,728
(767,263)	-	(767,263)
<u>62,741,199</u>	<u>46,075,266</u>	<u>108,816,465</u>
<u>\$ 64,210,619</u>	<u>\$ 46,181,231</u>	<u>\$ 110,391,850</u>

CITY OF RIFLE, COLORADO

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 December 31, 2011  
 With Comparative Totals for December 31, 2010

	SPECIAL REVENUE FUNDS				OTHER GOVERNMENTAL FUNDS
	GENERAL	STREET IMPROVEMENT	ECONOMIC DEVELOPMENT	PARKS & RECREATION	
<b>ASSETS</b>					
Cash and Investments	\$ 5,095,561	\$ 2,413,444	\$ 843,511	\$ 281,550	\$ 4,696,158
Property Taxes Receivable	651,639	-	-	-	49,888
Special Assessments Receivable	-	119,442	-	-	-
Other Receivable	676,471	121,937	-	229,697	26,122
Interest Receivable	50,616	-	-	-	-
Prepaid Expenses	22,997	-	-	1,853	2,917
Advance to Other Funds	120,000	-	83,400	-	67,500
Due from Other Governments	123,567	19,245	21,953	-	236
Restricted Cash and Investments	723,548	690,424	-	328,080	78,400
<b>TOTAL ASSETS</b>	<b>\$ 7,464,399</b>	<b>\$ 3,364,492</b>	<b>\$ 948,864</b>	<b>\$ 841,180</b>	<b>\$ 4,921,221</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 278,199	\$ 71,610	\$ 211,921	\$ 37,798	\$ 46,293
Accrued Wages & Comp. Absences	308,578	761	-	54,206	-
Deposits	160,992	-	-	775	-
Advances from Other Funds	-	150,900	-	-	120,000
Deferred Revenue	651,639	119,442	-	-	49,888
<b>TOTAL LIABILITIES</b>	<b>1,399,408</b>	<b>342,713</b>	<b>211,921</b>	<b>92,779</b>	<b>216,181</b>
<b>FUND BALANCE</b>					
<b>Unspendable:</b>					
Interfund Advances	120,000	-	83,400	-	67,500
Prepays	22,997	-	-	1,853	2,917
<b>Restricted for:</b>					
Street, Drainage & Parking Improvements	270,304	277,966	-	-	12,319
Senior Center Capital and Meals	165,086	-	-	-	-
Debt Service Reserves	-	446,840	-	-	-
Emergencies	396,000	-	-	-	-
Parks and Recreation	288,158	-	-	328,080	66,081
<b>Committed for:</b>					
Parks and Recreation	-	-	-	17,580	-
<b>Assigned for:</b>					
Subsequent Year's Expenditures	858,118	1,135,783	-	-	784,510
Economic Development	-	-	653,543	-	340,314
Street Improvements	-	1,161,190	-	-	-
Parks and Recreation	-	-	-	400,888	-
Capital Improvements	-	-	-	-	3,431,399
Unassigned	3,944,328	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>6,064,991</b>	<b>3,021,779</b>	<b>736,943</b>	<b>748,401</b>	<b>4,705,040</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 7,464,399</b>	<b>\$ 3,364,492</b>	<b>\$ 948,864</b>	<b>\$ 841,180</b>	<b>\$ 4,921,221</b>

FUND BALANCE - GOVERNMENTAL FUNDS

Capital assets used in governmental activities are not resources and are not reported in the funds:  
 Capital Assets  
 Accumulated Depreciation

Long-term liabilities are not due and payable in the current period  
 Revenue Bonds Payable  
 Capital Leases Payable  
 Bond Premiums  
 Bond Issuance Costs  
 Accrued Interest Payable

Internal Service Funds are blended into Governmental Activities:  
 Internal Service Net Assets

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES

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

**TOTALS**

<b>2011</b>	<b>2010</b>
\$ 13,330,224	\$ 13,024,180
701,527	891,379
119,442	164,541
1,054,227	1,156,515
50,616	39,771
27,767	151,540
270,900	331,879
165,001	1,238,244
<u>1,820,452</u>	<u>2,505,204</u>
<u>\$ 17,540,156</u>	<u>\$ 19,503,253</u>

\$ 645,821	\$ 809,801
363,545	335,369
161,767	207,332
270,900	331,879
<u>820,969</u>	<u>1,055,920</u>
<u>2,263,002</u>	<u>2,740,301</u>

270,900	331,879
27,767	151,540
560,589	1,241,308
165,086	106,286
446,840	379,965
396,000	439,000
682,319	773,009
17,580	15,241
2,778,411	469,496
993,857	655,179
1,161,190	2,086,599
400,888	593,129
3,431,399	5,217,737
<u>3,944,328</u>	<u>4,302,584</u>
<u>15,277,154</u>	<u>16,762,952</u>

<u>\$ 17,540,156</u>	<u>\$ 19,503,253</u>
\$ 15,277,154	

78,541,620  
(25,060,029)

(2,280,000)  
(3,379,681)  
(12,925)  
74,879  
(19,274)

1,068,875

\$ 64,210,619

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	SPECIAL REVENUE FUNDS				OTHER GOVERNMENTAL FUNDS
	GENERAL	STREET IMPROVEMENT	ECONOMIC DEVELOPMENT	PARKS & RECREATION	
REVENUES					
Taxes	\$ 5,186,427	\$ 996,736	\$ -	\$ 1,995,688	\$ 356,405
Special Assessments	-	55,403	-	-	-
Licenses and Permits	134,311	-	-	-	-
Intergovernmental	2,732,671	245,829	551,688	1,048	230,752
Charges for Services	317,604	89,654	-	263,888	-
Fines and Forfeitures	161,859	-	-	-	-
Miscellaneous	203,128	34,278	23,857	38,708	56,812
<b>TOTAL REVENUES</b>	<b>8,736,000</b>	<b>1,421,900</b>	<b>575,545</b>	<b>2,299,332</b>	<b>643,969</b>
EXPENDITURES					
General Government	2,629,878	-	-	19,561	-
Public Safety	2,531,126	-	-	-	-
Public Works	1,306,389	130,097	-	-	-
Cemetery	62,582	-	-	-	-
Parks and Recreation	-	-	-	1,944,895	-
Economic Development and Assistance	407,306	-	44,359	-	271,912
Capital Outlay	216,008	1,174,265	1,557,300	170,756	543,115
Debt Service	270,146	378,026	-	334,233	102
<b>TOTAL EXPENDITURES</b>	<b>7,423,435</b>	<b>1,682,388</b>	<b>1,601,659</b>	<b>2,469,445</b>	<b>815,129</b>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	1,312,565	(260,488)	(1,026,114)	(170,113)	(171,160)
OTHER FINANCING SOURCES (USES)					
Proceeds from Long Term Debt	17,529	-	-	55,268	-
Transfer In	177,269	-	1,500,000	210,680	599,000
Transfer Out	(1,155,000)	(25,374)	-	(66,917)	(1,715,680)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(960,202)</b>	<b>(25,374)</b>	<b>1,500,000</b>	<b>199,031</b>	<b>(1,116,680)</b>
CHANGE IN FUND BALANCES	352,363	(285,862)	473,886	28,918	(1,287,840)
FUND BALANCE, Beginning	6,132,956	3,417,250	263,057	938,701	6,010,988
PRIOR PERIOD ADJUSTMENT	(420,328)	(109,609)	-	(219,218)	(18,108)
FUND BALANCE, Beginning (As Restated)	5,712,628	3,307,641	263,057	719,483	5,992,880
FUND BALANCE, Ending	\$ 6,064,991	\$ 3,021,779	\$ 736,943	\$ 748,401	\$ 4,705,040

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

**TOTALS**

<u>2011</u>	<u>2010</u>
\$ 8,535,256	\$ 8,402,366
55,403	56,122
134,311	136,369
3,761,988	5,063,852
671,146	566,086
161,859	152,281
<u>356,783</u>	<u>395,269</u>
<u>13,676,746</u>	<u>14,772,345</u>
2,649,439	2,601,550
2,531,126	2,448,156
1,436,486	1,363,798
62,582	55,799
1,944,895	1,610,512
723,577	684,523
3,661,444	6,560,557
<u>982,507</u>	<u>969,722</u>
<u>13,992,056</u>	<u>16,294,617</u>
<u>(315,310)</u>	<u>(1,522,272)</u>
72,797	-
2,486,949	439,989
<u>(2,962,971)</u>	<u>(502,291)</u>
<u>(403,225)</u>	<u>(62,302)</u>
<u>(718,535)</u>	<u>(1,584,574)</u>
16,762,952	18,347,526
<u>(767,263)</u>	<u>-</u>
<u>15,995,689</u>	<u>18,347,526</u>
<u>\$ 15,277,154</u>	<u>\$ 16,762,952</u>

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CITY OF RIFLE, COLORADO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

Year Ended December 31, 2011

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

Net Change in Fund Balances - Total Governmental Funds	\$ (718,535)
Principal payments on debt are reported as expenditures in the funds:	
Principal Payments on Outstanding Debt:	
Revenue Bonds Payable	280,000
Capital Leases Payable	443,900
Debt Proceeds	(72,797)
Interest, issuance costs and bond premiums are reported on the cash basis in the funds:	
Change in Accrued Interest Payable	2,366
Amortization of Premiums	1,880
Amortization of Issuance Costs	(10,892)
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities:	
Purchased Capitalized Assets	3,727,899
Dedicated Capitalized Assets	358,402
Depreciation Expense	(2,806,190)
Internal Service Funds are blended into Governmental Activities:	
Fleet Maintenance Fund Change in Net Assets	263,387
Change in Net Assets - Governmental Activities	<u>\$ 1,469,420</u>

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

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
GENERAL FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011				2010 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES					
Taxes	\$ 4,675,118	\$ 4,675,118	\$ 5,186,427	\$ 511,309	\$ 4,993,381
Licenses and Permits	137,025	137,025	134,311	(2,714)	136,369
Intergovernmental	1,444,813	1,444,813	2,732,671	1,287,858	2,156,110
Charges for Services	310,521	310,521	317,604	7,083	345,681
Fines and Forfeitures	154,233	154,233	161,859	7,626	152,281
Miscellaneous	202,167	202,167	203,128	961	265,489
TOTAL REVENUES	<u>6,923,877</u>	<u>6,923,877</u>	<u>8,736,000</u>	<u>1,812,123</u>	<u>8,049,311</u>
EXPENDITURES					
General Government	2,690,272	2,690,272	2,629,878	60,394	2,590,262
Public Safety	2,563,671	2,563,671	2,531,126	32,545	2,448,156
Public Works	1,309,034	1,309,034	1,306,389	2,645	1,262,387
Cemetery	61,750	61,750	62,582	(832)	55,799
Economic Development and Assistance	439,468	439,468	407,306	32,162	419,735
Capital Outlay	40,700	40,700	216,008	(175,308)	56,426
Debt Service	270,146	270,146	270,146	-	270,146
Contingency Reserve	100,000	100,000	-	100,000	-
TOTAL EXPENDITURES	<u>7,475,041</u>	<u>7,475,041</u>	<u>7,423,435</u>	<u>51,606</u>	<u>7,102,911</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>(551,164)</u>	<u>(551,164)</u>	<u>1,312,565</u>	<u>1,863,729</u>	<u>946,400</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Long Term Debt	10,679	10,679	17,529	6,850	-
Transfers In	160,989	160,989	177,269	16,280	167,186
Transfers Out	(90,000)	(1,155,000)	(1,155,000)	-	(140,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>81,668</u>	<u>(983,332)</u>	<u>(960,202)</u>	<u>23,130</u>	<u>27,186</u>
CHANGE IN FUND BALANCE	<u>(469,496)</u>	<u>(1,534,496)</u>	<u>352,363</u>	<u>1,886,859</u>	<u>973,586</u>
FUND BALANCE, Beginning	5,595,638	5,595,638	6,132,956	537,318	5,159,370
Prior Period Adjustment	-	-	(420,328)	(420,328)	-
FUND BALANCE, Beginning (As Restated)	<u>5,595,638</u>	<u>5,595,638</u>	<u>5,712,628</u>	<u>116,990</u>	<u>5,159,370</u>
FUND BALANCE, Ending	<u>\$ 5,126,142</u>	<u>\$ 4,061,142</u>	<u>\$ 6,064,991</u>	<u>\$ 2,003,849</u>	<u>\$ 6,132,956</u>

The accompanying notes are an integral part of the financial statements

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
STREET IMPROVEMENT FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			2010 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 908,799	\$ 996,736	\$ 87,937	\$ 1,015,723
Special Assessments	57,908	55,403	(2,505)	56,122
Intergovernmental	217,767	245,829	28,062	-
Charges for Services	6,747	89,654	82,907	25,056
Miscellaneous	51,954	34,278	(17,676)	38,437
TOTAL REVENUES	<u>1,243,175</u>	<u>1,421,900</u>	<u>178,725</u>	<u>1,135,338</u>
EXPENDITURES				
Public Works	1,033,143	130,097	903,046	101,411
Capital Outlay	2,311,500	1,174,265	1,137,235	1,065,156
Debt Service	377,876	378,026	(150)	376,801
TOTAL EXPENDITURES	<u>3,722,519</u>	<u>1,682,388</u>	<u>2,040,131</u>	<u>1,543,368</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(2,479,344)	(260,488)	2,218,856	(408,030)
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(75,674)</u>	<u>(25,374)</u>	<u>50,300</u>	<u>(25,374)</u>
CHANGE IN FUND BALANCE	(2,555,018)	(285,862)	2,269,156	(433,404)
FUND BALANCE, Beginning	3,312,197	3,417,250	105,053	3,850,654
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(109,609)</u>	<u>(109,609)</u>	<u>-</u>
FUND BALANCE, Beginning (As Restated)	<u>3,312,197</u>	<u>3,307,641</u>	<u>(4,556)</u>	<u>3,850,654</u>
FUND BALANCE, Ending	<u>\$ 757,179</u>	<u>\$ 3,021,779</u>	<u>\$ 2,264,600</u>	<u>\$ 3,417,250</u>

The accompanying notes are an integral part of the financial statements

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
ECONOMIC DEVELOPMENT FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011				2010 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES					
Intergovernmental	\$ 535,765	\$ 535,765	\$ 551,688	\$ 15,923	\$ 200,000
Miscellaneous	30,800	30,800	23,857	(6,943)	2,649
TOTAL REVENUES	<u>566,565</u>	<u>566,565</u>	<u>575,545</u>	<u>8,980</u>	<u>202,649</u>
EXPENDITURES					
Economic Development and Assistance	57,000	57,000	44,359	12,641	24,965
Capital Outlay	1,000,000	1,800,000	1,557,300	242,700	302,599
TOTAL EXPENDITURES	<u>1,057,000</u>	<u>1,857,000</u>	<u>1,601,659</u>	<u>255,341</u>	<u>327,564</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(490,435)	(1,290,435)	(1,026,114)	264,321	(124,915)
OTHER FINANCING SOURCES (USES)					
Transfers In	500,000	500,000	1,500,000	1,000,000	-
CHANGE IN FUND BALANCE	9,565	(790,435)	473,886	1,264,321	(124,915)
FUND BALANCE, Beginning	515,374	515,374	263,057	(252,317)	387,972
FUND BALANCE, Ending	<u>\$ 524,939</u>	<u>\$ (275,061)</u>	<u>\$ 736,943</u>	<u>\$ 1,012,004</u>	<u>\$ 263,057</u>

The accompanying notes are an integral part of the financial statements

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON STATEMENT FOR THE  
PARKS & RECREATION FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2010 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes	\$ 1,820,537	\$ 1,820,537	\$ 1,995,688	\$ 175,151	\$ 2,033,420
Intergovernmental	300,000	300,000	1,048	(298,952)	1,038,350
Charges for Services	177,080	177,080	263,888	86,808	187,849
Miscellaneous	232,723	232,723	38,708	(194,015)	32,959
TOTAL REVENUES	<u>2,530,340</u>	<u>2,530,340</u>	<u>2,299,332</u>	<u>(231,008)</u>	<u>3,292,578</u>
EXPENDITURES					
General Government	15,000	40,000	19,561	20,439	11,288
Parks and Recreation	1,771,494	1,971,374	1,944,895	26,479	1,610,512
Capital Outlay	247,000	261,497	170,756	90,741	3,091,070
Debt Service	322,327	332,950	334,233	(1,283)	322,328
TOTAL EXPENDITURES	<u>2,355,821</u>	<u>2,605,821</u>	<u>2,469,445</u>	<u>136,376</u>	<u>5,035,198</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	174,519	(75,481)	(170,113)	(94,632)	(1,742,620)
OTHER FINANCING SOURCES (USES)					
Proceeds from Long Term Debt	-	-	55,268	55,268	-
Transfers In	214,000	214,000	210,680	(3,320)	263,803
Transfers Out	(66,917)	(66,917)	(66,917)	-	(66,917)
TOTAL OTHER FINANCING SOURCES (USES)	<u>147,083</u>	<u>147,083</u>	<u>199,031</u>	<u>51,948</u>	<u>196,886</u>
CHANGE IN FUND BALANCE	<u>321,602</u>	<u>71,602</u>	<u>28,918</u>	<u>(42,684)</u>	<u>(1,545,734)</u>
FUND BALANCE, Beginning	586,668	586,668	938,701	352,033	2,484,435
Prior Period Adjustment	-	-	(219,218)	(219,218)	-
FUND BALANCE, Beginning (As Restated)	<u>586,668</u>	<u>586,668</u>	<u>719,483</u>	<u>132,815</u>	<u>2,484,435</u>
FUND BALANCE, Ending	<u>\$ 908,270</u>	<u>\$ 658,270</u>	<u>\$ 748,401</u>	<u>\$ 90,131</u>	<u>\$ 938,701</u>

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

CITY OF RIFLE, COLORADO

**STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS**

December 31, 2011

With Comparative Totals for December 31, 2010

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>NON-MAJOR</b>			<b>TOTAL</b>
	<b>WATER</b>	<b>WASTEWATER</b>	<b>SANITATION</b>	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Investments	\$ 3,972,413	\$ 783,174	\$ 738,520	\$ 5,494,107
Other Receivable	218,594	213,454	52,357	484,405
Prepaid Expenses	589	1,189	498	2,276
Due from Other Governments	201,214	-	-	201,214
Inventory	106,369	2,800	-	109,169
<b>TOTAL CURRENT ASSETS</b>	<b>4,499,179</b>	<b>1,000,617</b>	<b>791,375</b>	<b>6,291,171</b>
<b>PROPERTY AND EQUIPMENT</b>	<b>32,921,717</b>	<b>42,482,237</b>	<b>-</b>	<b>75,403,954</b>
Less Accumulated Depreciation	(10,381,650)	(7,939,815)	-	(18,321,465)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>22,540,067</b>	<b>34,542,422</b>	<b>-</b>	<b>57,082,489</b>
<b>OTHER ASSETS</b>				
Restricted Cash and Investments	1,704,351	350,626	-	2,054,977
Loan Costs	2,941	15,794	-	18,735
<b>TOTAL OTHER ASSETS</b>	<b>1,707,292</b>	<b>366,420</b>	<b>-</b>	<b>2,073,712</b>
<b>TOTAL ASSETS</b>	<b>28,746,538</b>	<b>35,909,459</b>	<b>791,375</b>	<b>65,447,372</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	359,510	26,569	6,342	392,421
Accrued Wages & Comp. Absences	27,979	22,118	233	50,330
Accrued Interest Payable	4,178	260,042	-	264,220
Deposits	10,000	-	-	10,000
Deferred Revenue	33,455	60,693	-	94,148
Current Portion - Long Term Debt	256,792	802,981	-	1,059,773
<b>TOTAL CURRENT LIABILITIES</b>	<b>691,914</b>	<b>1,172,403</b>	<b>6,575</b>	<b>1,870,892</b>
<b>LONG-TERM LIABILITIES</b>				
Notes Payable	1,236,026	15,775,260	-	17,011,286
Capital Leases Payable	383,963	-	-	383,963
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,619,989</b>	<b>15,775,260</b>	<b>-</b>	<b>17,395,249</b>
<b>TOTAL LIABILITIES</b>	<b>2,311,903</b>	<b>16,947,663</b>	<b>6,575</b>	<b>19,266,141</b>
<b>NET ASSETS</b>				
Invested in Capital Assets Net of Related Debt Restricted	20,663,286	17,964,181	-	38,627,467
For Capital Improvements	1,266,697	-	-	1,266,697
For Operations and Maintenance Reserve	414,827	350,626	-	765,453
For Water Rights Acquisitions	22,827	-	-	22,827
Unrestricted	4,066,998	646,989	784,800	5,498,787
<b>TOTAL NET ASSETS</b>	<b>\$ 26,434,635</b>	<b>\$ 18,961,796</b>	<b>\$ 784,800</b>	<b>\$ 46,181,231</b>

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

**GOVERNMENTAL  
ACTIVITIES**

<b>INTERNAL SERVICE</b>	<b>TOTALS</b>	
	<b>2011</b>	<b>2010</b>
\$ 831,164	\$ 6,325,271	\$ 5,512,399
-	484,405	636,891
-	2,276	51,582
-	201,214	-
29,717	138,886	120,519
<u>860,881</u>	<u>7,152,052</u>	<u>6,321,391</u>
933,805	76,337,759	75,029,100
(684,329)	(19,005,794)	(17,208,635)
<u>249,476</u>	<u>57,331,965</u>	<u>57,820,465</u>
-	2,054,977	3,096,548
-	18,735	20,725
<u>-</u>	<u>2,073,712</u>	<u>3,117,273</u>
<u>1,110,357</u>	<u>66,557,729</u>	<u>67,259,129</u>
29,853	422,274	446,920
11,629	61,959	77,418
-	264,220	274,656
-	10,000	10,000
-	94,148	94,148
-	1,059,773	984,598
<u>41,482</u>	<u>1,912,374</u>	<u>1,887,740</u>
-	17,011,286	18,020,536
-	383,963	470,099
<u>-</u>	<u>17,395,249</u>	<u>18,490,635</u>
<u>41,482</u>	<u>19,307,623</u>	<u>20,378,375</u>
249,476	38,876,943	38,345,232
-	1,266,697	1,964,610
-	765,453	1,048,080
-	22,827	83,858
819,399	6,318,186	5,438,974
<u>\$ 1,068,875</u>	<u>\$ 47,250,106</u>	<u>\$ 46,880,754</u>

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL
	WATER	WASTEWATER	NON-MAJOR SANITATION	
OPERATING REVENUES				
Charges for Services	\$ 2,079,825	\$ 2,150,971	\$ 544,927	\$ 4,775,723
Sale of Materials	2,185	-	-	2,185
Reimbursed Expenditures	53,176	-	-	53,176
Other Revenue	161,046	7,640	2,155	170,841
TOTAL OPERATING REVENUES	2,296,232	2,158,611	547,082	5,001,925
OPERATING EXPENSES				
Personal Services	730,785	423,609	79,556	1,233,950
Supplies	135,309	87,124	30,257	252,690
Purchased Services	546,999	775,614	323,147	1,645,760
Other Expenses	12,584	-	345	12,929
Management Fees	104,949	104,949	27,481	237,379
Fleet Maintenance	74,461	36,813	64,613	175,887
Info Tech Maintenance	11,513	17,269	2,878	31,660
Small Equipment Purchases	-	-	-	-
Depreciation	832,466	1,042,078	66,148	1,940,692
TOTAL OPERATING EXPENSES	2,449,066	2,487,456	594,425	5,530,947
NET INCOME (LOSS) FROM OPERATIONS	(152,834)	(328,845)	(47,343)	(529,022)
OTHER INCOME (EXPENSE)				
System Improvement Fees	242,094	105,927	-	348,021
Dedicated Infrastructure	143,399	88,703	-	232,102
Investment Earnings	62,828	11,272	4,315	78,415
Gain (Loss) on Disposal of Fixed Assets	-	-	215,829	215,829
Cash in Lieu of Fees	18,376	-	-	18,376
Federal Grants	140,052	-	-	140,052
State Grants	101,163	-	-	101,163
Other Revenues	1,102	-	-	1,102
Amortization of Bond Premiums and Costs	(1,038)	(952)	-	(1,990)
Interest Expense	(88,277)	(605,828)	-	(694,105)
OTHER INCOME (EXPENSE)	619,699	(400,878)	220,144	438,965
NET INCOME (LOSS) BEFORE TRANSFERS	466,865	(729,723)	172,801	(90,057)
TRANSFERS				
Transfers In	550,000	235,000	-	785,000
Transfers Out	(531,790)	(31,790)	(25,398)	(588,978)
NET TRANSFERS	18,210	203,210	(25,398)	196,022
NET INCOME (LOSS)	485,075	(526,513)	147,403	105,965
NET ASSETS, Beginning	25,949,560	19,488,309	637,397	46,075,266
NET ASSETS, Ending	\$ 26,434,635	\$ 18,961,796	\$ 784,800	\$ 46,181,231

The accompanying notes are an integral part of the financial statements

**GOVERNMENTAL  
ACTIVITIES**

INTERNAL SERVICE	TOTALS	
	2011	2010
\$ 742,237	\$ 5,517,960	\$ 5,922,263
-	2,185	3,722
-	53,176	68,825
-	170,841	206,907
<u>742,237</u>	<u>5,744,162</u>	<u>6,201,717</u>
237,602	1,471,552	1,469,158
301,774	554,464	678,301
61,456	1,707,216	1,516,053
16,822	29,751	14,505
-	237,379	237,379
406	176,293	124,123
2,569	34,229	30,037
-	-	21,347
143,179	2,083,871	2,070,789
<u>763,808</u>	<u>6,294,755</u>	<u>6,161,692</u>
<u>(21,571)</u>	<u>(550,593)</u>	<u>40,025</u>
-	348,021	337,899
-	232,102	86,654
4,958	83,373	72,157
-	215,829	4,200
-	18,376	450
-	140,052	-
-	101,163	488,584
-	1,102	82,850
-	(1,990)	(1,990)
-	(694,105)	(354,532)
<u>4,958</u>	<u>443,923</u>	<u>716,272</u>
<u>(16,613)</u>	<u>(106,670)</u>	<u>756,297</u>
280,000	1,065,000	135,000
-	(588,978)	(72,698)
<u>280,000</u>	<u>476,022</u>	<u>62,302</u>
263,387	369,352	818,599
<u>805,488</u>	<u>46,880,754</u>	<u>46,062,155</u>
<u>\$ 1,068,875</u>	<u>\$ 47,250,106</u>	<u>\$ 46,880,754</u>

CITY OF RIFLE, COLORADO

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

Increase (Decrease) in Cash and Cash Equivalents  
Year Ended December 31, 2011  
With Comparative Totals for the Year Ended December 31, 2010

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL
	WATER FUND	SEWER FUND	NON-MAJOR SANITATION FUND	
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 2,346,531	\$ 2,252,855	\$ 555,025	\$ 5,154,411
Cash Payments to Suppliers and Employees	(1,487,643)	(1,529,431)	(561,513)	(3,578,587)
Net Cash Provided by Operating Activities	858,888	723,424	(6,488)	1,575,824
Cash Flows From Capital and Related Financing Activities:				
Purchases of Property and Equipment	(1,156,104)	(275,111)	-	(1,431,215)
Proceeds From Sale of Capital Assets	-	-	376,532	376,532
Proceeds From System Improvement Fees	242,094	105,927	-	348,021
Proceeds From Cash in Lieu of Fees	18,376	-	-	18,376
Proceeds From Grants	40,000	-	-	40,000
Principal Payments on Debt	(246,117)	(774,094)	-	(1,020,211)
Interest Payments on Debt	(88,935)	(615,606)	-	(704,541)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,190,686)	(1,558,884)	376,532	(2,373,038)
Cash Flows from Non-Capital Financing Activities:				
Other Revenues	1,102	-	-	1,102
Transfers - Net	18,210	203,210	(25,398)	196,022
Net Cash Provided (Used) by Non-Capital Financing Activities	19,312	203,210	(25,398)	197,124
Cash Flows From Investing Activities:				
Investment Income	62,828	11,272	4,315	78,415
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(249,658)	(620,978)	348,961	(521,675)
CASH AND INVESTMENTS, Beginning	5,926,422	1,754,778	389,559	8,070,759
CASH AND INVESTMENTS, Ending	\$ 5,676,764	\$ 1,133,800	\$ 738,520	\$ 7,549,084
Cash and Investments	\$ 3,972,413	\$ 783,174	\$ 738,520	\$ 5,494,107
Restricted Cash and Investments	1,704,351	350,626	-	2,054,977
TOTAL CASH AND INVESTMENTS	\$ 5,676,764	\$ 1,133,800	\$ 738,520	\$ 7,549,084
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ (152,834)	\$ (328,845)	\$ (47,343)	\$ (529,022)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	832,466	1,042,078	66,148	1,940,692
(Increase) Decrease in:				
Other Receivable	50,299	94,244	7,943	152,486
Prepaid Expenses	29,663	9,051	3,870	42,584
Inventory	(16,210)	667	-	(15,543)
Increase (Decrease) in:				
Accounts Payable	124,760	(94,076)	(29,898)	786
Accrued Wages & Comp. Absences	(9,256)	305	(7,208)	(16,159)
Deferred Revenue	-	-	-	-
Total Adjustments	1,011,722	1,052,269	40,855	2,104,846
Net Cash Provided by Operating Activities	\$ 858,888	\$ 723,424	\$ (6,488)	\$ 1,575,824

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

GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	TOTAL	
	2011	2010
\$ 742,237	\$ 5,896,648	\$ 6,248,009
(641,464)	(4,220,051)	(5,475,959)
<u>100,773</u>	<u>1,676,597</u>	<u>772,050</u>
(92,755)	(1,523,970)	(2,045,105)
-	376,532	4,200
-	348,021	337,899
-	18,376	450
-	40,000	546,952
-	(1,020,211)	(1,011,344)
-	(704,541)	(364,955)
<u>(92,755)</u>	<u>(2,465,793)</u>	<u>(2,531,903)</u>
-	1,102	82,850
280,000	476,022	62,302
<u>280,000</u>	<u>477,124</u>	<u>145,152</u>
4,958	83,373	72,157
292,976	(228,699)	(1,542,544)
538,188	8,608,947	10,151,491
<u>\$ 831,164</u>	<u>\$ 8,380,248</u>	<u>\$ 8,608,947</u>
\$ 831,164	\$ 6,325,271	\$ 5,512,399
-	2,054,977	3,096,548
<u>\$ 831,164</u>	<u>\$ 8,380,248</u>	<u>\$ 8,608,947</u>
\$ (21,571)	\$ (550,593)	\$ 40,025
143,179	2,083,871	2,070,789
-	152,486	72,201
6,722	49,306	(18,051)
(2,822)	(18,365)	8,943
(25,434)	(24,648)	(1,388,521)
699	(15,460)	12,573
-	-	(25,909)
<u>122,344</u>	<u>2,227,190</u>	<u>732,025</u>
<u>\$ 100,773</u>	<u>\$ 1,676,597</u>	<u>\$ 772,050</u>

CITY OF RIFLE, COLORADO

**STATEMENT OF FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUND**  
**December 31, 2011**  
**With Comparative Totals for December 31, 2010**

	<b>PERPETUAL CARE</b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
ASSETS		
Cash and Investments	<u>\$ 206,918</u>	<u>\$ 204,040</u>
NET ASSETS		
Held In Trust for Cemetery Maintenance	<u>\$ 206,918</u>	<u>\$ 204,040</u>

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

CITY OF RIFLE, COLORADO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -  
FIDUCIARY FUND

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	PERPETUAL CARE	
	<u>2011</u>	<u>2010</u>
ADDITIONS:		
Charges for Services	\$ 2,878	\$ 3,625
NET ASSETS - Beginning	<u>204,040</u>	<u>200,415</u>
NET ASSETS - Ending	<u>\$ 206,918</u>	<u>\$ 204,040</u>

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

## CITY OF RIFLE, COLORADO

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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

The City of Rifle was incorporated in 1905 and became a Home Rule City in 1963. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, water, sewer, sanitation, health and social services, culture and recreation, education, public improvements, planning and zoning, and general administrative services. The City's basic financial statements include the accounts of all City operations.

This summary of the City of Rifle's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the City of Rifle conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

#### **Reporting Entity**

In accordance with Governmental Accounting Standards, the City has considered the possibility of inclusion of additional entities in its basic 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 benefits to, or to impose specific financial burdens on, the City. The City may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based upon the application of these criteria, the following component unit is included in the City's reporting entity because of the significance of its operational or financial relationship to the City.

#### **Blended Component Units**

The Downtown Development Agency (DDA) and the Urban Renewal Authority (URA) were created as separate legal entities by an act of the state legislature and "activated" by action of the City Council to plan and develop the downtown and other blighted areas of the City and to attract new businesses and residents. The governing boards of the DDA is appointed by the City Council for fixed terms. The DDA has the complete authority to hire management and all other employees. There is no significant continuing relationship between the City and the DDA for carrying out day-to-day functions. The governing board of the URA is the City Council.

CITY OF RIFLE, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

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

**Blended Component Units** (Continued)

The DDA is a separate taxing body and levies taxes against the property owners within the designated development district and may hold referendums of its constituents. The DDA's levy and the levy of the City are independent of each other and are related only by the fact that they are levied against a common tax base within the DDA's geographic boundaries. Property taxes from the DDA's levy are its primary revenue source.

The URA's primary source of revenue is increment tax receipts based on the increased assessed valuation of taxes in the Urban Renewal Authority boundaries.

Because the DDA's governing board is appointed by the City and the budget and any amendments thereto are approved by the City, the DDA is reported as if it were part of the primary government. Similarly, since URA's governing board is the City Council and the budget and any amendments thereto are approved by the City, the URA is reported as if it were part of the primary government.

**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 non-fiduciary 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

CITY OF RIFLE, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2011

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the 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, sales and use taxes, franchise fees, state shared revenues, 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 (enterprise) 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses 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 non-operating revenues and expenses.

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

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

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

In the fund financial statements, the City reports the following major governmental funds:

General Fund – The General 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.

Major Special Revenue Funds

Street Improvement Fund – This fund receives sales, use, and street impact revenues restricted for public works street improvements.

Economic Development Fund – This fund receives sewer line recovery fees and other designated income to be used for economic development.

Parks and Recreation Fund – This fund accounts for the operations of the City's parks and recreation programs. It is partially funded through a 1% sales and use tax assessment.

The City also reports the following major proprietary funds:

Water and Wastewater Funds – These funds account for the activities related to offering the respective services to the City's residents.

Additionally, the City reports the following fiduciary fund:

Perpetual Care Fund – The Perpetual Care Fund is used to account for assets held by the City in a trustee capacity for the future maintenance of the City's cemetery.

**Budgets**

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

- (1) In accordance with the City Charter, on or before the second Council meeting in August, the Council adopts a resolution setting the schedule for the adoption of the following year's budget.
- (2) Prior to or by the first Council meeting in December, the budget is legally enacted through passage of an ordinance, after receiving input through public hearings.
- (3) The City Manager reports monthly to the City Council explaining any variance from the approved budget.
- (4) The City Charter requires the adoption of a budget for proprietary funds. Depreciation expense is not a budgeted item.
- (5) The City does not utilize encumbrance accounting and all appropriations lapse at year end.

The City's expenditures exceeded the allowed appropriations in the Conservation Trust Fund and Urban Renewal Authority Fund which may be a violation of State Statutes.

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2011**

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

**Property Taxes**

Property taxes for the City are levied by the City Council and certified for collection to Garfield County by December 15 of each year. These taxes become due January 1 of the succeeding year and are payable in full by April 30 or in two installments by June 15 in the year of collection. Property taxes levied in the current year for collection in the subsequent year by the General Fund are included in Receivables and Deferred Revenue at year end. These taxes are classified as deferred revenues since they are not available to the City until the subsequent year.

**Property, Plant and Equipment**

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property and equipment of the City is depreciated using the straight line method over the following estimated useful lives.

Buildings	10 - 50 years
Land Improvements	7 - 75 years
Machinery and Equipment	5 - 10 years
Wastewater System	30 - 50 years
Water System	30 - 50 years

Infrastructure assets, which include streets, bridges, and drainage systems, are depreciated using the straight line method over estimated useful life of 25 years.

**Compensated Absences**

Employees earn one day of sick-leave per month. Upon accrual of 480 hours of sick-leave, employees begin accruing three hours of vacation per month in lieu of additional sick-leave.

Vacation is earned based upon the tenure with the City up to a maximum of twenty five days. Upon termination, the amount paid is the number of days accrued.

## CITY OF RIFLE, COLORADO

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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

**Compensated Absences** (Continued)

The City's policy is to record a liability and a related charge to expenditures for compensated absences for employees in the appropriate funds. The City has elected this conservative method to more closely monitor its financial position. Current accrued compensated absences including accrued payroll was \$425,504 at December 31, 2011, \$308,578 of which was recorded in the General Fund, \$50,330 in the Enterprise Funds, \$54,967 in the Special Revenue Funds and \$11,629 in the Internal Service Funds.

**Net Assets/Fund Equity**

The Urban Renewal Authority Fund has a deficit fund balance of \$110,471 which is expected to be recovered through future property tax revenues.

In the government-wide financial statements and for the proprietary fund statements, net assets are either shown as invested in capital assets net of related debt, with these assets essentially being nonexpendable; restricted when constraints placed on the net assets are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balance should be reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council, should be reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

For the classification of fund and net asset balances, the City considers an expenditure to be made from the most restrictive classification first, when more than one classification is available.

CITY OF RIFLE, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2011

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

**Inventory**

Inventories are valued at cost, using the first-in, first-out (FIFO) method.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**Cash Flow Statement**

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of less than three months.

**NOTE 2: CASH AND INVESTMENTS**

A summary of cash and investments follows:

Governmental - Unrestricted	\$ 14,161,388
Business-type - Unrestricted	5,494,107
Governmental - Restricted	1,820,452
Business-type - Restricted	2,054,977
Fiduciary	<u>206,918</u>
Total Cash and Investments	<u>\$ 23,737,842</u>

The City's cash and investment balances are comprised of the following:

Cash and Deposits	\$ 7,117,137
Investments	<u>16,620,705</u>
Total Cash and Investments	<u>\$ 23,737,842</u>

**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

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

**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 (\$250,000) 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, 2011, all of the City's bank 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.

	Bank Balance	Carrying Balance
FDIC Insured	\$ 2,202,297	\$ 2,202,297
PDPA Collateralized	5,001,801	4,913,405
Petty Cash	-	1,435
Total Cash and Deposits	\$ 7,204,098	\$ 7,117,137

**Investments**

Credit Risk

The City invests excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) Safety, 2) Liquidity, and 3) Yield. The Director of Finance is responsible for all of the investments of the City.

**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

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

**Investments** (Continued)

**Credit Risk** (Continued)

Eligible investments shall conform to state law and may include any of the following:

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

As of December 31, 2011, the City's investments consisted of the following:

	Fair Value	Weighted Avg. Maturity In Years	% of Portfolio	Rating
U.S. Instrumentalities:				
FNMA	\$ 3,051,777	2.76	18.36%	AAA
FHLB	3,700,924	2.37	22.27%	AAA
Local Investment Pools	8,041,630	0.00	48.38%	AAAm
Mutual Funds	247,965	0.00	1.49%	-
Commercial Paper	<u>1,578,409</u>	<u>0.96</u>	<u>9.50%</u>	AA2/AA+
Total Investments held by City	<u>\$ 16,620,705</u>	1.13	<u>100.00%</u>	

During the year ended December 31, 2011, the City invested funds in the Colorado Surplus Asset Fund (CSAFE) and Colotrust. As investment pools, they operate under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner. They invest 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 pools operate 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. These funds are rated AAAm by the Standard and Poor's Corporation.

**Interest Rate Risk**

The City manages its interest rate risk by setting a maximum maturity date no more than five years from the date of purchase unless otherwise authorized by the City Council.

CITY OF RIFLE, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

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

**Investments** (Continued)

Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in Federal Home Loan Bank and Federal National Mortgage Association securities. These investments are 12.8%, and 18.2%, respectively, of the City's total investments.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2011, the City's U.S. Instrumentality securities were held by Wells Fargo Brokerage Services, LLC, or AXA Advisors, LLC in the name of the City.

**NOTE 3: RESTRICTED CASH**

The City has recorded the following cash restrictions at December 31, 2011:

General Fund

Restricted for Senior Center Improvements	\$	37,931
Restricted for Senior Center Meals		127,155
Restricted for Road Improvements		249,298
Restricted for Parkland Dedication		288,158
Restricted for Regional Drainage		21,006
Total General Fund		<u>723,548</u>

Street Improvement Fund

Restricted for Street Improvements from Bond Proceeds		277,966
Restricted for Bond Principal and Interest Payments		412,458
Total Street Improvement Fund		<u>690,424</u>

Downtown Development Agency

Restricted for Parking Projects		<u>12,319</u>
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Conservation Trust Fund

Restricted for Parks and Recreation		<u>66,081</u>
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**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 3: RESTRICTED CASH (Continued)**

<u>Parks &amp; Recreation Fund</u>	
Restricted for Rifle Mountain Park	15,388
Restricted for Fireworks	2,192
Restricted from RE-2 School District	<u>310,500</u>
Total Parks & Recreation Fund	<u>328,080</u>
 <u>Water Fund</u>	
Restricted for Infrastructure Improvements	1,266,697
Restricted for Water Rights	22,827
Restricted for Operations and Maintenance Reserve	<u>414,827</u>
Total Water Fund	<u>1,704,351</u>
 <u>Sewer Fund</u>	
Restricted for Operations and Maintenance Reserve	<u>350,626</u>
<b>Total Restricted Cash</b>	<b><u>\$ 3,875,429</u></b>

**NOTE 4: CHANGES IN CAPITAL ASSETS**

The following schedule presents changes in governmental activities capital assets during 2011:

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2011</u>
<b>Governmental Activities:</b>				
Non-depreciable Capital Assets:				
Land	\$ 3,145,631	\$ 70,580	\$ -	\$ 3,216,211
Depreciable Capital Assets:				
Buildings	14,253,620	238,217	-	14,491,837
Improvements	53,804,875	3,723,574	-	57,528,449
Equipment	3,251,193	53,930	-	3,305,123
Int Svc Equipment & Vehicles	<u>841,049</u>	<u>92,756</u>	-	<u>933,805</u>
Total Capital Assets	<u>75,296,368</u>	<u>4,179,057</u>	-	<u>79,475,425</u>
Less: Accumulated Depreciation				
Buildings	3,467,614	361,108	-	3,828,722
Improvements	16,897,932	2,148,997	-	19,046,929
Equipment	1,888,293	296,085	-	2,184,378
Int Svc Equipment & Vehicles	<u>541,150</u>	<u>143,179</u>	-	<u>684,329</u>
Total Accumulated Depreciation	<u>22,794,989</u>	<u>2,949,369</u>	-	<u>25,744,358</u>
<b>Net Capital Assets</b>	<b><u>\$ 52,501,379</u></b>	<b><u>\$ 1,229,688</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 53,731,067</u></b>

**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

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

Depreciation has been charged to the various functions and programs as follows:

	Governmental Activities
General Government	\$ 188,265
Public Safety	91,706
Public Works	1,893,937
Cemetery	11,009
Parks & Recreation	610,200
Economic Development	11,073
Deprec. Govt. Funds	2,806,190
Fleet Maintenance	143,179
Total Depreciation	\$ 2,949,369

The following schedule presents business-type activities capital assets at December 31, 2011:

	<b>Balance 12/31/2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2011</b>
<b>Business-Type Activities:</b>				
Non-depreciable Capital Assets:				
Land	\$ 1,614,117	\$ 240,311	\$ -	\$ 1,854,428
Water Rights	495,000			495,000
Depreciable Capital Assets:				
Buildings	38,679,783	640,111	-	39,319,894
Improvements	30,749,056	782,895	-	31,531,951
Equipment	2,650,095	-	447,415	2,202,680
Total Capital Assets	74,188,051	1,663,317	447,415	75,403,953
Less: Accumulated Depreciation				
Buildings	8,723,557	1,197,274	-	9,920,831
Improvements	6,659,258	535,517	-	7,194,775
Equipment	1,284,670	207,901	286,713	1,205,858
Total Accumulated Depreciation	16,667,485	1,940,692	286,713	18,321,464
<b>Net Capital Assets</b>	<b>\$ 57,520,566</b>	<b>\$ (277,375)</b>	<b>\$ 160,702</b>	<b>\$ 57,082,489</b>

**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

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

Depreciation has been charged to the various functions and programs as follows:

	Business-type Activities
Water Operations	\$ 832,466
Sewer Operations	1,042,078
Sanitation Operations	66,148
Total Depreciation	\$ 1,940,692

**NOTE 5: LONG - TERM DEBT – GOVERNMENTAL ACTIVITIES**

**BONDS PAYABLE**

In November, 2003, the City issued \$4,155,000 of Sales and Use Tax Revenue Bonds for street improvements. These bonds are secured by a pledge of the City's sales tax revenue. The bonds mature serially beginning in 2004 through 2018. Bond principal payments are due annually on December 1, and interest is due semi-annually on June 1 and December 1. The bonds bear interest at rates ranging from 2.0% to 4.10%. The bonds require a \$412,458 reserve including funding of 1/6 of the next semiannual interest payment and 1/12 of the next annual principal payment monthly. The City has established the required reserves (Note 3). These bonds are repaid through the Street Improvement Fund.

**CAPITAL LEASE PAYABLE**

In June 2007, the City entered into a lease purchase agreement for the construction of a new police and court facility. The lease requires semi-annual base rentals of \$132,724 consisting of both principal and interest at 4.36% on June 1 and December 1 of each year after an initial interest payment of \$41,531 in December 2007. Payments continue through December 2017. The initial lease proceeds were \$2,133,000.

In August 2008, the City entered into a lease purchase agreement for the construction of a new parks facility. The lease requires semi-annual base rentals of \$161,164 consisting of both principal and interest at 4.28% on June 1 and December 1 of each year after an initial interest payment of \$28,747 in December 2008. Payments continue through December 2018. The initial lease proceeds were \$2,600,000.

During 2011, the City entered into lease purchase agreements for the purchase of copier and fitness equipment. The copier lease requires 60 monthly payments of \$336 consisting of both principal and interest at the rate of 5.70%. The fitness equipment requires 36 monthly payment of \$1,673 consisting of both principal and interest at 5.70% through May 2014. Equipment with a value of \$72,796 was capitalized through these leases.

**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 5: LONG - TERM DEBT – GOVERNMENTAL ACTIVITIES (Continued)**

Changes in governmental activity long-term debt are as follows:

	<b>Balance 12/31/10</b>	<b>Advances</b>	<b>Repayments</b>	<b>Balance 12/31/11</b>	<b>Current Portion</b>	<b>Interest Expense</b>
2003 Revenue Bonds	\$ 2,560,000	\$ -	\$ 280,000	\$ 2,280,000	\$ 290,000	\$ 97,876
2003 Revenue Bond Premiums	14,805	-	1,880	12,925	1,880	(1,880)
Capital Leases - Equipment	-	72,796	13,329	59,467	21,273	2,420
Police Facility Capital Lease	1,586,623	-	198,411	1,388,212	207,156	67,037
Parks Facility Capital Lease	2,164,161	-	232,159	1,932,002	242,202	90,168
<b>Total Obligations</b>	<b>\$ 6,325,589</b>	<b>\$ 72,796</b>	<b>\$ 725,779</b>	<b>\$ 5,672,606</b>	<b>\$ 762,511</b>	<b>\$ 255,621</b>

Scheduled payments on the bonds are due as follows:

<b><u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2012	\$ 290,000	\$ 88,076	\$ 378,076
2013	300,000	77,201	377,201
2014	315,000	65,951	380,951
2015	325,000	54,296	379,296
2016	335,000	41,946	376,946
2017-2018	715,000	43,930	758,930
<b>Total</b>	<b>\$ 2,280,000</b>	<b>\$ 371,400</b>	<b>\$ 2,651,400</b>

Scheduled payments on the capital leases are as follows:

<b><u>Year</u></b>	<b><u>Police Facility Payment</u></b>	<b><u>Parks Facility Payment</u></b>	<b><u>Fitness Equipment Payment</u></b>	<b><u>Copier Equipment Payment</u></b>	<b><u>Total Payment</u></b>
2012	\$ 265,448	\$ 322,328	\$ 20,076	\$ 4,037	\$ 611,889
2013	265,448	322,328	20,076	4,037	611,889
2014	265,448	322,328	8,176	4,037	599,989
2015	265,448	322,328	-	4,036	591,812
2016	265,448	322,328	-	-	587,776
2017-2018	265,448	644,655	-	-	910,103
Total Payments	1,592,688	2,256,295	48,328	16,147	3,913,458
Interest at 4.36%/4.28%/5.7%/5.7%	(204,476)	(324,293)	(3,270)	(1,738)	(533,777)
<b>Present Value of Payments</b>	<b>\$ 1,388,212</b>	<b>\$ 1,932,002</b>	<b>\$ 45,058</b>	<b>\$ 14,409</b>	<b>\$ 3,379,681</b>

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 6: LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES**

Changes in business-type activity long-term debt are as follows:

	<b>Balance 12/31/10</b>	<b>Advances</b>	<b>Repayments</b>	<b>Balance 12/31/11</b>	<b>Current Portion</b>	<b>Interest Expense</b>
1982 CWCB Note - Water	\$ 132,777	\$ -	\$ 9,845	\$ 122,932	\$ 10,239	\$ 5,310
1994 CWRPDA Loan - Water	360,000	-	83,750	276,250	96,250	18,467
2003 CWRPDA Loan - Water	1,077,500	-	70,000	1,007,500	64,167	42,773
2004 DOLA Note - Sewer	228,644	-	53,049	175,595	55,700	10,538
2006 Capital Lease - Water	552,621	-	82,522	470,099	86,136	21,907
2007 CWRPDA Loan - Sewer	16,497,484	-	685,432	15,812,052	711,668	630,904
2007 CWRPDA Premium - Sewer	626,207	-	35,613	590,594	35,613	(35,613)
<b>Total Obligations</b>	<b>\$ 19,475,233</b>	<b>\$ -</b>	<b>\$ 1,020,211</b>	<b>\$ 18,455,022</b>	<b>\$ 1,059,773</b>	<b>\$ 694,286</b>

**NOTES PAYABLE**

On October 19, 1994, the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority for \$1,295,000. The loan carries an average interest rate of 6.1% and was issued to advance refund \$320,000 of outstanding 1986 General Obligation Water Bonds with an average interest rate of 7.9%, and to fund water plant improvements. The loan was subsequently refinanced in 1998 via a new Colorado Water Resource and Power Development bond issuance. This note will mature in October, 2014. Pursuant to the loan agreement, the City was required to establish a 3 month operations and maintenance reserve based on the subsequent years budgeted expenditures, or \$414,827. The City has funded this reserve through the restriction of its cash balances in the Water Fund (Note 3). The City believes it is in compliance with all required covenants and obligations called for by the loan agreement. Debt service requirements to maturity are as follows:

<b><u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2012	\$ 96,250	\$ 13,168	\$ 109,418
2013	101,250	7,491	108,741
2014	78,750	1,972	80,722
<b>Total</b>	<b>\$ 276,250</b>	<b>\$ 22,631</b>	<b>\$ 298,881</b>

In 2003, the City obtained permanent financing from the Colorado Water Resource and Power Development Authority ("CWRPDA") of \$1,525,000 to fund system improvements. This permanent financing was used to repay the interim borrowing from CWRPDA that occurred in 2002. The new loan bears interest at 3.98% and required monthly principal and interest payments through October 1, 2023. Pursuant to the loan agreement, the City was required to establish a 3 month operations and maintenance reserve based on the subsequent years budgeted expenditures, or \$414,827, as noted above. The City has funded this reserve through the restriction of its cash balances in the Water Fund (Note 3). The City believes it is in compliance with all required covenants and obligations called for by the loan agreement. Debt service requirements to maturity are as follows:

**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 6: LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES (Continued)**

**NOTES PAYABLE (Continued)**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 64,167	\$ 40,580	\$ 104,747
2013	70,833	38,247	109,080
2014	75,000	35,755	110,755
2015	75,833	33,043	108,876
2016	80,833	30,223	111,056
2017-2021	452,500	100,186	552,686
2022-2023	188,334	12,329	200,663
<b>Total</b>	<b><u>\$ 1,007,500</u></b>	<b><u>\$ 290,363</u></b>	<b><u>\$ 1,297,863</u></b>

In 1981, the City entered into a loan agreement with the Colorado Water Conservation Board for system improvements. The loan was for \$300,000 and bears interest at 4%. Loan payments are due annually in the amount of \$15,156 through November 1, 2021. Payments are made by the Water Fund. Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 10,239	\$ 4,917	\$ 15,156
2013	10,649	4,507	15,156
2014	11,075	4,081	15,156
2015	11,518	3,638	15,156
2016	11,978	3,178	15,156
2017-2021	67,473	8,307	75,780
<b>Total</b>	<b><u>\$ 122,932</u></b>	<b><u>\$ 28,628</u></b>	<b><u>\$ 151,560</u></b>

In 2004, the City entered into a loan agreement with the Colorado Department of Local Affairs for sewer system improvements. The loan was for \$500,000 and bears interest at 5%. Loan payments are due annually in the amount of \$64,480 through September 1, 2014. Payments are made by the Wastewater Fund. Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 55,700	\$ 8,780	\$ 64,480
2013	58,485	5,995	64,480
2014	61,410	3,070	64,480
<b>Total</b>	<b><u>\$ 175,595</u></b>	<b><u>\$ 17,845</u></b>	<b><u>\$ 193,440</u></b>

**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 6: LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES (Continued)**

**NOTES PAYABLE (Continued)**

In May 2007, the City entered into a loan agreement with the Colorado Water Resource and Power Development Authority in the amount of \$17,852,112. The proceeds are to be used to complete sewer improvements. The City has also recorded \$747,848 of premiums and \$20,000 of issuance costs that are being recognized over the life of the note, with the remaining unamortized portion included in the note payable balance in the financial statements. The loan requires semi-annual principal and interest payments on February 1 and August 1 of each year through 2028. The loan bears interest at 3.5% per annum, not including administrative fees. Pursuant to the loan agreement, the City was required to establish a 3 month operations and maintenance reserve based on the subsequent years budgeted expenditures, or \$350,626. The City has funded this reserve through the restriction of its cash balances in the Wastewater Fund (Note 3). The City believes it is in compliance with all required covenants and obligations called for by the loan agreement. Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 711,668	\$ 618,421	\$ 1,330,089
2013	732,904	596,233	1,329,137
2014	759,140	573,387	1,332,527
2015	780,376	549,720	1,330,096
2016	806,612	525,394	1,332,006
2017-2021	4,417,012	2,233,843	6,650,855
2022-2026	5,154,092	1,501,183	6,655,275
2027-2028	2,450,248	214,386	2,664,634
<b>Total</b>	<b><u>\$ 15,812,052</u></b>	<b><u>\$ 6,812,567</u></b>	<b><u>\$ 22,624,619</u></b>

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 6: LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES (Continued)**

**CAPITAL LEASES PAYABLE**

During 2006, the City entered into a capital lease for the retrofitting of the City's water meters. Assets worth \$836,241 were acquired and capitalized. The lease requires forty quarterly payments of \$26,254 beginning February 2007. The lease bears interest at 4.3% per annum. The lease is being repaid by the Water Fund.

<u>Year</u>	<u>Payment</u>
2012	\$ 105,018
2013	105,018
2014	105,018
2015	105,018
2016	<u>105,018</u>
Total Payments	525,090
4.3% Interest	<u>(54,991)</u>
<b>Present Value of Payments</b>	<b><u>\$ 470,099</u></b>

**NOTE 7: INTERFUND TRANSACTIONS**

Following is a summary of advances to and from other funds at December 31, 2011:

	<u>Advance To Other Fund</u>	<u>Advance From Other Funds</u>
General Fund	\$ 120,000	\$ -
Economic Development Fund	83,400	-
Capital Fund	67,500	-
Street Improvement Fund	-	150,900
Urban Renewal Authority Fund	-	<u>120,000</u>
<b>Totals</b>	<b><u>\$ 270,900</u></b>	<b><u>\$ 270,900</u></b>

**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 7: INTERFUND TRANSACTIONS** (Continued)

The City has recorded the following routine transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 177,269	\$ 1,155,000
Conservation Trust Fund	-	187,150
Street Improvement Fund	-	25,374
Visitor Improvement Fund	-	28,500
Economic Development Fund	1,500,000	-
Downtown Development Fund	14,000	30
Energy Efficiency Fund	50,000	-
Capital Fund	535,000	1,500,000
Parks Fund	210,680	66,917
Water Fund	550,000	531,790
Sewer Fund	235,000	31,790
Sanitation Fund	-	25,398
Information Technology Fund	280,000	-
<b>Totals</b>	<b><u>\$ 3,551,949</u></b>	<b><u>\$ 3,551,949</u></b>

The following funds have made payments to the internal service funds representing maintenance and capital recovery costs:

	<u>Internal Service Charges</u>
General Fund	\$ 425,130
Parks Fund	106,584
Water Fund	82,035
Wastewater Fund	54,082
Sanitation Fund	67,491
Fleet Maintenance Fund	2,975
<b>Total</b>	<b><u>\$ 738,297</u></b>

In 2005, the General Fund made a \$400,000 transfer to the Fleet Maintenance Fund to provide resources for fleet acquisitions. The Fleet Maintenance Fund acquires assets on behalf of other operating departments. These assets are capitalized in the fund and then allocated to the activities and functions as required for the government-wide presentation. The Fleet Maintenance Fund will recover the original acquisition costs over a period of three years in the form of increased user charges to the benefiting department. These recoveries will assist in maintaining cash resources for future fleet purchases.

CITY OF RIFLE, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 7: INTERFUND TRANSACTIONS** (Continued)

The utility funds have paid the General Fund the following management fees:

	<b><u>Mgmt Fees</u></b>
Water Fund	\$ 104,949
Wastewater Fund	104,949
Sanitation Fund	<u>27,481</u>
<b>Total</b>	<b><u>\$ 237,379</u></b>

**NOTE 8: EMPLOYEE BENEFIT PLANS**

The City provides pension benefits for all of its full-time police officers through a defined contribution plan. The police officers contribute 8% of their compensation to the plan, which the City matches with a 12.51% contribution. The City's contributions for each employee (and interest allocated thereon) vest at the rate of 20% per year. The City's contributions were calculated using the base salary amount of \$1,299,156. During the year ended December 31, 2011, the City contributed \$162,524, and the employees contributed \$107,040.

All other full-time employees of the City are eligible to participate in a defined contribution pension plan established under the provisions of Section 401(k) of the Internal Revenue Code. In this defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan covers all full-time employees upon initial employment and who have attained the age of twenty-one. The City contributes 5% of compensation to the plan on behalf of each qualified employee. Employees may not make contributions to this plan. Employees vest at the rate of 20% per year in contributions made by the City so that, by the fifth year of participation, they are 100% vested in all contributions made to the plan. The City's total payroll was \$4,969,677 and covered payroll was \$3,494,067 for this plan. For the year ended December 31, 2011, the City contributed \$174,703 to the plan.

The City offers a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. The plan permits employees to defer a portion of their salary to future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. However, employees are allowed to borrow against these funds and re-pay via payroll deduction. All amounts held by the Section 457 plan are held in trust for the benefit of the employees and accordingly are not included in the City's financial statements.

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 9: RECONCILIATION OF BUDGETED REVENUE AND EXPENDITURES TO ACTUALS**

The financial statements present the activities of the proprietary fund types in conformity with GAAP, as applicable to these funds. Budgets are prepared using a non-GAAP basis. A reconciliation of the two methods is provided below:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Information Systems Fund</u>
Total Revenues -					
GAAP Basis	\$ 3,555,246	\$ 2,599,513	\$ 767,226	\$ 510,082	\$ 517,113
Gain (Loss) on Asset Sales	-	-	(215,829)	-	-
Dedicated Infrastructure	(143,399)	(88,703)	-	-	-
<b>Total Revenues - Budget Basis</b>	<b><u>\$ 3,411,847</u></b>	<b><u>\$ 2,510,810</u></b>	<b><u>\$ 551,397</u></b>	<b><u>\$ 510,082</u></b>	<b><u>\$ 517,113</u></b>

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Fleet Maintenance Fund</u>	<u>Information Systems Fund</u>
Total Expenditures -					
GAAP Basis	\$ 3,070,171	\$ 3,126,026	\$ 619,823	\$ 518,785	\$ 245,023
Depreciation	(832,466)	(1,042,078)	(66,148)	(131,205)	(11,974)
Debt Service Principal	246,117	774,094	-	-	-
Capital Asset Acquisition	1,156,104	275,111	-	92,755	-
<b>Total Expenditures - Budget Basis</b>	<b><u>\$ 3,639,926</u></b>	<b><u>\$ 3,133,153</u></b>	<b><u>\$ 553,675</u></b>	<b><u>\$ 480,335</u></b>	<b><u>\$ 233,049</u></b>

**NOTE 10: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

For risks related to property and liability, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, section 18(2). The purposes of CIRSA are to provide members defined liability and property coverage 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 members of CIRSA, their employees or officers.

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 10: RISK MANAGEMENT (Continued)**

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed 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 budgets nor does it have ability to significantly affect the operations of the unit.

The City carries commercial insurance for workers compensation claims.

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

**TABOR Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. In November 1995, voters within the City approved the collection, retention and expenditure of the full revenues generated by the City in 1994 and subsequent years, notwithstanding the provisions of the Amendment.

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2011, the emergency reserve of \$396,000 was recorded in the General Fund.

**2012 Budget Designations**

Through the adoption of the 2012 budget, the City has assigned the following resources:

General Fund	\$ 858,118
Street Improvement Fund	1,135,783
Visitor Improvement Fund	113,516
Downtown Development Authority Fund	112,220
Capital Fund	523,500
Energy Efficiency Fund	52,324
Sanitation Fund	9,929

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 12: RATE MAINTENANCE**

The 2003 Colorado Water Resources and Power Development Authority water loan agreement requires that Net Revenues shall represent a sum equal to 110% of the amount necessary to pay when due the principal and interest on the loan and any parity debt coming due.

The 2007 Colorado Water Resources and Power Development Authority sewer loan agreement requires that Net Revenues shall represent a sum equal to 110% of the amount necessary to pay when due the principal and interest on the loan and parity debt coming due. The computation of said rate maintenance is as follows:

	Water Fund	Wastewater Fund
<u>Revenues</u>		
Operating Revenues	\$ 2,296,232	\$ 2,158,611
System Improvement Fees (Water Improvement not to exceed 15% of total revenues)	242,094	105,927
Investment Earnings	62,828	11,272
Cash in Lieu of Fees	18,376	-
State Grants	101,163	-
Other Revenues	1,102	-
Total Revenues	2,721,795	2,275,810
<u>Expenses</u>		
Operating Expenses	(2,449,066)	(2,487,456)
Less: Discretionary Internal Charges (Management Fees, Fleet Maintenance, Information Systems)	190,923	159,031
Less: Depreciation	832,466	1,042,078
Net Expenses	(1,425,677)	(1,286,347)
Net Revenues	1,296,118	989,463
<u>Debt Service Requirements (Parity and Subordinate)</u>		
2004 DOLA Note Payable	-	64,480
2007 CWRPDA Note Payable	-	1,325,220
1994 CWRPDA Note Payable	102,285	-
2003 CWRPDA Note Payable	112,773	-
1982 CWCB Note Payable	15,156	-
Meter Retrofit Lease Payable	105,018	-
Total Debt Service	335,232	1,389,700
Required Coverage (Water 100% without System Improvement Fees)	110%	110%
Debt Service Coverage Amount	368,755	1,528,670
Net Revenue Excess (Shortfall)	\$ 927,363	\$ (539,207)

CITY OF RIFLE, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 12: RATE MAINTENANCE** (Continued)

To partially offset the shortfall for the Sewer Fund for 2011, the City elected to transfer \$235,000 from the City's General Fund. In addition, the City has adopted a 14.30% sewer rate increase that was effective January 1, 2012.

**NOTE 13: PRIOR PERIOD ADJUSTMENT**

Subsequent to the issuance of the issuance of the December 31, 2010 financial statements, one of the City's sales tax vendors filed a claim for refund of sales taxes paid to the City. This vendor had been paying sales taxes to the city under the assumption that the business resided within the City limits, which was determined to not be the case. The total amount refunded to this vendor and two affiliates for the period 2009 and 2010 was \$767,263. This resulted in reductions of beginning net assets in those funds that originally reported the sales taxes as follows:

General Fund	\$ (420,328)
Street Improvement Fund	(109,609)
Rifle Information Center Fund	(18,108)
Parks and Recreation Fund	<u>(219,218)</u>
Total	<u>\$ (767,263)</u>

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**OTHER SUPPLEMENTARY INFORMATION**

CITY OF RIFLE, COLORADO

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2011

With Comparative Totals for December 31, 2010

<b>SPECIAL REVENUE FUNDS</b>				
	<b>CONSERVATION TRUST</b>	<b>VISITOR IMPROVEMENT</b>	<b>DOWNTOWN DEVELOPMENT</b>	<b>RIFLE INFORMATION CENTER</b>
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ 221,395	\$ 102,842	\$ 319,298
Property Taxes Receivable	-	-	49,888	-
Other Receivable	-	7,825	-	18,297
Prepaid Expenses	-	-	2,917	-
Advance to Other Funds	-	-	-	-
Due from Other Governments	-	-	236	-
Restricted Cash and Investments	66,081	-	12,319	-
<b>TOTAL ASSETS</b>	<b>\$ 66,081</b>	<b>\$ 229,220</b>	<b>\$ 168,202</b>	<b>\$ 337,595</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 7,245	\$ 3,177	\$ -
Advances from Other Funds	-	-	-	-
Deferred Revenue	-	-	49,888	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>7,245</b>	<b>53,065</b>	<b>-</b>
<b>FUND BALANCE</b>				
<b>Unspendable:</b>				
Interfund Advances	-	-	-	-
Prepays	-	-	2,917	-
<b>Restricted for:</b>				
Parking Improvements	-	-	12,319	-
Parks and Recreation	66,081	-	-	-
<b>Assigned for:</b>				
Subsequent Year's Expenditures	-	113,516	99,901	-
Economic Development	-	108,459	-	337,595
Capital Improvements	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>66,081</b>	<b>221,975</b>	<b>115,137</b>	<b>337,595</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 66,081</b>	<b>\$ 229,220</b>	<b>\$ 168,202</b>	<b>\$ 337,595</b>

See the accompanying Independent Auditors' Report

SPECIAL REVENUE FUNDS		CAP. PROJ.	TOTALS	
ENERGY EFFICIENCY	URBAN RENEWAL AUTHORITY	CAPITAL	2011	2010
\$ 152,138	\$ 9,529	\$ 3,890,956	\$ 4,696,158	\$ 5,822,352
-	-	-	49,888	59,650
-	-	-	26,122	28,051
-	-	-	2,917	-
-	-	67,500	67,500	90,000
-	-	-	236	179,277
-	-	-	78,400	199,929
<u>\$ 152,138</u>	<u>\$ 9,529</u>	<u>\$ 3,958,456</u>	<u>\$ 4,921,221</u>	<u>\$ 6,379,259</u>
\$ 21,444	\$ -	\$ 14,427	\$ 46,293	\$ 177,942
-	120,000	-	120,000	130,679
-	-	-	49,888	59,650
<u>21,444</u>	<u>120,000</u>	<u>14,427</u>	<u>216,181</u>	<u>368,271</u>
-	-	67,500	67,500	90,000
-	-	-	2,917	-
-	-	-	12,319	12,319
-	-	-	66,081	187,610
52,324	(4,731)	523,500	784,510	-
-	(105,740)	-	340,314	503,322
<u>78,370</u>	<u>-</u>	<u>3,353,029</u>	<u>3,431,399</u>	<u>5,217,737</u>
<u>130,694</u>	<u>(110,471)</u>	<u>3,944,029</u>	<u>4,705,040</u>	<u>6,010,988</u>
<u>\$ 152,138</u>	<u>\$ 9,529</u>	<u>\$ 3,958,456</u>	<u>\$ 4,921,221</u>	<u>\$ 6,379,259</u>

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>CONSERVATION TRUST</b>	<b>VISITOR IMPROVEMENT</b>	<b>DOWNTOWN DEVELOPMENT</b>	<b>RIFLE INFORMATION CENTER</b>
REVENUES				
Taxes	\$ -	\$ 129,771	\$ 61,790	\$ 164,844
Intergovernmental	84,252	-	4,000	-
Charges for Services	-	-	-	-
Miscellaneous	2,219	2,263	1,173	3,405
<b>TOTAL REVENUES</b>	<b>86,471</b>	<b>132,034</b>	<b>66,963</b>	<b>168,249</b>
EXPENDITURES				
Economic Development and Assistance	-	92,915	56,285	113,170
Capital Outlay	20,850	-	14,176	-
Debt Service	-	-	-	102
<b>TOTAL EXPENDITURES</b>	<b>20,850</b>	<b>92,915</b>	<b>70,461</b>	<b>113,272</b>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	65,621	39,119	(3,498)	54,977
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	14,000	-
Transfers Out	(187,150)	(28,500)	(30)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(187,150)</b>	<b>(28,500)</b>	<b>13,970</b>	<b>-</b>
CHANGE IN FUND BALANCES	(121,529)	10,619	10,472	54,977
FUND BALANCE (DEFICIT), Beginning	187,610	211,356	104,665	300,726
PRIOR PERIOD ADJUSTMENT	-	-	-	(18,108)
FUND BALANCE, Beginning (As Restated)	187,610	211,356	104,665	282,618
FUND BALANCE (DEFICIT), Ending	<u>\$ 66,081</u>	<u>\$ 221,975</u>	<u>\$ 115,137</u>	<u>\$ 337,595</u>

See the accompanying Independent Auditors' Report.

SPECIAL REVENUE FUNDS		CAP. PROJ.	TOTALS	
ENERGY EFFICIENCY	URBAN RENEWAL AUTHORITY		2011	2010
\$ -	\$ -	\$ -	\$ 356,405	\$ 359,842
77,500	-	65,000	230,752	1,669,392
-	-	-	-	7,500
1,532	177	46,043	56,812	55,735
79,032	177	111,043	643,969	2,092,469
-	9,542	-	271,912	239,823
96,207	-	411,882	543,115	2,045,306
-	-	-	102	447
96,207	9,542	411,882	815,129	2,285,576
(17,175)	(9,365)	(300,839)	(171,160)	(193,107)
50,000	-	535,000	599,000	9,000
-	-	(1,500,000)	(1,715,680)	(270,000)
50,000	-	(965,000)	(1,116,680)	(261,000)
32,825	(9,365)	(1,265,839)	(1,287,840)	(454,107)
97,869	(101,106)	5,209,868	6,010,988	6,465,095
-	-	-	(18,108)	-
97,869	(101,106)	5,209,868	5,992,880	6,465,095
\$ 130,694	\$ (110,471)	\$ 3,944,029	\$ 4,705,040	\$ 6,010,988

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## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are established to account for the proceeds of specific revenue sources, other than special assessments, expendable trusts, or major capital projects, that are legally restricted to expenditures for specified purposes.

Conservation Trust Fund -- This fund accounts for lottery proceeds received from the State government. Expenditures are restricted to the development or improvement of City parks.

Visitor Improvement Fund -- This fund accounts for expenditures related to visitor improvements and attractions, historic preservation, special events, city beautification projects, and city promotion expenditures funded through a 2.5% lodging tax implemented in 2008.

Downtown Development Agency Fund -- This fund receives an allocation of property taxes to be used for downtown development.

Rifle Information Center Fund -- This fund accounts for the operations of the City information center.

Energy Efficiency Fund -- This fund accounts for the activity of any Energy Efficiency Grants awarded the City.

Urban Renewal Authority Fund -- This fund accounts for the activity of the Urban Renewal Authority with operations beginning in 2008.

Capital Fund – Revenues of this fund consist primarily of transfers from the General Fund to provide for long-term capital asset acquisition.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
CONSERVATION TRUST FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			2010 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Intergovernmental	\$ 80,503	\$ 84,252	\$ 3,749	\$ 82,689
Miscellaneous	2,776	2,219	(557)	3,915
TOTAL REVENUES	83,279	86,471	3,192	86,604
EXPENDITURES				
Capital Outlay	-	20,850	(20,850)	-
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	83,279	65,621	(17,658)	86,604
OTHER FINANCING SOURCES (USES)				
Transfers Out	(208,000)	(187,150)	20,850	(260,000)
CHANGE IN FUND BALANCE	(124,721)	(121,529)	3,192	(173,396)
FUND BALANCE, Beginning	185,001	187,610	2,609	361,006
FUND BALANCE, Ending	\$ 60,280	\$ 66,081	\$ 5,801	\$ 187,610

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE**  
**VISITOR IMPROVEMENT FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			2010 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 116,000	\$ 129,771	\$ 13,771	\$ 132,574
Miscellaneous	2,686	2,263	(423)	1,350
TOTAL REVENUES	118,686	132,034	13,348	133,924
EXPENDITURES				
Economic Development and Assistance	172,825	92,915	79,910	90,007
Contingency Reserve	115,627	-	115,627	-
TOTAL EXPENDITURES	288,452	92,915	195,537	90,007
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(169,766)	39,119	208,885	43,917
OTHER FINANCING SOURCES (USES)				
Transfers Out	(5,000)	(28,500)	(23,500)	(10,000)
CHANGE IN FUND BALANCE	(174,766)	10,619	185,385	33,917
FUND BALANCE, Beginning	178,327	211,356	33,029	177,439
FUND BALANCE, Ending	\$ 3,561	\$ 221,975	\$ 218,414	\$ 211,356

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
DOWNTOWN DEVELOPMENT FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			<u>2010 ACTUAL</u>
	<u>ORIGINAL &amp; FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAV (UNFAV)</u>	
REVENUES				
Taxes	\$ 61,650	\$ 61,790	\$ 140	\$ 59,434
Intergovernmental	-	4,000	4,000	-
Charges for Services	-	-	-	7,500
Miscellaneous	1,000	1,173	173	1,086
TOTAL REVENUES	<u>62,650</u>	<u>66,963</u>	<u>4,313</u>	<u>68,020</u>
EXPENDITURES				
Economic Development and Assistance	56,600	56,285	315	44,567
Capital Outlay	69,750	14,176	55,574	29,256
Contingency Reserve	49,001	-	49,001	-
TOTAL EXPENDITURES	<u>175,351</u>	<u>70,461</u>	<u>104,890</u>	<u>73,823</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(112,701)	(3,498)	109,203	(5,803)
OTHER FINANCING SOURCES (USES)				
Transfers In	14,000	14,000	-	9,000
Transfers Out	-	(30)	(30)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>14,000</u>	<u>13,970</u>	<u>(30)</u>	<u>9,000</u>
CHANGE IN FUND BALANCE	(98,701)	10,472	109,173	3,197
FUND BALANCE, Beginning	<u>100,067</u>	<u>104,665</u>	<u>4,598</u>	<u>101,468</u>
FUND BALANCE, Ending	<u>\$ 1,366</u>	<u>\$ 115,137</u>	<u>\$ 113,771</u>	<u>\$ 104,665</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
RIFLE INFORMATION CENTER FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2010 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes	\$ 150,289	\$ 150,289	\$ 164,844	\$ 14,555	\$ 167,834
Miscellaneous	3,044	3,044	3,405	361	2,137
TOTAL REVENUES	<u>153,333</u>	<u>153,333</u>	<u>168,249</u>	<u>14,916</u>	<u>169,971</u>
EXPENDITURES					
Economic Development and Assistance	103,303	113,303	113,170	133	103,163
Debt Service	10,781	10,781	102	10,679	447
TOTAL EXPENDITURES	<u>114,084</u>	<u>124,084</u>	<u>113,272</u>	<u>10,812</u>	<u>103,610</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>39,249</u>	<u>29,249</u>	<u>54,977</u>	<u>25,728</u>	<u>66,361</u>
FUND BALANCE (DEFICIT), Beginning	266,102	266,102	300,726	34,624	234,365
PRIOR PERIOD ADJUSTMENT	-	-	(18,108)	(18,108)	-
FUND BALANCE (DEFICIT), Beginning (As Restated)	<u>266,102</u>	<u>266,102</u>	<u>282,618</u>	<u>16,516</u>	<u>234,365</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ 305,351</u>	<u>\$ 295,351</u>	<u>\$ 337,595</u>	<u>\$ 42,244</u>	<u>\$ 300,726</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE**  
**ENERGY EFFICIENCY FUND**  
 Year Ended December 31, 2011

	2011			<u>2010 ACTUAL</u>
	<u>ORIGINAL &amp; FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAV (UNFAV)</u>	
REVENUES				
Intergovernmental	\$ -	\$ 77,500	\$ 77,500	\$ 47,931
Miscellaneous	747	1,532	785	862
TOTAL REVENUES	<u>747</u>	<u>79,032</u>	<u>78,285</u>	<u>48,793</u>
EXPENDITURES				
Capital Outlay	-	96,207	(96,207)	52,231
Contingency Reserve	103,047	-	103,047	-
TOTAL EXPENDITURES	<u>103,047</u>	<u>96,207</u>	<u>6,840</u>	<u>52,231</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(102,300)	(17,175)	85,125	(3,438)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	50,000	50,000	-
CHANGE IN FUND BALANCE	(102,300)	32,825	135,125	(3,438)
FUND BALANCE, Beginning	<u>102,300</u>	<u>97,869</u>	<u>(4,431)</u>	<u>101,307</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 130,694</u>	<u>\$ 130,694</u>	<u>\$ 97,869</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
URBAN RENEWAL AUTHORITY FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			2010 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Miscellaneous	\$ 119	\$ 177	\$ 58	\$ 162
EXPENDITURES				
Economic Development and Assistance	5,000	9,542	(4,542)	2,086
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(4,881)	(9,365)	(4,484)	(1,924)
FUND BALANCE, Beginning	17,497	(101,106)	(118,603)	(99,182)
FUND BALANCE, Ending	<u>\$ 12,616</u>	<u>\$ (110,471)</u>	<u>\$ (123,087)</u>	<u>\$ (101,106)</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON STATEMENT FOR THE  
CAPITAL FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2010 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 65,000	\$ 65,000	\$ 1,538,772
Miscellaneous	105,956	105,956	46,043	(59,913)	46,223
TOTAL REVENUES	105,956	105,956	111,043	5,087	1,584,995
EXPENDITURES					
Capital Outlay	1,230,000	1,330,000	411,882	918,118	1,963,819
Contingency Reserve	300,000	300,000	-	300,000	-
TOTAL EXPENDITURES	1,530,000	1,630,000	411,882	1,218,118	1,963,819
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(1,424,044)	(1,524,044)	(300,839)	1,223,205	(378,824)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	535,000	535,000	-
Transfers Out	(500,000)	(500,000)	(1,500,000)	(1,000,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(500,000)	(500,000)	(965,000)	(465,000)	-
CHANGE IN FUND BALANCE	(1,924,044)	(2,024,044)	(1,265,839)	758,205	(378,824)
FUND BALANCE, Beginning	4,944,693	4,944,693	5,209,868	265,175	5,588,692
FUND BALANCE, Ending	\$ 3,020,649	\$ 2,920,649	\$ 3,944,029	\$ 1,023,380	\$ 5,209,868

See the accompanying Independent Auditors' Report.

## **ENTERPRISE FUNDS**

Enterprise Funds are used to account for operations that are financed in a manner similar to private business enterprises. The costs of providing goods or services to the general public on a continuing basis are recovered primarily from user charges.

The following are the Enterprise Funds of the City:

Water Fund -- This fund accounts for the provision of water services to City residents.

Wastewater Fund -- This fund accounts for the provision of sewer services to City residents.

Sanitation Fund -- This fund accounts for the provision of waste management services to City residents.

CITY OF RIFLE, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

**WATER FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2010 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 2,349,399	\$ 2,079,825	\$ (269,574)	\$ 2,247,803
Sale of Materials	2,610	2,185	(425)	3,722
Reimbursed Expenditures	35,000	53,176	18,176	68,825
Other Revenue	82,294	161,046	78,752	152,694
System Improvement Fees	34,513	242,094	207,581	200,006
Investment Earnings	71,204	62,828	(8,376)	52,483
Cash in Lieu of Fees	-	18,376	18,376	450
Federal Grants	216,000	140,052	(75,948)	-
State Grants	47,085	101,163	54,078	288,584
Other Revenues	10,000	1,102	(8,898)	80,704
Transfers In	550,000	550,000	-	100,000
TOTAL REVENUES	<u>3,398,105</u>	<u>3,411,847</u>	<u>13,742</u>	<u>3,195,271</u>
EXPENDITURES				
Personal Services	771,607	730,785	40,822	706,203
Supplies	359,845	135,309	224,536	261,408
Purchased Services	697,008	546,999	150,009	581,808
Other Operating Expenses	58,325	12,584	45,741	-
Management Fees	104,949	104,949	-	104,949
Fleet Maintenance	49,722	74,461	(24,739)	56,172
Info Tech Maintenance	12,165	11,513	652	10,012
Acquisition of Capital Assets	2,421,292	1,156,104	1,265,188	1,305,331
Debt Principal	246,117	246,117	-	234,776
Amortization of Bond Issuance Costs	1,038	1,038	-	1,038
Interest Expense	88,939	88,277	662	99,026
Transfers Out	531,790	531,790	-	31,790
TOTAL EXPENDITURES	<u>5,342,797</u>	<u>3,639,926</u>	<u>1,702,871</u>	<u>3,392,513</u>
NET INCOME (LOSS) - Budgetary Basis	<u>\$ (1,944,692)</u>	<u>(228,079)</u>	<u>\$ 1,716,613</u>	<u>(197,242)</u>
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		1,156,104		1,283,984
Dedicated Infrastructure		143,399		86,654
Gain (Loss) on Disposal of Fixed Assets		-		2,700
Debt Principal		246,117		234,776
Depreciation Expense		(832,466)		(820,345)
NET INCOME - GAAP Basis		485,075		590,527
NET ASSETS, Beginning		<u>25,949,560</u>		<u>25,359,033</u>
NET ASSETS, Ending		<u>\$ 26,434,635</u>		<u>\$ 25,949,560</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

**WASTEWATER FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			2010 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Charges for Services	\$ 2,178,420	\$ 2,150,971	\$ (27,449)	\$ 2,411,271
Other Operating Revenues	8,578	7,640	(938)	51,898
System Improvement Fees	22,429	105,927	83,498	137,893
Investment Earnings	66,895	11,272	(55,623)	13,759
State Grants	-	-	-	200,000
Proceeds from Long Term Debt	35,614	-	(35,614)	-
Transfers In	35,000	235,000	200,000	35,000
Other Revenues	-	-	-	1,055
<b>TOTAL REVENUES</b>	<b>2,346,936</b>	<b>2,510,810</b>	<b>163,874</b>	<b>2,850,876</b>
EXPENDITURES				
Personal Services	459,555	423,609	35,946	444,427
Supplies	76,927	87,124	(10,197)	165,325
Purchased Services	658,182	775,614	(117,432)	617,436
Other Operating Expenses	42,000	-	42,000	-
Management Fees	104,949	104,949	-	104,949
Fleet Maintenance	24,795	36,813	(12,018)	20,115
Info Tech Maintenance	18,246	17,269	977	15,019
Acquisition of Capital Assets	412,584	275,111	137,473	695,936
Amortization of Bond Issuance Costs	952	952	-	952
Debt Principal	685,432	774,094	(88,662)	776,568
Interest Expense	639,788	605,828	33,960	255,506
Transfers Out	31,790	31,790	-	31,790
Other Expenses	20,000	-	20,000	-
<b>TOTAL EXPENDITURES</b>	<b>3,175,200</b>	<b>3,133,153</b>	<b>42,047</b>	<b>3,128,023</b>
NET INCOME (LOSS) - Budgetary Basis	<u>\$ (828,264)</u>	(622,343)	<u>\$ 205,921</u>	(277,147)
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		275,111		695,936
Dedicated Infrastructure		88,703		-
Debt Principal		774,094		776,568
Gain (Loss) on Disposal of Fixed Assets		-		1,500
Depreciation Expense		(1,042,078)		(1,035,527)
NET INCOME (LOSS) - GAAP Basis		(526,513)		161,330
NET ASSETS, Beginning		19,488,309		19,326,979
NET ASSETS, Ending		<u>\$ 18,961,796</u>		<u>\$ 19,488,309</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

**SANITATION FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			2010 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Charges for Services	\$ 567,338	\$ 544,927	\$ (22,411)	\$ 563,804
Other Revenue	2,782	2,155	(627)	2,315
Investment Earnings	5,594	4,315	(1,279)	2,699
Other Revenues	-	-	-	795
<b>TOTAL REVENUES</b>	<b>575,714</b>	<b>551,397</b>	<b>(24,317)</b>	<b>569,613</b>
EXPENDITURES				
Personal Services	101,024	79,556	21,468	94,308
Supplies	16,500	30,257	(13,757)	13,597
Purchased Services	280,049	323,147	(43,098)	272,848
Other Operating Expenses	2,500	345	2,155	-
Management Fees	27,481	27,481	-	27,481
Fleet Maintenance	42,223	64,613	(22,390)	47,736
Info Tech Maintenance	3,041	2,878	163	2,503
Acquisition of Capital Assets	250,000	-	250,000	-
Transfers Out	9,118	25,398	(16,280)	9,118
<b>TOTAL EXPENDITURES</b>	<b>731,936</b>	<b>553,675</b>	<b>178,261</b>	<b>467,591</b>
NET INCOME (LOSS) - Budgetary Basis	<u>\$ (156,222)</u>	(2,278)	<u>\$ 153,944</u>	102,022
ADJUSTMENTS TO GAAP BASIS				
Gain (Loss) on Disposal of Fixed Assets		215,829		-
Depreciation Expense		(66,148)		(76,225)
NET INCOME - GAAP Basis		147,403		25,797
NET ASSETS, Beginning		637,397		611,600
NET ASSETS, Ending		<u>\$ 784,800</u>		<u>\$ 637,397</u>

See the accompanying Independent Auditors' Report.

## **INTERNAL SERVICE FUNDS**

Internal Service funds are established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Fleet Maintenance Fund -- This fund accounts for fleet equipment charges paid by City departments to offset maintenance and depreciation expenses.

Information Technology Fund -- This fund will account for information technology equipment charges paid by City departments to offset maintenance and depreciation expenses.

CITY OF RIFLE, COLORADO

**COMBINING STATEMENT OF NET ASSETS -  
INTERNAL SERVICE FUNDS**

December 31, 2011

With Comparative Totals for December 31, 2010

	FLEET MAINTENANCE	INFORMATION TECHNOLOGY	TOTALS	
			2011	2010
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 466,563	\$ 364,601	\$ 831,164	\$ 127,825
Prepaid Expenses	-	-	-	6,722
Inventory	29,717	-	29,717	26,894
TOTAL CURRENT ASSETS	496,280	364,601	860,881	161,441
PROPERTY AND EQUIPMENT	873,937	59,868	933,805	841,049
Less Accumulated Depreciation	(672,257)	(12,072)	(684,329)	(541,150)
NET PROPERTY AND EQUIPMENT	201,680	47,796	249,476	299,899
OTHER ASSETS				
Restricted Cash and Investments	-	-	-	410,363
TOTAL ASSETS	697,960	412,397	1,110,357	871,703
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	17,430	12,423	29,853	55,285
Accrued Wages & Comp. Absences	3,816	7,813	11,629	10,930
TOTAL LIABILITIES	21,246	20,236	41,482	66,215
NET ASSETS				
Invested in Capital Assets Net of Related Debt	201,680	47,796	249,476	299,899
Unrestricted	475,034	344,365	819,399	505,589
TOTAL NET ASSETS	\$ 676,714	\$ 392,161	\$ 1,068,875	\$ 805,488

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
INTERNAL SERVICE FUNDS**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	<b>FLEET MAINTENANCE</b>	<b>INFORMATION TECHNOLOGY</b>	<b>TOTALS</b>	
			<b>2011</b>	<b>2010</b>
OPERATING REVENUES				
Charges for Services	\$ 505,801	\$ 236,436	\$ 742,237	\$ 699,385
OPERATING EXPENSES				
Personal Services	81,412	156,190	237,602	224,220
Supplies	264,492	37,282	301,774	237,971
Purchased Services	38,701	22,755	61,456	43,961
Other Expenses	-	16,822	16,822	14,505
Fleet Maintenance	406	-	406	100
Info Tech Maintenance	2,569	-	2,569	2,503
Depreciation	131,205	11,974	143,179	138,692
TOTAL OPERATING EXPENSES	518,785	245,023	763,808	661,952
NET INCOME (LOSS) FROM OPERATIONS	(12,984)	(8,587)	(21,571)	37,433
OTHER INCOME (EXPENSE)				
Investment Earnings	4,281	677	4,958	3,216
Other Revenues	-	-	-	296
OTHER INCOME (EXPENSE)	4,281	677	4,958	3,512
NET INCOME (LOSS) BEFORE TRANSFERS	(8,703)	(7,910)	(16,613)	40,945
TRANSFERS				
Transfers In	-	280,000	280,000	-
NET INCOME (LOSS)	(8,703)	272,090	263,387	40,945
NET ASSETS, Beginning	685,417	120,071	805,488	764,543
NET ASSETS, Ending	\$ 676,714	\$ 392,161	\$ 1,068,875	\$ 805,488

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**COMBINING STATEMENT OF CASH FLOWS -  
INTERNAL SERVICE FUNDS**  
Increase (Decrease) in Cash and Cash Equivalents  
Year Ended December 31, 2011  
With Comparative Totals for the Year Ended December 31, 2010

	FLEET MAINTENANCE	INFORMATION TECHNOLOGY	TOTAL	
			2011	2010
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 505,801	\$ 236,436	\$ 742,237	\$ 699,385
Cash Payments to Suppliers and Employees	(408,045)	(233,419)	(641,464)	(496,262)
Net Cash Provided by Operating Activities	<u>97,756</u>	<u>3,017</u>	<u>100,773</u>	<u>203,123</u>
Cash Flows From Capital and Related Financing Activities:				
Purchases of Property and Equipment	(92,755)	-	(92,755)	(65,185)
Cash Flows from Non-Capital Financing Activities:				
Other Revenues	-	-	-	296
Transfers - Net	-	280,000	280,000	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>280,000</u>	<u>280,000</u>	<u>296</u>
Cash Flows From Investing Activities:				
Investment Income	4,281	677	4,958	3,216
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,282	283,694	292,976	141,450
CASH AND INVESTMENTS, Beginning	457,281	80,907	538,188	396,738
CASH AND INVESTMENTS, Ending	<u>\$ 466,563</u>	<u>\$ 364,601</u>	<u>\$ 831,164</u>	<u>\$ 538,188</u>
Cash and Investments	\$ 466,563	\$ 364,601	\$ 831,164	\$ 127,825
Restricted Cash and Investments	-	-	-	410,363
TOTAL CASH AND INVESTMENTS	<u>\$ 466,563</u>	<u>\$ 364,601</u>	<u>\$ 831,164</u>	<u>\$ 538,188</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (12,984)	\$ (8,587)	\$ (21,571)	\$ 37,433
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	131,205	11,974	143,179	138,692
(Increase) Decrease in:				
Prepaid Expenses	3,346	3,376	6,722	(6,722)
Inventory	(2,822)	-	(2,822)	(499)
Increase (Decrease) in:				
Accounts Payable	(21,872)	(3,562)	(25,434)	25,884
Accrued Wages & Comp. Absences	883	(184)	699	8,335
Total Adjustments	<u>110,740</u>	<u>11,604</u>	<u>122,344</u>	<u>165,690</u>
Net Cash Provided by Operating Activities	<u>\$ 97,756</u>	<u>\$ 3,017</u>	<u>\$ 100,773</u>	<u>\$ 203,123</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

**FLEET MAINTENANCE FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2010 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 527,484	\$ 505,801	\$ (21,683)	\$ 495,302
Investment Earnings	3,508	4,281	773	2,255
Other Revenues	-	-	-	262
TOTAL REVENUES	<u>530,992</u>	<u>510,082</u>	<u>(20,910)</u>	<u>497,819</u>
EXPENDITURES				
Personal Services	87,248	81,412	5,836	82,545
Supplies	229,200	264,492	(35,292)	235,230
Purchased Services	18,400	38,701	(20,301)	18,079
Fleet Maintenance	5	406	(401)	100
Info Tech Maintenance	2,967	2,569	398	2,503
Acquisition of Capital Assets	159,000	92,755	66,245	65,185
TOTAL EXPENDITURES	<u>496,820</u>	<u>480,335</u>	<u>16,485</u>	<u>403,642</u>
NET INCOME - Budgetary Basis	<u>\$ 34,172</u>	29,747	<u>\$ (4,425)</u>	94,177
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		92,755		65,185
Depreciation Expense		(131,205)		(138,594)
NET INCOME (LOSS) - GAAP Basis		(8,703)		20,768
NET ASSETS, Beginning		<u>685,417</u>		<u>664,649</u>
NET ASSETS, Ending		<u>\$ 676,714</u>		<u>\$ 685,417</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**  
**INFORMATION TECHNOLOGY FUND**

Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			2010 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Charges for Services	\$ 248,879	\$ 236,436	\$ (12,443)	\$ 204,083
Investment Earnings	3,614	677	(2,937)	961
Other Revenues	-	-	-	34
Transfers In	-	280,000	280,000	-
<b>TOTAL REVENUES</b>	<b>252,493</b>	<b>517,113</b>	<b>264,620</b>	<b>205,078</b>
EXPENDITURES				
Personal Services	156,494	156,190	304	141,675
Supplies	10,000	37,282	(27,282)	2,741
Purchased Services	28,100	22,755	5,345	25,882
Other Expenses	13,800	16,822	(3,022)	14,505
Acquisition of Capital Assets	63,333	-	63,333	59,769
<b>TOTAL EXPENDITURES</b>	<b>271,727</b>	<b>233,049</b>	<b>38,678</b>	<b>244,572</b>
NET INCOME (LOSS) - Budgetary Basis	<u>\$ (19,234)</u>	284,064	<u>\$ 303,298</u>	(39,494)
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		-		59,769
Depreciation Expense		(11,974)		(98)
NET INCOME - GAAP Basis		272,090		20,177
NET ASSETS, Beginning		120,071		99,894
NET ASSETS, Ending		<u>\$ 392,161</u>		<u>\$ 120,071</u>

See the accompanying Independent Auditors' Report.

## **COMPLIANCE SECTION**

## **State Compliance**

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: <b>CITY OF RIFLE</b>
		YEAR ENDING : December 2011
This Information From The Records Of:	City of Rifle	Prepared By: Charles Kelty, Finance Director Phone: 970.665.6449

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,646,485
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	685,174
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	5,476
2. General fund appropriations	1,028,542	b. Snow and ice removal	33,316
3. Other local imposts (from page 2)	1,516,128	c. Other	119,441
4. Miscellaneous local receipts (from page 2)	192,525	d. Total (a. through c.)	158,233
5. Transfers from toll facilities	0	4. General administration & miscellaneous	231,884
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	866,023
a. Bonds - Original Issues	0	6. Total (1 through 5)	3,587,799
b. Bonds - Refunding Issues	0	<b>B. Debt service on local obligations:</b>	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	98,026
7. Total (1 through 6)	2,737,195	b. Redemption	280,000
<b>B. Private Contributions</b>	263,619	c. Total (a. + b.)	378,026
<b>C. Receipts from State government</b> (from page 2)	569,640	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	0
<b>E. Total receipts (A.7 + B + C + D)</b>	3,570,454	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	378,026
		<b>C. Payments to State for highways</b>	0
		<b>D. Payments to toll facilities</b>	0
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	3,965,825

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

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>	2,560,000		280,000	2,280,000
1. Bonds (Refunding Portion)				
<b>B. Notes (Total)</b>				0

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	3,417,150	3,570,454	3,965,825	3,021,779	(0)

**Notes and Comments:**

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2011

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	54,295	a. Interest on investments	34,278
b. Other local imposts:		b. Traffic Fines & Penalties	158,247
1. Sales Taxes	997,844	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	92,507	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	371,482	g. Other Misc. Receipts	0
6. Total (1. through 5.)	1,461,833	h. Other	0
c. Total (a. + b.)	1,516,128	i. Total (a. through h.)	192,525
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	288,867	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	37,797	d. Federal Transit Admin	0
d. DOLA EIAF 5416 Fairway Ave	242,976	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	280,773	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	569,640	3. Total (1. + 2.g)	
			(Carry forward to page 1)

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

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs		0	0
b. Engineering Costs		130,097	130,097
c. Construction:			
(1). New Facilities		342,123	342,123
(2). Capacity Improvements		0	0
(3). System Preservation		1,105,533	1,105,533
(4). System Enhancement & Operation		68,732	68,732
(5). Total Construction (1) + (2) + (3) + (4)	0	1,516,388	1,516,388
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,646,485	1,646,485
			(Carry forward to page 1)

Notes and Comments: