

CITY OF RIFLE, COLORADO
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

CITY OF RIFLE, COLORADO
ROSTER OF CITY OFFICIALS
DECEMBER 31, 2008

CITY COUNCIL

Keith Lambert – Mayor

Alan Lambert – Mayor Pro Tem

Beth Bascom – Councilmember

Jay Miller – Councilmember

Jonathan Rice – Councilmember

Jennifer Sanborn – Councilmember

Jeanette Thompson – Councilmember

ADMINISTRATION

John Hier – City Manager

Charles Kelty – Finance Director

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City of Rifle, Colorado

Management's Discussion and Analysis December 31, 2008

Management of the City of Rifle offer 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, 2008. 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 new 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 2008 by \$99,085 (net assets). Of this amount, \$29,489 may be used to meet the government's ongoing obligations.
- Total net assets increased by \$17,296 or 21%.
- The general fund received an energy impact severance tax payment of \$1,083 in 2008, an increase from the \$406 received in 2007. These funds are intended to help the City deal with impacts of the energy industry.
- As of December 31, 2008, combined governmental fund balances totaled \$20,521, an increase of \$1,045 from the prior year. The General Fund balance was \$5,049, an increase of \$903 or 22% from the prior year.
- General fund unreserved, undesignated fund balance at December 31, 2008 was \$4,178 or 47% of total general fund expenditures.
- The business-type activities net assets increased \$6,564 to \$42,479 during the year.
- Unrestricted net assets for the business-type activities decreased \$628; Water Fund increased \$1,185; Sewer Fund decreased \$1,636; and Sanitation Fund decreased \$177.

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 that 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 six non-major funds into a single, aggregated presentation. The City's major governmental funds are the General, Street Improvement, Capital Improvement, and Parks and Recreation. The non-major funds are Conservation Trust, Economic Development, Visitor Improvement, Downtown Development, Rifle Information Center, 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 38-43.

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 an internal service fund to account for its fleet maintenance operations. The fleet maintenance 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, though; only the water and sewer funds are considered major funds.

The City uses an internal service Fleet Maintenance Fund to report activities for services provided to the following funds: General, Parks and Recreation, Water Fund, 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 changes in net assets – budget and actual reports are shown on pages 44-46.

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 separate *Statement of Fiduciary Net Assets* and *Statement of Changes in Fiduciary Net Assets* 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 15-35 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 36-43 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 48-49.

Federal Compliance (Single Audit) – Included in this year's audit is the Federal Compliance (Single Audit) Report which is shown on pages 50-55.

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 2008 as compared to 2007.

SUMMARY OF NET ASSETS						
December 31, 2008 and 2007						
In Thousands of Dollars						
	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 24,745	\$ 22,213	\$ 21,691	\$ 30,108	\$ 46,436	\$ 52,321
Capital assets (net)	43,363	31,503	46,381	29,193	89,744	60,695
Total assets	68,108	53,716	68,072	59,301	136,180	113,016
Other liabilities	4,490	2,767	4,304	1,756	8,793	4,523
Long-term liabilities	7,012	5,074	21,290	21,630	28,302	26,704
Total liabilities	11,502	7,841	25,593	23,386	37,095	31,227
Net assets:						
Invested in capital assets						
net of related debt	36,105	26,194	32,394	25,201	68,498	51,395
Restricted	1,098	965	-	-	1,098	965
Unrestricted	19,404	18,716	10,085	10,714	29,489	29,429
Total net assets	\$ 56,606	\$ 45,874	\$ 42,479	\$ 35,914	\$ 99,085	\$ 81,789

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 2008 by \$99,085.

At the end of 2008, 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.

As mentioned earlier, total net assets increased by \$17,296 or 21%.

The largest portion of the City's net assets (69%) 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 capital assets net of related debt increased \$9,911 or 38%. The major increase was due to the two roundabouts constructed at the I-70 Highway 13 interconnection, costs incurred for the completed Justice Center building and construction of a Parks Maintenance building; land development, parkland improvements, and equipment purchases during 2008.

Business-type activities capital assets net of related debt increased \$7,193 or 29%. This increase was a result of water and sewer infrastructure improvements. Additionally, the City of Rifle continued construction of a new Wastewater Treatment Facility Plant started in 2007. Expected completion is Fall 2009.

Restricted net assets are the portion of net assets legally restricted less any non-capital-related liabilities payable from those resources. Restricted net assets in the governmental activities increased \$133 or 14% mainly as a result of an increase in accumulated parkland dedication fees, Senior Center Meals and Capital donations, and accrued interest on restricted assets. There were no Restricted Net Assets in Business-type activities at the end of 2008.

The remaining balance of net assets (unrestricted net assets) totals \$29,489. These assets may be used to meet the City's ongoing obligations to citizens and creditors.

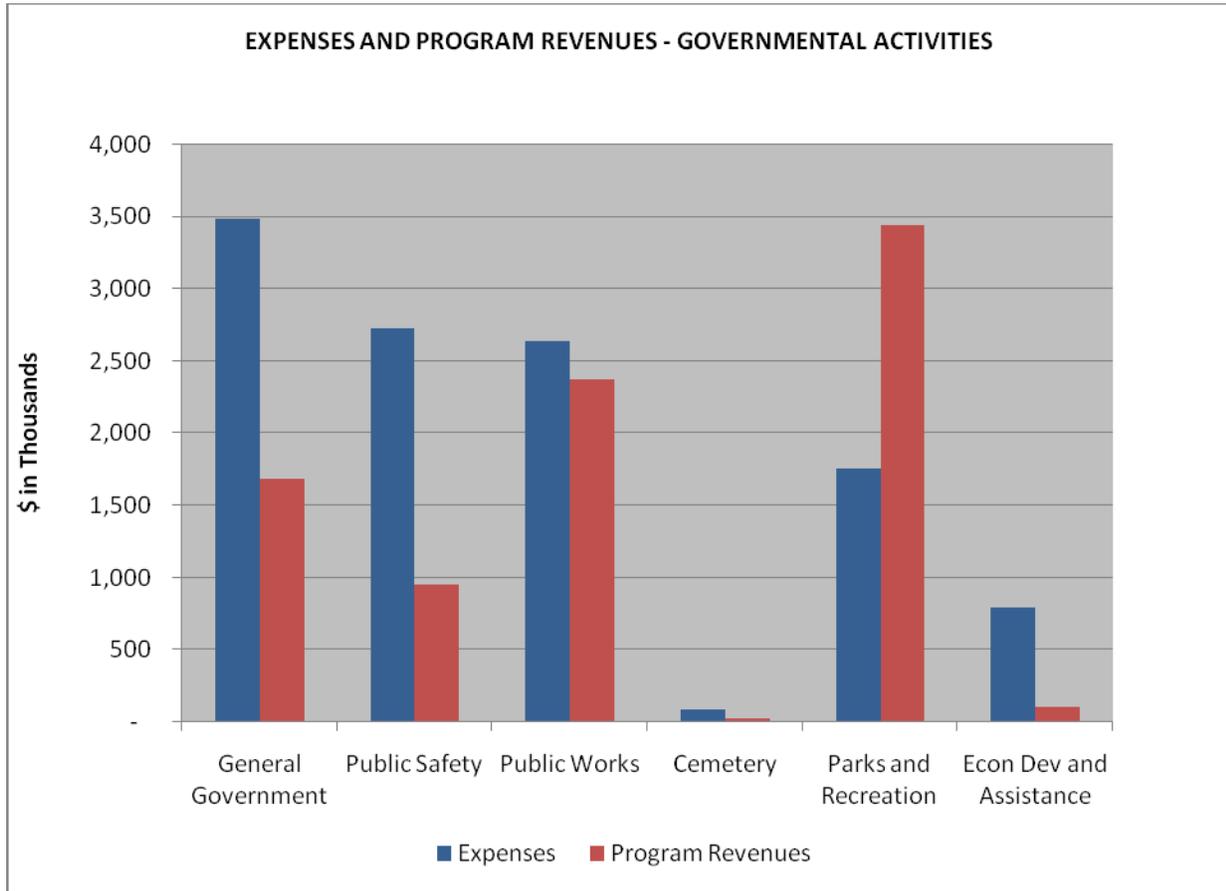
Unrestricted net assets for the governmental activities increased \$688 or 4%. This increase was primarily due to increased sales tax revenues, as a result of an expanded retail base. Furthermore, additional revenues were generated from the construction industry due to population growth. Unrestricted Net Assets in business-type activities decreased \$628 or 6%. The primary reason for this decrease is because of the Wastewater Treatment Facility Plant construction project costs incurred during the year.

Changes in Net Assets

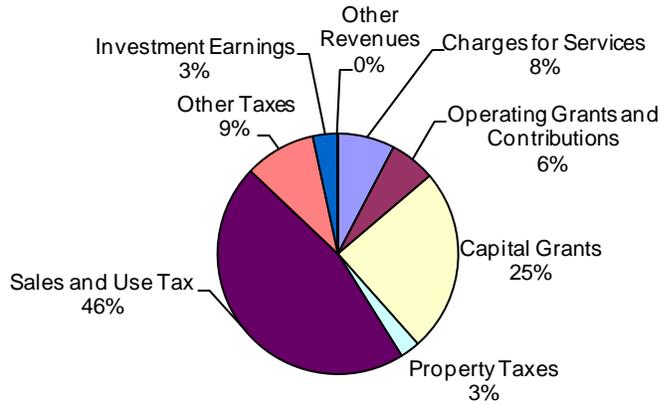
The following shows the detail of the City's changes in net assets for the year ended December 31, 2008.

	SUMMARY OF CHANGES IN NET ASSETS					
	For Years Ended December 31, 2008 and 2007					
	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
REVENUES						
Program Revenues:						
Charges for services	\$ 1,708,348	\$ 1,906,806	\$ 5,549,876	\$ 5,035,757	\$ 7,258,224	\$ 6,942,563
Operating grants and contributions	1,368,479	705,009	-	-	1,368,479	705,009
Capital grants and contributions	5,506,595	3,775,963	6,090,576	5,576,363	11,597,171	9,352,326
General Revenues:						
Property taxes	591,290	471,164	-	-	591,290	471,164
Sales and use taxes	10,267,956	9,278,596	-	-	10,267,956	9,278,596
Other taxes	2,133,186	1,064,482	-	-	2,133,186	1,064,482
Investment earnings	751,272	868,166	317,072	342,310	1,068,344	1,210,476
Other revenues	(1,794)	316,119	(213,644)	26,623	(215,438)	342,742
Total revenues	<u>22,325,332</u>	<u>18,386,305</u>	<u>11,743,880</u>	<u>10,981,053</u>	<u>34,069,212</u>	<u>29,367,358</u>
EXPENSES						
General government	3,491,166	2,809,574	-	-	3,491,166	2,809,574
Public Safety	2,731,400	2,379,501	-	-	2,731,400	2,379,501
Public Works	2,644,399	2,313,205	-	-	2,644,399	2,313,205
Cemetery	85,182	117,198	-	-	85,182	117,198
Parks and recreation	1,759,994	1,599,055	-	-	1,759,994	1,599,055
Economic development and assistance	797,790	565,018	-	-	797,790	565,018
Interest Expense	52,105	-	-	-	52,105	-
Water operations	-	-	2,849,576	2,318,951	2,849,576	2,318,951
Sewer operations	-	-	1,796,624	1,270,389	1,796,624	1,270,389
Sanitation operations	-	-	564,522	471,498	564,522	471,498
Total expenses	<u>11,562,036</u>	<u>9,783,551</u>	<u>5,210,722</u>	<u>4,060,838</u>	<u>16,772,758</u>	<u>13,844,389</u>
Increase in net assets before transfers	10,763,296	8,602,754	6,533,158	6,920,215	17,296,454	15,522,969
Transfers	(31,252)	(21,154)	31,252	21,154	-	-
Increase in net assets	10,732,044	8,581,600	6,564,410	6,941,369	17,296,454	15,522,969
Net assets, Beginning of year	<u>45,874,316</u>	<u>37,292,716</u>	<u>35,914,495</u>	<u>28,973,126</u>	<u>81,788,811</u>	<u>66,265,842</u>
Net assets, end of year	<u>\$ 56,606,360</u>	<u>\$ 45,874,316</u>	<u>\$ 42,478,905</u>	<u>\$ 35,914,495</u>	<u>\$ 99,085,265</u>	<u>\$ 81,788,811</u>

Governmental Activities

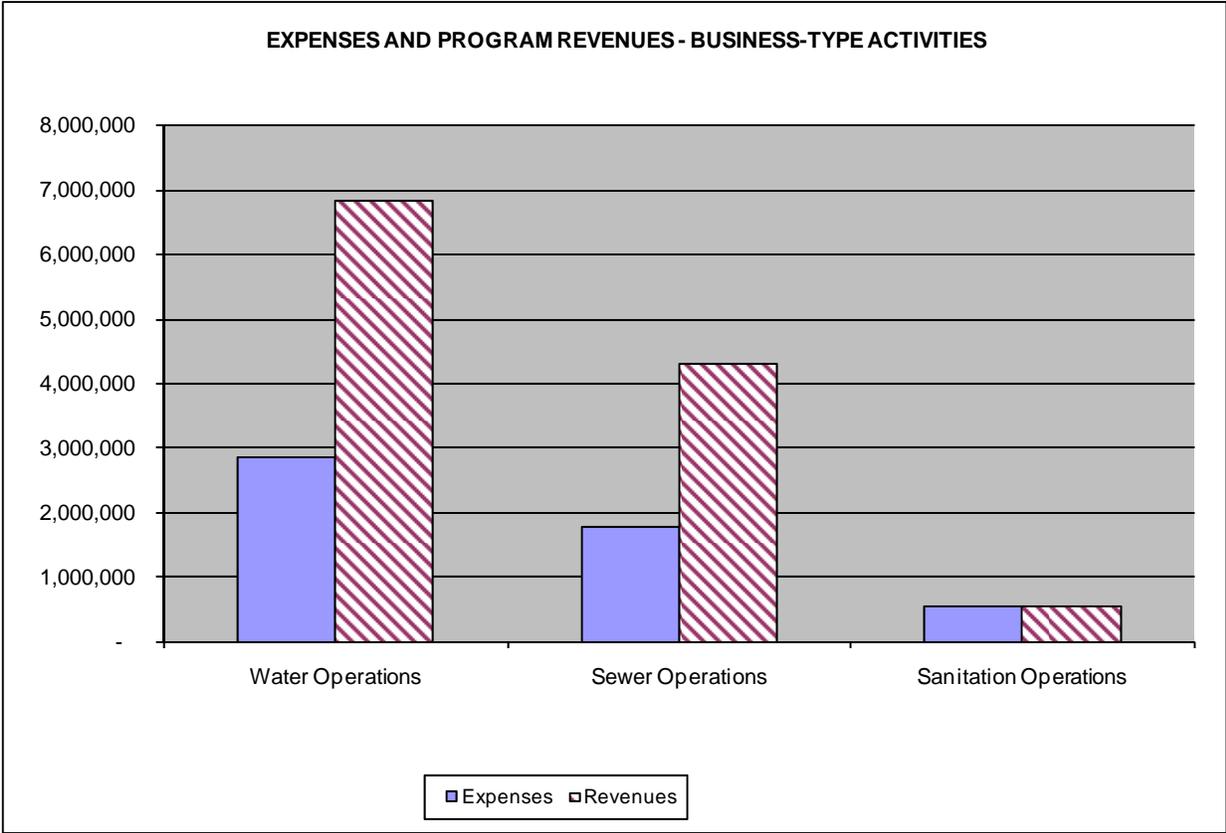


REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

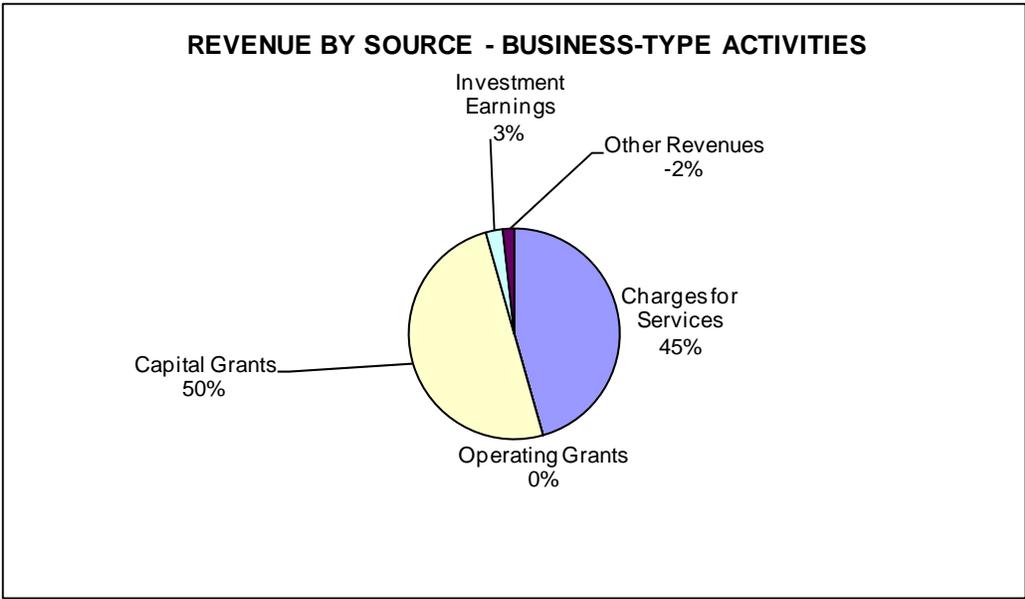


Business-Type Activities

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 and Sewer Fund. However, the Sanitation Fund program expenses slightly exceeded program revenues. This shows that two of the three funds are supporting themselves. The Sanitation Fund will need to be monitored and/or evaluated in future years to determine how it might become more efficient.



Below is a graph illustrating revenues by source for the business-type activities: forty-five percent (45%) of collected revenues are from service related charges.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, 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 \$11,595 for capital assets acquired in 2008 (page 4) are not reflected in the *Statement of Activities*.

At year-end 2008, governmental funds as reported on the *Balance Sheet – Governmental Funds* (page 3) reported a combined fund balance of \$20,521, an increase of \$1,045 or 5% from the prior year. The General Fund balance increased \$902 or 22%. The Street Improvement Fund balance decreased \$2,641 or 43%. The Street Improvement Fund decrease is primarily due to the construction of two roundabouts at the I-70 interconnection with Highway 13. The Parks and Recreation Fund balance increased \$4,163 or 240%. However, the Parks and Recreation Fund will be expending some of the increase during 2009 for major park improvements, as well as the Parks Maintenance Building construction project.

The General Fund unreserved, undesignated fund balance at December 31, 2008 was \$4,178 or 47% of annual expenditures. This is an increase of \$696 from the prior year. The increase in fund balance was primarily due to increased revenues from economic growth and management monitoring and maintaining expenditures throughout the year.

General Fund revenues increased by \$1,590 or 16% primarily due to increased sales taxes, building and motor vehicle use taxes, license and permit revenues, and federal severance and mineral lease payments.

General Fund expenditures increased \$1,630 or 23% in 2008 primarily because of increased salary, benefit, and capital outlay costs.

The Street Improvement Fund revenues increased \$675 or 28% in 2008 primarily due to sales and use tax revenue, special assessment, street impact fees, and Colorado Department of Local Energy Grant payments for the roundabout construction project previously mentioned.

The Street Improvement Fund's expenditures vary depending on planned public work projects. In 2008, the City completed major street overlays (\$522), remove and build a new 3rd street bridge (\$639), sidewalk and concrete repairs (\$25), 4th street and Railroad Crossing traffic walkway and light (\$16), traffic signal upgrades (\$469); construction of the I-70 HWY 13 intersection roundabout project (\$4,261); and the Fairway Ave design project (\$59).

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. In the Sanitation Fund, revenues are not keeping up with expenditures. Resultantly, the 2008 expenditures exceeded revenues by \$19,120. This problem will worsen in future years. The City must either consider a rate increase or consider privatizing the sanitation utility.

Net assets increased \$6,564 to \$42,479 for all proprietary funds. Investment in capital assets net of related debt represents 76% of total net assets.

ENTERPRISE FUND NET ASSETS
December 31, 2008 and 2007
In Thousands of Dollars

	<u>Water</u>		<u>Sewer</u>		<u>Sanitation</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Investment in capital assets net of related debt	\$ 18,000	\$ 15,178	\$ 14,015	\$ 9,802	\$ 379	\$ 221	\$ 32,394	25,201
Unrestricted	<u>6,399</u>	<u>5,213</u>	<u>3,487</u>	<u>5,123</u>	<u>199</u>	<u>377</u>	<u>10,085</u>	<u>10,713</u>
Total net assets	<u>\$ 24,399</u>	<u>\$ 20,391</u>	<u>\$ 17,502</u>	<u>\$ 14,925</u>	<u>\$ 578</u>	<u>\$ 598</u>	<u>\$ 42,479</u>	<u>\$ 35,914</u>

In the Wastewater Fund, a new treatment plant construction project was started in 2007. Anticipated completion is Fall 2009. City Council increased sewer user fees in 2007 to help fund the debt needed to pay for the new wastewater treatment plant. During 2008 costs incurred in the wastewater treatment plant construction was \$13,481. A Water Treatment plant will be needed within the next 4-10 years.

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 the increasing costs of operation and to replace decaying infrastructure, which includes collection and distribution lines. Water and Sewer funds are gaining significant income from System Improvement Fees due to high rates of new construction in the City (\$1,057 in Water and \$1,088 in Sewer). Both funds also received monies from energy impact grants distributed by the State of Colorado Division of Local Government. In 2008, the Water and Sewer funds received \$376 and \$650 respectively in grant funds for infrastructure replacements.

In 2008, the Water and Wastewater funds had a positive net income, while the Sanitation Fund recorded a net loss. The Water Fund had net income of \$4,007. The Sewer Fund had net income of \$2,576. Sanitation net loss was \$19.

Total unrestricted net assets decreased \$628 during 2008. The Water Fund’s unrestricted net assets increased \$1,185; Sewer Fund decreased \$1,636; and the Sanitation Fund decreased \$177.

General Fund Budgetary Highlights

General Fund Revenues were strong in 2008, primarily due to a larger than projected increase in sales taxes and fees associated with the construction industry; additionally, higher than anticipated Federal Severance and Mineral payments were received. As a result, actual revenues were 4% higher than the final budgeted amount. Expenditures were under the final budget, by

approximately 12%. This left additional monies available, and City Council decided to transfer some of those excess funds to the Capital Fund, to be used for future capital projects. The budget was amended and a transfer was made of \$1,700 from the General to the Capital Fund. This leaves a healthy General Fund unreserved fund balance of \$4,178 or approximately 47% of expenditures.

Grant/Loan Commitments

The City had commitments of \$6,356,143 for capital projects in governmental fund types and \$9,333,990 in proprietary fund types at December 31, 2008. Future expenditures related to these commitments are expected to be financed through available resources and future revenues. Below is a table showing detail of the various grants the city has received.

Grant Projects as of 12/31/2008									
Project Name	EIAF #	Total Project Amt	Grant Award	Grant \$ Recd	A/R at 12/31/08	Grant \$ o/s	Total City Amt	City Amt Spent	Remaining City Amt
DOLA GRANTS:									
Comp Plan Re-write	5074	150,000	50,000	45,000		5,000	100,000	100,000	0
Fairway Avenue and 24th Street	5416	1,000,000	500,000	43,914		456,086	500,000	257,024	242,976
Grant Project Coordinator	5754	140,000	70,000	38,643	5,802	25,555	70,000	44,445	25,555
Rifle Centennial Park	5879	3,230,697	500,000	0		500,000	2,730,697	0	2,730,697
Rifle Parks Dept Maintenance Facility	5950	3,350,000	750,000	0	409,836	340,164	2,600,000		2,600,000
Rifle Gateway (Roundabouts)	6039	4,226,692	887,605	810,000	77,605	0	3,339,087	3,339,087	0
Rifle Arterial Road Improvements (Design)	6166	1,000,000	500,000	0	25,808	474,192	500,000		500,000
Rifle In-house construction crew	6240	830,200	600,000	0	540,000	60,000	230,000	19,335	210,665
Rifle Downtown Rezoning	6375	75,000	40,750	0		40,750	34,250	0	34,250
Rifle Biomass Energy Systems - Phase III	6376	47,765	35,765	0		35,765	12,000	0	12,000
Total Governmental Funds		14,050,354	3,934,120	937,557		1,937,512	10,116,034	3,759,891	6,356,143
Regional Wastewater Reclamation Facility	5753	23,277,724	1,000,000	900,000		100,000	22,277,724	12,974,328	9,303,396
Rifle Water Improvements	5904	783,000	400,000	360,000		40,000	383,000	383,000	0
Rifle Wastewater Reclamation Facility	6011	1,044,440	1,000,000	500,190	105,423	394,387	44,440	13,846	30,594
Total Proprietary Funds		25,105,164	2,400,000	1,760,190		534,387	22,705,164	13,371,174	9,333,990
OTHER GRANTS:									
USDA - Feedstock Study Grant		74,766	50,000	16,769	33,231	0	24,766	24,766	0
GOCO - Centennial Park	***		750,000	0		750,000	0	0	0
Rifle- West Garfield Co. Employee Housing		40,000	20,000	0		20,000	20,000	0	20,000
Totals		39,270,284	7,154,120	2,714,516		3,241,899	32,865,964	17,155,831	15,710,133
Summary:									
Governmental Funds		14,165,120	4,754,120	954,326		2,707,512	10,160,800	3,784,657	6,376,143
Proprietary Funds		25,105,164	2,400,000	1,760,190		534,387	22,705,164	13,371,174	9,333,990
Total		39,270,284	7,154,120	2,714,516		3,241,899	32,865,964	17,155,831	15,710,133

Capital Asset and Debt Administration

Capital assets – At the end of 2008, the City had \$89,743 invested in capital assets. The investment in capital assets included land, buildings, improvements, machinery and equipment, park facilities, roads, bridges, and trails. Total investment in capital assets for the current year increased 48% - a 38% increase for governmental activities and a 59% increase in business-type activities respectively.

CAPITAL ASSETS AT YEAR-END
(Net of Depreciation)
As of December 31, 2008 and 2007
In Thousands of Dollars

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land & Rights	\$ 2,866	\$ 2,806	\$ 1,706	\$ 1,706	\$ 4,572	\$ 4,512
Buildings	7,541	3,419	20,706	8,155	28,247	11,574
Improvements	31,069	24,083	22,666	18,080	53,735	42,163
Equipment	1,886	1,195	1,303	1,252	3,189	2,447
Total	\$ 43,362	\$ 31,503	\$ 46,381	\$ 29,193	\$ 89,743	\$ 60,696

The major changes in the capital assets activity include:

- Parks and equipment improvements at \$296
- Parks Maintenance Building Construction \$497
- Police Justice Center construction project \$3,569
- Wastewater Treatment Plant Construction \$13,481
- Water infrastructure improvements and equipment at \$1,908
- Capital purchases replacing and/or improving furniture and equipment

Debt administration – At the end of 2008, the City of Rifle had a balance of \$28,449 outstanding in revenue bonds, revenue notes payable, notes payable and capital leases. The City repaid \$744 of its outstanding obligations.

The City has no general obligation debt at this time.

OUTSTANDING DEBT
Years Ended December 31, 2008 and 2007
In Thousands of Dollars

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue bonds and notes payable	\$ 3,095	\$ 3,350	\$ 20,045	\$ 20,247	\$ 23,140	\$ 23,597
Capital leases	4,559	2,133	750	864	5,309	2,997
Total	\$ 7,654	\$ 5,483	\$ 20,795	\$ 21,111	\$ 28,449	\$ 26,594

Economic Factors and Next Year's Budget

The demand on City services has kept pace with recent growth trends. Many City department budgets have grown by double digits the past five years and therefore, increased revenues continue to be needed to support this growth.

Capital project demands have been and will continue to remain at an all time high as the City grapples with the need to address many lean years of deferred maintenance with more recent growth years and the needs that have resulted.

The City will need to focus on capital and service needs in the near future and must position itself to contend with the downturn of gas-related energy development, but must also be ready to deal with oil shale, if that should occur.

Sales and Use tax revenues showed strong growth in 2008. Sales tax revenue grew by approximately 14% in 2008, compared to the prior year. During the first three months in 2009, however sales tax revenues are down about 7% from the same period in 2008.

There are a number of large capital projects budgeted or under development in 2009. A new Parks Maintenance Building started construction in 2008, an estimated cost of \$3.3 million. The Parks and Recreation fund is also starting construction during 2009 of a major new park (Centennial Park) with estimated costs of \$2.7 million.

In the proprietary funds, Wastewater started construction of a new treatment plant during 2007 with estimated completion in Fall 2009. Estimated costs for this project are \$25.3 million.

The recent economic downturn in the economy is starting to impact the City of Rifle. The 2009 budget was prepared with an assumption of a 5% growth in the area; unfortunately, the economy began struggling towards the end of 2008. As a result, revenues are not coming in as anticipated (as seen by the 7% decrease in sales tax revenues for the first quarter of 2009). The oil and gas industry has significantly reduced their staff on the Western Slope. Furthermore, the building industry has dramatically decreased development during the first quarter of 2009. 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, 2008 the audited General Fund unreserved fund balance is approximately \$4.2 million. Therefore, there are adequate funds to weather a short economic downturn. Additionally, management is reviewing costs daily and/or weekly and is proactively identify discretionary costs that may be deferred in the short-term.

While the economy is struggling, 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.

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.

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FINANCIAL SECTION

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rifle, Colorado, as of and for the year ended December 31, 2008, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rifle, Colorado, as of December 31, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison of the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2009, on our consideration of the City of Rifle, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 combining and individual fund financial statements and schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



May 14, 2009

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, 2008.

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CITY OF RIFLE, COLORADO

STATEMENT OF NET ASSETS

December 31, 2008

	2008		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 18,224,906	\$ 3,260,659	\$ 21,485,565
Cash with Fiscal Agent	524,160	11,436,093	11,960,253
Property Taxes Receivable	644,401	-	644,401
Special Assessments Receivable	259,630	-	259,630
Other Receivable	1,243,083	977,003	2,220,086
Interest Receivable	75,683	-	75,683
Prepaid Expenses	75,837	20,783	96,620
Due from Other Governments	1,128,200	105,423	1,233,623
Inventory	26,777	127,189	153,966
TOTAL CURRENT ASSETS	<u>22,202,677</u>	<u>15,927,150</u>	<u>38,129,827</u>
NONCURRENT ASSETS			
Capital Assets, net	43,363,021	46,381,379	89,744,400
Restricted Cash	2,434,616	5,739,086	8,173,702
Debt Issuance Costs	107,554	24,706	132,260
TOTAL NONCURRENT ASSETS	<u>45,905,191</u>	<u>52,145,171</u>	<u>98,050,362</u>
TOTAL ASSETS	<u>68,107,868</u>	<u>68,072,321</u>	<u>136,180,189</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	2,122,839	3,265,135	5,387,974
Accrued Wages & Comp. Absences	496,775	81,550	578,325
Accrued Interest Payable	26,144	251,210	277,354
Deposits	279,484	10,000	289,484
Deferred Revenue	904,031	492,267	1,396,298
Current Portion - Long Term Debt	660,319	203,670	863,989
TOTAL CURRENT LIABILITIES	<u>4,489,592</u>	<u>4,303,832</u>	<u>8,793,424</u>
NONCURRENT LIABILITIES			
Bonds Payable	2,830,000	-	2,830,000
Bond Premiums	18,564	-	18,564
Notes Payable	-	20,576,857	20,576,857
Capital Leases Payable	4,163,352	712,727	4,876,079
TOTAL NONCURRENT LIABILITIES	<u>7,011,916</u>	<u>21,289,584</u>	<u>28,301,500</u>
TOTAL LIABILITIES	<u>11,501,508</u>	<u>25,593,416</u>	<u>37,094,924</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt	36,104,669	32,393,717	68,498,386
Restricted:			
by Statute	1,097,782	-	1,097,782
Unrestricted	19,403,909	10,085,188	29,489,097
TOTAL NET ASSETS	<u>\$ 56,606,360</u>	<u>\$ 42,478,905</u>	<u>\$ 99,085,265</u>

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

CITY OF RIFLE, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS
Governmental Activities				
Current:				
General Government	\$ 3,491,166	\$ 1,244,937	\$ 440,686	\$ -
Public Safety	2,731,400	174,802	89,856	685,642
Public Works	2,644,399	(6,950)	394,721	1,985,145
Cemetery	85,182	21,345	6,905	-
Parks and Recreation	1,759,994	196,463	420,758	2,826,897
Economic Development and Assistance	797,790	77,751	15,553	8,911
Interest Expense	52,105	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>11,562,035</u>	<u>1,708,348</u>	<u>1,368,479</u>	<u>5,506,595</u>
Business - Type Activities				
Current:				
Water Operations	2,849,576	2,454,819	-	4,351,781
Sewer Operations	1,796,624	2,553,227	-	1,738,795
Sanitation Operations	564,522	541,830	-	-
TOTAL BUSINESS - TYPE ACTIVITIES	<u>5,210,722</u>	<u>5,549,876</u>	<u>-</u>	<u>6,090,576</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 16,772,757</u>	<u>\$ 7,258,224</u>	<u>\$ 1,368,479</u>	<u>\$ 11,597,171</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				
NET ASSETS - End of Year				

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

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

PRIMARY GOVERNMENT		
GOVERNMENT ACTIVITIES	BUSINESS - TYPE ACTIVITES	TOTAL
\$ (1,805,543)	\$ -	\$ (1,805,543)
(1,781,100)	-	(1,781,100)
(271,483)	-	(271,483)
(56,932)	-	(56,932)
1,684,124	-	1,684,124
(695,575)	-	(695,575)
(52,105)	-	(52,105)
<u>(2,978,613)</u>	<u>-</u>	<u>(2,978,613)</u>
-	3,957,024	3,957,024
-	2,495,398	2,495,398
-	(22,692)	(22,692)
<u>-</u>	<u>6,429,730</u>	<u>6,429,730</u>
<u>(2,978,613)</u>	<u>6,429,730</u>	<u>3,451,117</u>
591,290	-	591,290
10,267,956	-	10,267,956
2,133,186	-	2,133,186
751,272	317,072	1,068,344
(1,794)	(213,644)	(215,438)
(31,252)	31,252	-
<u>13,710,658</u>	<u>134,680</u>	<u>13,845,338</u>
10,732,045	6,564,410	17,296,455
<u>45,874,315</u>	<u>35,914,495</u>	<u>81,788,810</u>
<u>\$ 56,606,360</u>	<u>\$ 42,478,905</u>	<u>\$ 99,085,265</u>

CITY OF RIFLE, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2008

With Comparative Totals for December 31, 2007

	<u>GENERAL</u>	<u>STREET IMPROVEMENT</u>	<u>CAPITAL</u>	<u>PARKS & RECREATION</u>
ASSETS				
Cash and Investments	\$ 4,380,645	\$ 2,719,519	\$ 4,336,412	\$ 5,633,949
Cash with Fiscal Agent	-	-	524,160	-
Property Taxes Receivable	597,486	-	-	-
Special Assessments Receivable	-	259,630	-	-
Other Receivable	743,796	150,049	5,000	274,474
Interest Receivable	75,683	-	-	-
Prepaid Expenses	56,367	516	-	15,414
Advance to Other Funds	129,817	-	135,000	-
Due from Other Governments	614,643	103,413	-	409,836
Restricted Cash and Investments	806,096	1,330,067	-	-
TOTAL ASSETS	<u>\$ 7,404,533</u>	<u>\$ 4,563,194</u>	<u>\$ 5,000,572</u>	<u>\$ 6,333,673</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 1,054,647	\$ 551,748	\$ 88,416	\$ 361,368
Accrued Wages & Comp. Absences	424,143	1,137	-	67,299
Accrued Interest Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Deposits	279,484	-	-	-
Advances from Other Funds	-	301,800	-	-
Deferred Revenue	597,486	259,630	-	-
TOTAL LIABILITIES	<u>2,355,760</u>	<u>1,114,315</u>	<u>88,416</u>	<u>428,667</u>
FUND BALANCE				
Reserved for:				
Interfund Advances	129,817	-	135,000	-
Prepays	56,367	516	-	15,414
Impact Fees	-	412,782	-	-
Emergencies	685,000	-	-	-
Unreserved reported in				
General Fund				
Undesignated	4,177,589	-	-	-
Special Revenue Funds	-	3,035,581	4,777,156	5,889,592
TOTAL FUND BALANCE	<u>5,048,773</u>	<u>3,448,879</u>	<u>4,912,156</u>	<u>5,905,006</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,404,533</u>	<u>\$ 4,563,194</u>	<u>\$ 5,000,572</u>	<u>\$ 6,333,673</u>

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:

Fleet Maintenance Fund Net Assets

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES

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

OTHER GOVERNMENTAL FUNDS	TOTALS	
	2008	2007
\$ 1,091,682	\$ 18,162,207	\$ 14,463,389
-	524,160	515,769
46,915	644,401	603,392
-	259,630	307,006
68,631	1,241,950	1,263,668
-	75,683	62,928
1,896	74,193	66,115
166,800	431,617	405,973
308	1,128,200	225,107
12,319	2,148,482	4,268,004
<u>\$ 1,388,551</u>	<u>\$ 24,690,523</u>	<u>\$ 22,181,351</u>

\$ 5,724	\$ 2,061,903	\$ 774,514
-	492,579	339,545
-	-	7,750
-	-	-
-	279,484	269,550
129,817	431,617	405,973
46,915	904,031	908,310
<u>182,456</u>	<u>4,169,614</u>	<u>2,705,642</u>

166,800	431,617	405,973
1,896	74,193	66,115
-	412,782	412,782
-	685,000	552,000
-	4,177,589	5,216,844
<u>1,037,399</u>	<u>14,739,728</u>	<u>12,821,995</u>
<u>1,206,095</u>	<u>20,520,909</u>	<u>19,475,709</u>

<u>\$ 1,388,551</u>	<u>\$ 24,690,523</u>	<u>\$ 22,181,351</u>
---------------------	----------------------	----------------------

\$ 20,520,909

60,332,209
(17,450,750)

(3,095,000)
(4,558,671)
(18,564)
107,554
(26,144)

794,817

\$ 56,606,360

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	<u>GENERAL</u>	<u>STREET IMPROVEMENT</u>	<u>CAPITAL</u>	<u>PARKS & RECREATION</u>
REVENUES				
Taxes	\$ 6,368,065	\$ 1,419,187	\$ -	\$ 2,832,901
Special Assessments	-	68,672	-	-
Licenses and Permits	281,487	-	-	-
Intergovernmental	3,383,733	1,175,506	685,642	1,109,836
Charges for Services	556,280	251,144	-	196,463
Fines and Forfeitures	142,616	-	-	-
Miscellaneous	713,125	201,632	192,703	137,570
TOTAL REVENUES	<u>11,445,306</u>	<u>3,116,141</u>	<u>878,345</u>	<u>4,276,770</u>
EXPENDITURES				
General Government	3,203,314	-	-	-
Public Safety	2,704,544	-	-	-
Public Works	1,312,002	72,946	-	-
Cemetery	75,524	-	-	-
Parks and Recreation	-	-	-	1,470,776
Economic Development and Assistance	395,422	-	-	-
Capital Outlay	856,514	5,994,738	3,578,004	1,155,917
Debt Service	262,027	378,676	-	28,747
TOTAL EXPENDITURES	<u>8,809,347</u>	<u>6,446,360</u>	<u>3,578,004</u>	<u>2,655,440</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>2,635,959</u>	<u>(3,330,219)</u>	<u>(2,699,659)</u>	<u>1,621,330</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long Term Debt	-	-	-	2,600,000
Transfer In	146,430	1,314,000	1,700,000	-
Transfer Out	(1,880,000)	(625,000)	(700,000)	(58,772)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,733,570)</u>	<u>689,000</u>	<u>1,000,000</u>	<u>2,541,228</u>
CHANGE IN FUND BALANCES	902,389	(2,641,219)	(1,699,659)	4,162,558
FUND BALANCE, Beginning	<u>4,146,384</u>	<u>6,090,098</u>	<u>6,611,815</u>	<u>1,742,448</u>
FUND BALANCE, Ending	<u>\$ 5,048,773</u>	<u>\$ 3,448,879</u>	<u>\$ 4,912,156</u>	<u>\$ 5,905,006</u>

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

OTHER GOVERNMENTAL FUNDS	TOTALS	
	2008	2007
\$ 467,732	\$ 11,087,885	\$ 9,855,514
-	68,672	89,878
-	281,487	407,787
138,943	6,493,660	2,497,406
3,070	1,006,957	1,572,601
-	142,616	149,955
40,276	1,285,306	1,764,256
650,021	20,366,583	16,337,397
-	3,203,314	2,703,251
-	2,704,544	2,353,265
-	1,384,948	1,145,397
-	75,524	75,582
-	1,470,776	1,307,661
389,578	785,000	575,709
10,268	11,595,441	2,696,110
1,134	670,584	440,328
400,980	21,890,131	11,297,303
249,041	(1,523,548)	5,040,094
-	2,600,000	2,133,000
90,270	3,250,700	2,594,000
(18,180)	(3,281,952)	(2,590,000)
72,090	2,568,748	2,137,000
321,131	1,045,200	7,177,094
884,964	19,475,709	12,298,615
\$ 1,206,095	\$ 20,520,909	\$ 19,475,709

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, 2008

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,045,200
Principal payments on debt are reported as expenditures in the funds:	
Principal Payments on Outstanding Debt:	
Revenue Bonds Payable	255,000
Capital Leases Payable	174,329
Debt Proceeds	(2,600,000)
Interest, issuance costs and bond premiums are reported on the cash basis in the funds:	
Change in Accrued Interest Payable	(15,850)
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	11,531,393
Dedicated Capitalized Assets	1,952,997
Loss on Asset Disposals	(94,977)
Depreciation Expense	(1,607,764)
Internal Service Funds are blended into Governmental Activities:	
Fleet Maintenance Fund Change in Net Assets	100,729
Change in Net Assets - Governmental Activities	<u>\$10,732,045</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, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008				2007 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES					
Taxes	\$ 6,023,015	\$ 6,054,397	\$ 6,368,065	\$ 313,668	\$ 5,740,864
Special Assessments	-	-	-	-	3,442
Licenses and Permits	273,200	256,973	281,487	24,514	407,787
Intergovernmental	1,390,527	3,296,990	3,383,733	86,743	1,895,459
Charges for Services	546,548	544,411	556,280	11,869	762,565
Fines and Forfeitures	162,400	137,543	142,616	5,073	149,955
Miscellaneous	425,569	707,084	713,125	6,041	895,181
TOTAL REVENUES	<u>8,821,259</u>	<u>10,997,398</u>	<u>11,445,306</u>	<u>447,908</u>	<u>9,855,253</u>
EXPENDITURES					
General Government	3,966,108	4,142,694	3,203,314	939,380	2,703,251
Public Safety	2,540,789	2,540,789	2,704,544	(163,755)	2,353,265
Public Works	1,302,109	1,343,474	1,312,002	31,472	1,133,555
Cemetery	78,072	78,072	75,524	2,548	75,582
Parks and Recreation	-	-	-	-	-
Economic Development and Assistance	383,632	473,601	395,422	78,179	314,557
Capital Outlay	269,600	1,154,100	856,514	297,586	545,077
Debt Service	270,146	270,146	262,027	8,119	53,319
TOTAL EXPENDITURES	<u>8,810,456</u>	<u>10,002,876</u>	<u>8,809,347</u>	<u>1,193,529</u>	<u>7,178,606</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>10,803</u>	<u>994,522</u>	<u>2,635,959</u>	<u>1,641,437</u>	<u>2,676,647</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Long Term Debt	13,642	14,056	-	(14,056)	-
Transfers In	160,241	146,437	146,430	(7)	30,000
Transfers Out	(380,000)	(1,970,000)	(1,880,000)	90,000	(2,560,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(206,117)</u>	<u>(1,809,507)</u>	<u>(1,733,570)</u>	<u>75,937</u>	<u>(2,530,000)</u>
CHANGE IN FUND BALANCE	(195,314)	(814,985)	902,389	1,717,374	146,647
FUND BALANCE, Beginning	4,146,384	4,146,384	4,146,384	-	3,999,737
FUND BALANCE, Ending	<u>\$ 3,951,070</u>	<u>\$ 3,331,399</u>	<u>\$ 5,048,773</u>	<u>\$ 1,717,374</u>	<u>\$ 4,146,384</u>

The accompanying notes are an integral part of the financial statements

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008			2007 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 1,281,850	\$ 1,419,187	\$ 137,337	\$ 1,286,791
Special Assessments	63,000	68,672	5,672	86,436
Intergovernmental	1,885,000	1,175,506	(709,494)	193,574
Charges for Services	300,000	251,144	(48,856)	613,088
Miscellaneous	160,000	201,632	41,632	261,007
TOTAL REVENUES	<u>3,689,850</u>	<u>3,116,141</u>	<u>(573,709)</u>	<u>2,440,896</u>
EXPENDITURES				
Public Works	723,941	72,946	650,995	11,842
Capital Outlay	7,380,000	5,994,738	1,385,262	544,192
Debt Service	378,526	378,676	(150)	385,543
TOTAL EXPENDITURES	<u>8,482,467</u>	<u>6,446,360</u>	<u>2,036,107</u>	<u>941,577</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(4,792,617)	(3,330,219)	1,462,398	1,499,319
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	1,300,000	1,314,000	14,000	-
Transfers Out	(650,300)	(625,000)	25,300	-
CHANGE IN FUND BALANCE	(4,142,917)	(2,641,219)	1,501,698	1,499,319
FUND BALANCE, Beginning	<u>6,090,098</u>	<u>6,090,098</u>	<u>-</u>	<u>4,590,779</u>
FUND BALANCE, Ending	<u>\$ 1,947,181</u>	<u>\$ 3,448,879</u>	<u>\$ 1,501,698</u>	<u>\$ 6,090,098</u>

The accompanying notes are an integral part of the financial statements

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON STATEMENT FOR THE
CAPITAL FUND**

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008			VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2007 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Intergovernmental	\$ 900,000	\$ 900,000	\$ 685,642	\$ (214,358)	\$ 314,358
Miscellaneous	82,500	82,500	192,703	110,203	382,657
TOTAL REVENUES	<u>982,500</u>	<u>982,500</u>	<u>878,345</u>	<u>(104,155)</u>	<u>697,015</u>
EXPENDITURES					
Capital Outlay	2,975,000	3,583,679	3,578,004	5,675	891,062
Contingency Reserve	200,000	200,000	-	200,000	-
TOTAL EXPENDITURES	<u>3,175,000</u>	<u>3,783,679</u>	<u>3,578,004</u>	<u>205,675</u>	<u>891,062</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(2,192,500)	(2,801,179)	(2,699,659)	101,520	(194,047)
OTHER FINANCING SOURCES (USES)					
Proceeds from Long Term Debt	-	-	-	-	2,133,000
Transfers In	200,000	1,700,000	1,700,000	-	2,450,000
Transfers Out	(700,000)	(700,000)	(700,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500,000)</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>4,583,000</u>
CHANGE IN FUND BALANCE	(2,692,500)	(1,801,179)	(1,699,659)	101,520	4,388,953
FUND BALANCE, Beginning	<u>6,611,815</u>	<u>6,611,815</u>	<u>6,611,815</u>	<u>-</u>	<u>2,222,862</u>
FUND BALANCE, Ending	<u>\$ 3,919,315</u>	<u>\$ 4,810,636</u>	<u>\$ 4,912,156</u>	<u>\$ 101,520</u>	<u>\$ 6,611,815</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, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008			VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2007 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes	\$ 2,563,500	\$ 2,563,500	\$ 2,832,901	\$ 269,401	\$ 2,585,467
Intergovernmental	1,950,000	1,950,000	1,109,836	(840,164)	10,000
Charges for Services	191,350	191,350	196,463	5,113	196,144
Miscellaneous	41,000	41,000	137,570	96,570	70,903
TOTAL REVENUES	<u>4,745,850</u>	<u>4,745,850</u>	<u>4,276,770</u>	<u>(469,080)</u>	<u>2,862,514</u>
EXPENDITURES					
Parks and Recreation	1,634,541	1,634,541	1,470,776	163,765	1,307,661
Capital Outlay	6,292,000	6,292,000	1,155,917	5,136,083	715,779
Debt Service	-	-	28,747	(28,747)	-
Contingency Reserve	300,000	300,000	-	300,000	-
TOTAL EXPENDITURES	<u>8,226,541</u>	<u>8,226,541</u>	<u>2,655,440</u>	<u>5,571,101</u>	<u>2,023,440</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(3,480,691)	(3,480,691)	1,621,330	5,102,021	839,074
OTHER FINANCING SOURCES (USES)					
Proceeds from Long Term Debt	2,100,000	2,100,000	2,600,000	500,000	-
Transfers Out	(67,243)	(67,243)	(58,772)	8,471	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,032,757</u>	<u>2,032,757</u>	<u>2,541,228</u>	<u>508,471</u>	<u>-</u>
CHANGE IN FUND BALANCE	(1,447,934)	(1,447,934)	4,162,558	5,610,492	839,074
FUND BALANCE, Beginning	<u>1,742,448</u>	<u>1,742,448</u>	<u>1,742,448</u>	<u>-</u>	<u>903,374</u>
FUND BALANCE, Ending	<u>\$ 294,514</u>	<u>\$ 294,514</u>	<u>\$ 5,905,006</u>	<u>\$ 5,610,492</u>	<u>\$ 1,742,448</u>

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

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CITY OF RIFLE, COLORADO

**STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS**

December 31, 2008

With Comparative Totals for December 31, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	SANITATION	TOTAL
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 2,826,974	\$ 34,564	\$ 399,121	\$ 3,260,659
Cash with Fiscal Agent	-	11,436,093	-	11,436,093
Other Receivable	447,300	473,662	56,041	977,003
Prepaid Expenses	12,158	5,780	2,845	20,783
Due from Other Governments	-	105,423	-	105,423
Inventory	123,889	3,300	-	127,189
TOTAL CURRENT ASSETS	3,410,321	12,058,822	458,007	15,927,150
PROPERTY AND EQUIPMENT	28,576,580	30,400,689	447,415	59,424,684
Less Accumulated Depreciation	(7,949,998)	(5,025,193)	(68,114)	(13,043,305)
NET PROPERTY AND EQUIPMENT	20,626,582	25,375,496	379,301	46,381,379
OTHER ASSETS				
Restricted Cash and Investments	3,592,676	2,146,410	-	5,739,086
Loan Costs	6,055	18,651	-	24,706
TOTAL OTHER ASSETS	3,598,731	2,165,061	-	5,763,792
TOTAL ASSETS	27,635,634	39,599,379	837,308	68,072,321
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	311,707	2,709,180	244,248	3,265,135
Accrued Wages & Comp. Absences	49,357	17,737	14,456	81,550
Accrued Interest Payable	6,066	245,144	-	251,210
Deposits	10,000	-	-	10,000
Deferred Revenue	233,179	259,088	-	492,267
Current Portion - Long Term Debt	162,106	41,564	-	203,670
TOTAL CURRENT LIABILITIES	772,415	3,272,713	258,704	4,303,832
LONG-TERM LIABILITIES				
Notes Payable	1,752,005	18,824,852	-	20,576,857
Capital Leases Payable	712,727	-	-	712,727
TOTAL LONG-TERM LIABILITIES	2,464,732	18,824,852	-	21,289,584
TOTAL LIABILITIES	3,237,147	22,097,565	258,704	25,593,416
NET ASSETS				
Invested in Capital Assets Net of Related Debt	17,999,744	14,014,672	379,301	32,393,717
Unrestricted	6,398,743	3,487,142	199,303	10,085,188
TOTAL NET ASSETS	\$ 24,398,487	\$ 17,501,814	\$ 578,604	\$ 42,478,905

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

GOVERNMENTAL ACTIVITIES INT. SERVICE FLEET MAINTENANCE	TOTALS	
	2008	2007
\$ 62,699	\$ 3,323,358	\$ 4,881,067
-	11,436,093	18,600,000
1,133	978,136	671,802
1,644	22,427	81,649
-	105,423	915,503
26,777	153,966	118,862
<u>92,253</u>	<u>16,019,403</u>	<u>25,268,883</u>
742,413	60,167,097	42,008,428
(260,851)	(13,304,156)	(12,412,956)
<u>481,562</u>	<u>46,862,941</u>	<u>29,595,472</u>
286,134	6,025,220	5,131,532
-	24,706	26,696
<u>286,134</u>	<u>6,049,926</u>	<u>5,158,228</u>
<u>859,949</u>	<u>68,932,270</u>	<u>60,022,583</u>
60,936	3,326,071	1,430,383
4,196	85,746	51,517
-	251,210	78,206
-	10,000	10,000
-	492,267	-
-	203,670	201,240
<u>65,132</u>	<u>4,368,964</u>	<u>1,771,346</u>
-	20,576,857	20,778,376
-	712,727	864,278
<u>-</u>	<u>21,289,584</u>	<u>21,642,654</u>
<u>65,132</u>	<u>25,658,548</u>	<u>23,414,000</u>
481,562	32,875,279	7,751,578
313,255	10,398,443	28,857,005
<u>\$ 794,817</u>	<u>\$ 43,273,722</u>	<u>\$ 36,608,583</u>

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	<u>WATER</u>	<u>SEWER</u>	<u>SANITATION</u>	<u>TOTAL</u>
OPERATING REVENUES				
Charges for Services	\$ 2,262,709	\$ 2,544,894	\$ 540,009	\$ 5,347,612
Sale of Materials	56,463	-	-	56,463
Reimbursed Expenditures	47,331	-	-	47,331
Other Revenue	88,316	8,333	1,821	98,470
TOTAL OPERATING REVENUES	<u>2,454,819</u>	<u>2,553,227</u>	<u>541,830</u>	<u>5,549,876</u>
OPERATING EXPENSES				
Personal Services	633,468	335,817	158,197	1,127,482
Supplies	215,967	66,590	20,249	302,806
Purchased Services	620,421	322,607	259,899	1,202,927
Other Expenses	7,500	-	110	7,610
Management Fees	144,223	100,295	35,930	280,448
Fleet Maintenance	47,663	21,562	52,403	121,628
Small Equipment Purchases	355,821	264,414	340	620,575
Depreciation	700,280	250,236	37,394	987,910
TOTAL OPERATING EXPENSES	<u>2,725,343</u>	<u>1,361,521</u>	<u>564,522</u>	<u>4,651,386</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>(270,524)</u>	<u>1,191,706</u>	<u>(22,692)</u>	<u>898,490</u>
OTHER INCOME (EXPENSE)				
System Improvement Fees	1,057,193	1,088,181	-	2,145,374
Dedicated Infrastructure	2,811,928	-	-	2,811,928
Investment Earnings	176,932	127,568	12,572	317,072
Gain (Loss) on Disposal of Fixed Assets	(196,882)	(58,423)	-	(255,305)
Cash in Lieu of Fees	106,499	-	-	106,499
State Grants	376,161	650,614	-	1,026,775
Other Revenues	-	7,000	-	7,000
Amortization of Bond Premiums and Costs	-	34,661	-	34,661
Interest Expense	(123,195)	(435,103)	-	(558,298)
Other Expenses	(1,038)	-	-	(1,038)
OTHER INCOME (EXPENSE)	<u>4,207,598</u>	<u>1,414,498</u>	<u>12,572</u>	<u>5,634,668</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>3,937,074</u>	<u>2,606,204</u>	<u>(10,120)</u>	<u>6,533,158</u>
TRANSFERS				
Transfers In	100,000	1,000,000	-	1,100,000
Transfers Out	(29,874)	(1,029,874)	(9,000)	(1,068,748)
NET TRANSFERS	<u>70,126</u>	<u>(29,874)</u>	<u>(9,000)</u>	<u>31,252</u>
NET INCOME (LOSS)	<u>4,007,200</u>	<u>2,576,330</u>	<u>(19,120)</u>	<u>6,564,410</u>
NET ASSETS, Beginning	<u>20,391,287</u>	<u>14,925,484</u>	<u>597,724</u>	<u>35,914,495</u>
NET ASSETS, Ending	<u>\$ 24,398,487</u>	<u>\$ 17,501,814</u>	<u>\$ 578,604</u>	<u>\$ 42,478,905</u>

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

GOVERNMENTAL ACTIVITIES	TOTALS	
	2008	2007
INT. SERVICE		
FLEET		
MAINTENANCE		
\$ 525,797	\$ 5,873,409	\$ 5,080,328
-	56,463	203,087
-	47,331	50,413
-	98,470	168,517
<u>525,797</u>	<u>6,075,673</u>	<u>5,502,345</u>
86,826	1,214,308	1,105,139
199,646	502,452	635,785
20,302	1,223,229	859,681
-	7,610	-
-	280,448	253,850
6,629	128,257	103,460
-	620,575	55,293
121,542	1,109,452	1,088,668
<u>434,945</u>	<u>5,086,331</u>	<u>4,101,876</u>
<u>90,852</u>	<u>989,342</u>	<u>1,400,469</u>
-	2,145,374	3,017,062
-	2,811,928	1,032,947
9,877	326,949	351,515
-	(255,305)	5,705
-	106,499	35,505
-	1,026,775	1,490,849
-	7,000	5,293
-	34,661	14,442
-	(558,298)	(330,826)
-	(1,038)	(1,038)
<u>9,877</u>	<u>5,644,545</u>	<u>5,621,454</u>
100,729	6,633,887	7,021,923
-	1,100,000	21,154
-	(1,068,748)	(25,154)
-	31,252	(4,000)
100,729	6,665,139	7,017,923
<u>694,088</u>	<u>36,608,583</u>	<u>29,590,660</u>
<u>\$ 794,817</u>	<u>\$ 43,273,722</u>	<u>\$ 36,608,583</u>

CITY OF RIFLE, COLORADO

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER FUND	SEWER FUND	SANITATION FUND	TOTAL
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 2,546,586	\$ 9,825,036	\$ 529,227	\$ 12,900,849
Cash Payments to Suppliers and Employees	(1,813,794)	378,873	(308,699)	(1,743,620)
Net Cash Provided by Operating Activities	<u>732,792</u>	<u>10,203,909</u>	<u>220,528</u>	<u>11,157,229</u>
Cash Flows From Capital and Related Financing Activities:				
Purchases of Property and Equipment	(648,646)	(14,775,860)	(195,538)	(15,620,044)
Proceeds From Sale of Capital Assets	-	(396)	-	(396)
Proceeds From System Improvement Fees	1,057,193	1,088,181	-	2,145,374
Proceeds From Cash in Lieu of Fees	106,499	-	-	106,499
Proceeds From Debt Issuance	-	-	-	-
Proceeds From Grants	391,664	1,445,190	-	1,836,854
Principal Payments on Debt	(258,789)	(56,794)	-	(315,583)
Interest Payments on Debt	(123,772)	(261,522)	-	(385,294)
Loan Fees and Unamortized Bond Issue Costs	-	952	-	952
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>524,149</u>	<u>(12,560,249)</u>	<u>(195,538)</u>	<u>(12,231,638)</u>
Cash Flows from Non-Capital Financing Activities:				
Other Revenues	-	7,000	-	7,000
Transfers - Net	70,126	(29,874)	(9,000)	31,252
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>70,126</u>	<u>(22,874)</u>	<u>(9,000)</u>	<u>38,252</u>
Cash Flows From Investing Activities:				
Investment Income	176,932	127,568	12,572	317,072
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,503,999	(2,251,646)	28,562	(719,085)
CASH AND INVESTMENTS, Beginning	4,915,651	4,432,620	370,559	9,718,830
CASH AND INVESTMENTS, Ending	<u>\$ 6,419,650</u>	<u>\$ 2,180,974</u>	<u>\$ 399,121</u>	<u>\$ 8,999,745</u>
Cash and Investments	\$ 2,826,974	\$ 34,564	\$ 399,121	\$ 3,260,659
Restricted Cash and Investments	3,592,676	2,146,410	-	5,739,086
TOTAL CASH AND INVESTMENTS	<u>\$ 6,419,650</u>	<u>\$ 2,180,974</u>	<u>\$ 399,121</u>	<u>\$ 8,999,745</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ (270,524)	\$ 1,191,706	\$ (22,692)	\$ 898,490
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	700,280	250,236	37,394	987,910
(Increase) Decrease in:				
Cash with Fiscal Agent	-	7,163,907	-	7,163,907
Other Receivable	(141,412)	(151,186)	(12,603)	(305,201)
Prepaid Expenses	66,130	(4,488)	(2,041)	59,601
Inventory	(34,267)	1,926	-	(32,341)
Increase (Decrease) in:				
Accounts Payable	161,424	1,482,741	216,417	1,860,582
Accrued Wages & Comp. Absences	17,982	9,979	4,053	32,014
Deposits	-	-	-	-
Deferred Revenue	233,179	259,088	-	492,267
Total Adjustments	<u>1,003,316</u>	<u>9,012,203</u>	<u>243,220</u>	<u>10,258,739</u>
Net Cash Provided by Operating Activities	<u>\$ 732,792</u>	<u>\$ 10,203,909</u>	<u>\$ 220,528</u>	<u>\$ 11,157,229</u>

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

**GOVERNMENTAL
ACTIVITIES**

INT. SERVICE FLEET MAINTENANCE	TOTAL	
	2008	2007
\$ 524,664	\$ 13,425,513	\$ (13,514,612)
(279,225)	(2,022,845)	(1,944,952)
<u>245,439</u>	<u>11,402,668</u>	<u>(15,459,564)</u>
(200,252)	(15,820,296)	(2,674,152)
-	(396)	-
-	2,145,374	3,017,062
-	106,499	35,505
-	-	18,600,000
-	1,836,854	1,075,345
-	(315,583)	(285,690)
-	(385,294)	(285,590)
-	952	(19,603)
<u>(200,252)</u>	<u>(12,431,890)</u>	<u>19,462,877</u>
-	7,000	5,293
-	31,252	(4,000)
<u>-</u>	<u>38,252</u>	<u>1,293</u>
9,877	326,949	351,515
55,064	(664,021)	4,356,121
<u>293,769</u>	<u>10,012,599</u>	<u>5,656,478</u>
\$ 348,833	\$ 9,348,578	\$ 10,012,599
\$ 62,699	\$ 3,323,358	\$ 4,881,067
286,134	6,025,220	5,131,532
<u>\$ 348,833</u>	<u>\$ 9,348,578</u>	<u>\$ 10,012,599</u>
\$ 90,852	\$ 989,342	\$ 1,400,469
121,542	1,109,452	1,088,668
-	7,163,907	(18,600,000)
(1,133)	(306,334)	(319,486)
(379)	59,222	14,663
(2,763)	(35,104)	56,791
35,107	1,895,689	1,011,099
2,213	34,227	(14,297)
-	-	(97,471)
-	492,267	-
<u>154,587</u>	<u>10,413,326</u>	<u>(16,860,033)</u>
<u>\$ 245,439</u>	<u>\$ 11,402,668</u>	<u>\$ (15,459,564)</u>

CITY OF RIFLE, COLORADO

STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUND
December 31, 2008
With Comparative Totals for December 31, 2007

	<u>PERPETUAL CARE</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and Investments	<u>\$ 192,363</u>	<u>\$ 192,363</u>
NET ASSETS		
Held In Trust for Cemetery Maintenance	<u>\$ 192,363</u>	<u>\$ 192,363</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, 2008

With Comparative Totals for the Year Ended December 31, 2007

	<u>PERPETUAL CARE</u>	
	<u>2008</u>	<u>2007</u>
ADDITIONS:		
Charges for Services	\$ -	\$ 1,300
NET ASSETS - Beginning	<u>192,363</u>	<u>191,063</u>
NET ASSETS - Ending	<u>\$ 192,363</u>	<u>\$ 192,363</u>

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

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

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, 2008

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 for 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, 2008

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.

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

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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.

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

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

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, Wastewater and Sanitation 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.

Expenditures exceeded appropriations in the Sanitation Fund which may be a violation of Colorado statutes.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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, 2008

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 \$314,714 at December 31, 2008, \$237,965 of which was recorded in the General Fund, \$36,357 in the Enterprise Funds, \$39,218 in the Special Revenue Funds and \$1,174 in the Internal Service Fund.

Net Assets/Fund Equity

Reserved fund balances/restricted net assets report the portion of fund balance or net assets that are not appropriable for expenditure or are legally segregated for a specific future use. Designated fund balances of governmental funds represent tentative plans for financial resource utilization in a future period.

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	\$ 18,224,906
Business-type - Unrestricted	3,260,659
Governmental - Restricted	2,434,616
Business-type - Restricted	5,739,086
Fiduciary	<u>192,363</u>
Total Cash and Investments	<u>\$ 29,851,630</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 2: CASH AND INVESTMENTS (Continued)

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

Cash and Deposits	\$ 3,200,273
Investments	<u>26,651,357</u>
Total Cash and Investments	<u>\$ 29,851,630</u>

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, 2008, 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	\$ 500,000	\$ 500,000
PDPA Collateralized	3,030,015	2,698,997
Petty Cash	-	1,276
Total Cash and Deposits	<u>\$ 3,530,015</u>	<u>\$ 3,200,273</u>

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.

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

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

- 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, 2008, the City's investments consisted of the following:

	Fair Value	Weighted Avg. Maturity In Years	% of Portfolio	Rating
U.S. Instrumentalities:				
Farm Credit Notes	\$ 1,020,310	3.66	3.8%	AAA
FNMA	1,052,810	4.19	4.0%	AAA
FHLB	5,122,442	3.96	19.2%	AAA
FHLMC	2,024,703	4.61	7.6%	AAA
Local Investment Pools	13,240,776	0.00	49.7%	AAAm
Mutual Funds	<u>4,190,316</u>	<u>0.00</u>	<u>15.72%</u>	AAA
Total Investments held by City	<u>\$ 26,651,357</u>	1.25	<u>100.0%</u>	

During the year ended December 31, 2008, 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, 2008

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 Home Loan Mortgage Corporation securities. These investments are 19.2%, and 7.6%, 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, 2008, the City's U.S. Instrumentality securities were held by Wells Fargo Brokerage Services, LLC in the name of the City.

NOTE 3: RESTRICTED CASH

The City has recorded the following cash restrictions at December 31, 2008:

<u>General Fund</u>	
Restricted for Senior Center Improvements	\$ 57,449
Restricted for Senior Center Meals	17,264
Restricted for Road Improvements	207,824
Restricted for Rifle Mountain Park	14,846
Restricted for Parkland Dedication	484,888
Restricted for Police Expenditures	1,075
Restricted for Regional Drainage	<u>22,750</u>
Total General Fund	<u>806,096</u>
 <u>Street Improvement Fund</u>	
Restricted for Street Improvements from Bond Proceeds	950,466
Restricted for Bond Principal and Interest Payments	<u>379,601</u>
Total Street Improvement Fund	<u>1,330,067</u>
 <u>Downtown Development Agency</u>	
Restricted for Parking Projects	<u>12,319</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 3: RESTRICTED CASH (Continued)

<u>Fleet Maintenance Fund</u>		
Fleet Loan Funding		<u>286,134</u>
 <u>Water Fund</u>		
Restricted for Infrastructure Improvements		2,563,962
Restricted for Water Rights		414,373
Restricted for Operations and Maintenance Reserve		<u>614,341</u>
Total Water Fund		<u>3,592,676</u>
 <u>Sewer Fund</u>		
Restricted for Retainage Payments		1,375,967
Restricted for Bond Principal and Interest Payments		<u>770,443</u>
Total Sewer Fund		<u>2,146,410</u>
Total Restricted Cash		<u>\$ 8,173,702</u>

NOTE 4: CHANGES IN CAPITAL ASSETS

The following schedule presents changes in governmental activities capital assets during 2008:

	<u>Balance</u>				<u>Balance</u>
	<u>12/31/2007</u>	<u>Additions</u>	<u>Deletions</u>		<u>12/31/2008</u>
Governmental Activities:					
Non-depreciable Capital Assets:					
Land	\$ 2,806,245	\$ 60,246	\$ -		\$ 2,866,491
Depreciable Capital Assets:					
Buildings	6,171,910	4,262,814	-		10,434,724
Improvements	35,957,668	8,334,469	77,068		44,215,069
Equipment	<u>2,639,070</u>	<u>1,027,114</u>	<u>107,846</u>		<u>3,558,338</u>
Total Capital Assets	<u>47,574,893</u>	<u>13,684,643</u>	<u>184,914</u>		<u>61,074,622</u>
Less: Accumulated Depreciation					
Buildings	2,752,780	140,882	-		2,893,662
Improvements	11,875,106	1,273,748	3,091		13,145,763
Equipment	<u>1,444,345</u>	<u>314,668</u>	<u>86,837</u>		<u>1,672,176</u>
Total Accumulated Depreciation	<u>16,072,231</u>	<u>1,729,298</u>	<u>89,928</u>		<u>17,711,601</u>
Net Capital Assets	<u>\$ 31,502,662</u>	<u>\$ 11,955,345</u>	<u>\$ 94,986</u>		<u>\$ 43,363,021</u>

CITY OF RIFLE, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 4: CHANGES IN CAPITAL ASSETS (Continued)

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

	Governmental Activities
General Government	\$ 91,086
Public Safety	26,856
Public Works	1,170,953
Cemetery	9,658
Parks & Recreation	298,681
Economic Development	10,522
Deprec. Govt. Funds	1,607,756
Fleet Maintenance	121,542
Total Depreciation	\$ 1,729,298

The following schedule presents business-type activities capital assets at December 31, 2008:

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Business-Type Activities:				
Non-depreciable Capital Assets:				
Land	\$ 1,211,378	\$ -	\$ -	\$ 1,211,378
Water Rights	495,000	-	-	495,000
Depreciable Capital Assets:				
Buildings	14,272,177	12,989,601	-	27,261,778
Improvements	23,386,357	5,228,204	323,164	28,291,397
Equipment	2,101,356	234,030	170,255	2,165,131
Total Capital Assets	41,466,268	18,451,835	493,419	59,424,684
Less: Accumulated Depreciation				
Buildings	6,117,987	437,068	-	6,555,055
Improvements	5,306,321	387,627	68,233	5,625,715
Equipment	849,340	163,215	150,020	862,535
Total Accumulated Depreciation	12,273,648	987,910	218,253	13,043,305
Net Capital Assets	\$ 29,192,620	\$ 17,463,925	\$ 275,166	\$ 46,381,379

CITY OF RIFLE, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 4: CHANGES IN CAPITAL ASSETS (Continued)

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

	Business-type Activities
Water Operations	\$ 700,280
Sewer Operations	250,236
Sanitation Operations	37,394
Total Depreciation	\$ 987,910

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 \$380,951 reserve. The City is also required to fund 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

During 2004, the City entered into a capital lease for the purchase of a vehicle. Assets worth \$13,449 were acquired and capitalized. The lease requires twelve quarterly payments which began in April, 2004. The lease bears interest at 4.5% per annum with \$1,191 principal and interest payments. Lease payments are made by the General Fund.

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.

CITY OF RIFLE, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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

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

	<u>Balance 12/31/07</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance 12/31/08</u>	<u>Current Portion</u>
2003 Revenue Bonds	\$ 3,350,000	\$ -	\$ 255,000	\$ 3,095,000	\$ 265,000
Police Facility Capital Lease	2,133,000	-	174,329	1,958,671	182,013
Parks Facility Capital Lease	-	2,600,000	-	2,600,000	213,306
Total Obligations	<u>\$ 5,483,000</u>	<u>\$ 2,600,000</u>	<u>\$ 429,329</u>	<u>\$ 7,653,671</u>	<u>\$ 660,319</u>

Scheduled payments on the bonds are due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 265,000	\$ 114,601	\$ 379,601
2010	270,000	106,651	376,651
2011	280,000	97,876	377,876
2012	290,000	88,076	378,076
2013	300,000	77,201	377,201
2014-2018	1,690,000	206,124	1,896,124
Total	<u>\$ 3,095,000</u>	<u>\$ 690,529</u>	<u>\$ 3,785,529</u>

Scheduled payments on the capital lease are as follows:

<u>Year</u>	<u>Police Facility Payment</u>	<u>Parks Facility Payment</u>	<u>Total Payment</u>
2009	\$ 265,448	\$ 322,328	\$ 587,776
2010	265,448	322,328	587,776
2011	265,448	322,328	587,776
2012	265,448	322,328	587,776
2013	265,448	322,328	587,776
2014-2018	1,327,242	1,611,638	2,938,880
Total Payments	2,654,482	3,223,278	5,877,760
4.36%/4.28% Interest	(695,811)	(623,278)	(1,319,089)
Present Value of Payments	<u>\$ 1,958,671</u>	<u>\$ 2,600,000</u>	<u>\$ 4,558,671</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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

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

	Balance 12/31/07	Advances	Repayments	Balance 12/31/08	Current Portion
1982 CWCB Note - Water	\$ 160,100	\$ -	\$ 8,753	\$ 151,347	\$ 9,103
1994 CWRPDA Loan - Water	587,500	-	71,250	516,250	76,250
2003 CWRPDA Loan - Water	1,273,750	-	65,000	1,208,750	65,000
2004 DOLA Note - Sewer	373,105	-	45,825	327,280	48,116
2004 Capital Lease - Water	84,294	-	41,224	43,070	43,070
2006 Capital Lease - Water	779,984	-	72,563	707,421	75,741
2007 CWRPDA Loan - Sewer	17,852,112	-	10,412	17,841,700	653,784
Total Obligations	\$ 21,110,845	\$ -	\$ 315,027	\$ 20,795,818	\$ 971,064

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. The City has funded this reserve through the restriction of its cash balances in the Water Fund (Note 3). The City 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>
2009	\$ 76,250	\$ 28,288	\$ 104,538
2010	80,000	23,506	103,506
2011	83,750	18,535	102,285
2012	96,250	13,168	109,418
2013	101,250	7,491	108,741
2014	78,750	1,972	80,722
Total	\$ 516,250	\$ 92,960	\$ 609,210

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. The City has funded this reserve through the restriction of its cash balances in the Water Fund (Note 3). The City 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, 2008

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

NOTES PAYABLE (Continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 59,584	\$ 44,053	\$ 103,637
2010	65,833	44,652	110,485
2011	70,000	42,773	112,773
2012	70,000	40,580	110,580
2013	70,833	38,247	109,080
2014-2018	402,500	149,868	552,368
2019-2023	470,000	61,668	531,668
Total	\$ 1,208,750	\$ 421,841	\$ 1,630,591

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>
2009	\$ 9,103	\$ 6,053	\$ 15,156
2010	9,467	5,689	15,156
2011	9,846	5,310	15,156
2012	10,239	4,917	15,156
2013	10,649	4,507	15,156
2014-2018	59,984	15,796	75,780
2019-2021	42,059	3,407	45,466
Total	\$ 151,347	\$ 45,679	\$ 197,026

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>
2009	\$ 48,116	\$ 16,364	\$ 64,480
2010	50,522	13,958	64,480
2011	53,048	11,432	64,480
2012	55,700	8,780	64,480
2013	58,485	5,995	64,480
2014	61,409	3,071	64,480
Total	\$ 327,280	\$ 59,600	\$ 386,880

CITY OF RIFLE, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 653,784	\$ 625,985	\$ 1,279,769
2010	690,432	661,317	1,351,749
2011	685,432	639,788	1,325,220
2012	711,668	618,421	1,330,089
2013	732,904	596,233	1,329,137
2014-2018	4,038,060	2,623,029	6,661,089
2019-2023	4,691,020	1,954,122	6,645,142
2024-2028	5,638,400	1,020,762	6,659,162
Total	<u>\$ 17,841,700</u>	<u>\$ 8,739,657</u>	<u>\$ 26,581,357</u>

CAPITAL LEASES PAYABLE

During 2004, the City entered into a capital lease for the purchase of a Vactor sewer cleaner. Assets worth \$206,515 were acquired and capitalized. The lease requires five annual payments which began in June, 2004. The lease bears interest at 4.48% per annum with \$45,000 principal and interest payments. The lease is being repaid by the Water Fund.

<u>Year</u>	<u>Payment</u>
2009	\$ 45,000
4.48% Interest	(1,930)
Present Value of Payments	<u>\$ 43,070</u>

CITY OF RIFLE, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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

CAPITAL LEASES PAYABLE (Continued)

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>
2009	\$ 105,018
2010	105,018
2011	105,018
2012	105,018
2013	105,018
2014-2017	<u>367,562</u>
Total Payments	892,652
4.3% Interest	<u>(185,231)</u>
Present Value of Payments	<u>\$ 707,421</u>

NOTE 7: INTERFUND TRANSACTIONS

Following is a summary of advances to and from other funds at December 31, 2008:

	<u>Advance To Other Fund</u>	<u>Advance From Other Funds</u>
General Fund	\$ 129,817	\$ -
Economic Development Fund	166,800	-
Capital Fund	135,000	-
Street Improvement Fund	-	301,800
Rifle Information Center Fund	-	39,817
Urban Renewal Authority Fund	-	<u>90,000</u>
Totals	<u>\$ 431,617</u>	<u>\$ 431,617</u>

CITY OF RIFLE, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 7: INTERFUND TRANSACTIONS (Continued)

The City has recorded the following routine transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 146,430	\$ 1,880,000
Street Improvement Fund	1,314,000	625,000
Visitor Improvement Fund	-	18,180
Economic Development Fund	75,000	-
Downtown Development Fund	15,270	-
Capital Fund	1,700,000	700,000
Parks Fund	-	58,772
Water Fund	100,000	29,874
Sewer Fund	1,000,000	1,029,874
Sanitation Fund	-	9,000
Totals	<u>\$ 4,350,700</u>	<u>\$ 4,350,700</u>

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

	<u>Internal Service Charges</u>
General Fund	\$ 310,281
Parks Fund	87,260
Water Fund	47,663
Wastewater Fund	21,562
Sanitation Fund	52,403
Fleet Maintenance Fund	6,629
Total	<u>\$ 525,798</u>

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. At December 31, 2008, the Fleet Maintenance Fund has \$286,134 of funds available under this program.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 7: INTERFUND TRANSACTIONS (Continued)

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

	<u>Mgmt Fees</u>
Water Fund	\$ 144,223
Wastewater Fund	100,295
Sanitation Fund	35,930
Total	<u>\$ 280,448</u>

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 \$1,302,943. During the year ended December 31, 2008, the City contributed \$162,998, and the employees contributed \$97,429.

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 with at least one year of service 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 \$4,826,846 and covered payroll was \$3,567,663 for this plan. For the year ended December 31, 2008, the City contributed \$178,383 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. 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, 2008

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>Total Enterprise Funds</u>	<u>Fleet Maintenance Fund</u>
Total Revenues -					
GAAP Basis	\$ 6,886,650	\$ 5,368,167	\$ 554,402	\$ 12,809,219	\$ 535,674
Gain (Loss) on Asset Sales	196,882	58,423	-	255,305	-
Dedicated Infrastructure	<u>(2,811,928)</u>	<u>-</u>	<u>-</u>	<u>(2,811,928)</u>	<u>-</u>
Total Revenues - Budget Basis	<u>\$ 4,271,604</u>	<u>\$ 5,426,590</u>	<u>\$ 554,402</u>	<u>\$ 10,252,596</u>	<u>\$ 535,674</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total Enterprise Funds</u>	<u>Fleet Maintenance Fund</u>
Total Expenditures -					
GAAP Basis	\$ 2,879,450	\$ 2,791,837	\$ 573,522	\$ 6,244,809	\$ 434,945
Depreciation	(700,280)	(250,236)	(37,394)	(987,910)	(121,542)
Debt Service Principal	258,789	56,794	-	315,583	-
Amortization	-	34,661	-	34,661	-
Capital Asset Acquisition	<u>648,646</u>	<u>14,775,860</u>	<u>195,538</u>	<u>15,620,044</u>	<u>200,252</u>
Total Expenditures - Budget Basis	<u>\$ 3,086,605</u>	<u>\$ 17,408,916</u>	<u>\$ 731,666</u>	<u>\$ 21,227,187</u>	<u>\$ 513,655</u>

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, 2008

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

Grant & Loan Construction Commitments

The City had commitments of \$6,356,143 for capital projects in governmental fund types and \$9,333,990 in proprietary fund types at December 31, 2008. Future expenditures related to these commitments are expected to be financed through available resources and future revenues.

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, 2008, the emergency reserve of \$685,000 was recorded in the General Fund.

OTHER SUPPLEMENTARY INFORMATION

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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.

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

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.

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

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2008

With Comparative Totals for December 31, 2007

	<u>CONSERVATION TRUST</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>VISITOR IMPROVEMENT</u>	<u>DOWNTOWN DEVELOPMENT</u>
ASSETS				
Cash and Investments	\$ 271,400	\$ 238,248	\$ 135,982	\$ 207,864
Property Taxes Receivable	-	-	-	46,915
Other Receivable	-	33,231	12,925	-
Prepaid Expenses	-	-	-	1,896
Advance to Other Funds	-	166,800	-	-
Due from Other Governments	-	-	-	308
Restricted Cash and Investments	-	-	-	12,319
TOTAL ASSETS	<u>\$ 271,400</u>	<u>\$ 438,279</u>	<u>\$ 148,907</u>	<u>\$ 269,302</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ 1,930	\$ 195	\$ 1,127
Advances from Other Funds	-	-	-	-
Deferred Revenue	-	-	-	46,915
TOTAL LIABILITIES	<u>-</u>	<u>1,930</u>	<u>195</u>	<u>48,042</u>
FUND BALANCE				
Reserved for:				
Interfund Advances	-	166,800	-	-
Prepays	-	-	-	1,896
Unreserved reported in Special Revenue Funds	<u>271,400</u>	<u>269,549</u>	<u>148,712</u>	<u>219,364</u>
TOTAL FUND BALANCE	<u>271,400</u>	<u>436,349</u>	<u>148,712</u>	<u>221,260</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 271,400</u>	<u>\$ 438,279</u>	<u>\$ 148,907</u>	<u>\$ 269,302</u>

See the accompanying Independent Auditors' Report.

RIFLE INFORMATION CENTER	URBAN RENEWAL AUTHORITY	TOTALS	
		2008	2007
\$ 221,845	\$ 16,343	\$ 1,091,682	\$ 770,228
-	-	46,915	49,289
22,475	-	68,631	18,465
-	-	1,896	-
-	-	166,800	194,600
-	-	308	273
-	-	12,319	12,319
<u>\$ 244,320</u>	<u>\$ 16,343</u>	<u>\$ 1,388,551</u>	<u>\$ 1,045,174</u>
\$ -	\$ 2,472	\$ 5,724	\$ 57,048
39,817	90,000	129,817	53,873
-	-	46,915	49,289
<u>39,817</u>	<u>92,472</u>	<u>182,456</u>	<u>160,210</u>
-	-	166,800	194,600
-	-	1,896	-
<u>204,503</u>	<u>(76,129)</u>	<u>1,037,399</u>	<u>690,364</u>
<u>204,503</u>	<u>(76,129)</u>	<u>1,206,095</u>	<u>884,964</u>
<u>\$ 244,320</u>	<u>\$ 16,343</u>	<u>\$ 1,388,551</u>	<u>\$ 1,045,174</u>

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	<u>CONSERVATION TRUST</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>VISITOR IMPROVEMENT</u>	<u>DOWNTOWN DEVELOPMENT</u>
REVENUES				
Taxes	\$ -	\$ -	\$ 185,938	\$ 48,125
Intergovernmental	88,943	50,000	-	-
Charges for Services	-	-	-	3,070
Miscellaneous	7,526	16,868	2,594	7,359
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	96,469	66,868	188,532	58,554
EXPENDITURES				
Economic Development and Assistance	-	84,870	21,640	52,346
Capital Outlay	8,000	-	-	2,268
Debt Service	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	8,000	84,870	21,640	54,614
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<hr/>	<hr/>	<hr/>	<hr/>
	88,469	(18,002)	166,892	3,940
OTHER FINANCING SOURCES (USES)				
Transfers In	-	75,000	-	15,270
Transfers Out	-	-	(18,180)	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	75,000	(18,180)	15,270
CHANGE IN FUND BALANCES	88,469	56,998	148,712	19,210
FUND BALANCE (DEFICIT), Beginning	<hr/>	<hr/>	<hr/>	<hr/>
	182,931	379,351	-	202,050
FUND BALANCE (DEFICIT), Ending	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 271,400	\$ 436,349	\$ 148,712	\$ 221,260

See the accompanying Independent Auditors' Report.

RIFLE INFORMATION CENTER	URBAN RENEWAL AUTHORITY	TOTALS	
		2008	2007
\$ 233,669	\$ -	\$ 467,732	\$ 242,392
-	-	138,943	84,015
-	-	3,070	804
6,719	(790)	40,276	154,508
<u>240,388</u>	<u>(790)</u>	<u>650,021</u>	<u>481,719</u>
155,383	75,339	389,578	261,152
-	-	10,268	-
1,134	-	1,134	1,466
<u>156,517</u>	<u>75,339</u>	<u>400,980</u>	<u>262,618</u>
<u>83,871</u>	<u>(76,129)</u>	<u>249,041</u>	<u>219,101</u>
-	-	90,270	114,000
-	-	(18,180)	(30,000)
-	-	72,090	84,000
83,871	(76,129)	321,131	303,101
120,632	-	884,964	581,863
<u>\$ 204,503</u>	<u>\$ (76,129)</u>	<u>\$ 1,206,095</u>	<u>\$ 884,964</u>

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008			2007 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Intergovernmental	\$ 70,000	\$ 88,943	\$ 18,943	\$ 84,015
Miscellaneous	5,000	7,526	2,526	7,192
TOTAL REVENUES	75,000	96,469	21,469	91,207
EXPENDITURES				
Capital Outlay	200,000	8,000	192,000	-
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(125,000)	88,469	213,469	91,207
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	-	(30,000)
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	(125,000)	88,469	213,469	61,207
FUND BALANCE, Beginning	182,931	182,931	-	121,724
FUND BALANCE, Ending	\$ 57,931	\$ 271,400	\$ 213,469	\$ 182,931

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008			2007 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Intergovernmental	\$ 50,000	\$ 50,000	\$ -	\$ -
Miscellaneous	33,800	16,868	(16,932)	14,665
TOTAL REVENUES	83,800	66,868	(16,932)	14,665
EXPENDITURES				
Economic Development and Assistance	263,000	84,870	178,130	80,504
Capital Outlay	50,000	-	50,000	-
Contingency Reserve	100,000	-	100,000	-
TOTAL EXPENDITURES	413,000	84,870	328,130	80,504
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(329,200)	(18,002)	311,198	(65,839)
OTHER FINANCING SOURCES (USES)				
Transfers In	75,000	75,000	-	75,000
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	(254,200)	56,998	311,198	9,161
FUND BALANCE, Beginning	379,351	379,351	-	370,190
FUND BALANCE, Ending	\$ 125,151	\$ 436,349	\$ 311,198	\$ 379,351

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2007 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Taxes	\$ 350,000	\$ 185,938	\$ (164,062)	\$ -
Miscellaneous	10,500	2,594	(7,906)	-
TOTAL REVENUES	360,500	188,532	(171,968)	-
EXPENDITURES				
Economic Development and Assistance	-	21,640	(21,640)	-
Capital Outlay	290,000	-	290,000	-
TOTAL EXPENDITURES	290,000	21,640	268,360	-
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	70,500	166,892	96,392	-
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(18,180)	(18,180)	-
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	70,500	148,712	78,212	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ 70,500	\$ 148,712	\$ 78,212	\$ -

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008			2007 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 43,331	\$ 48,125	\$ 4,794	\$ 36,423
Charges for Services	800	3,070	2,270	804
Miscellaneous	3,000	7,359	4,359	123,187
TOTAL REVENUES	<u>47,131</u>	<u>58,554</u>	<u>11,423</u>	<u>160,414</u>
EXPENDITURES				
Economic Development and Assistance	38,020	52,346	(14,326)	43,519
Capital Outlay	172,500	2,268	170,232	-
TOTAL EXPENDITURES	<u>210,520</u>	<u>54,614</u>	<u>155,906</u>	<u>43,519</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(163,389)	3,940	167,329	116,895
OTHER FINANCING SOURCES (USES)				
Transfers In	9,000	15,270	6,270	39,000
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	(154,389)	19,210	173,599	155,895
FUND BALANCE, Beginning	<u>202,050</u>	<u>202,050</u>	<u>-</u>	<u>46,155</u>
FUND BALANCE, Ending	<u>\$ 47,661</u>	<u>\$ 221,260</u>	<u>\$ 173,599</u>	<u>\$ 202,050</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008			2007 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 211,761	\$ 233,669	\$ 21,908	\$ 205,969
Miscellaneous	3,500	6,719	3,219	9,464
TOTAL REVENUES	215,261	240,388	25,127	215,433
EXPENDITURES				
Economic Development and Assistance	271,158	155,383	115,775	137,129
Debt Service	15,190	1,134	14,056	1,466
TOTAL EXPENDITURES	286,348	156,517	129,831	138,595
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(71,087)	83,871	154,958	76,838
FUND BALANCE (DEFICIT), Beginning	35,385	120,632	85,247	43,794
FUND BALANCE (DEFICIT), Ending	\$ (35,702)	\$ 204,503	\$ 240,205	\$ 120,632

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008			2007 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 10,946	\$ -	\$ (10,946)	\$ -
Miscellaneous	328	(790)	(1,118)	-
TOTAL REVENUES	11,274	(790)	(12,064)	-
EXPENDITURES				
Economic Development and Assistance	86,128	75,339	10,789	-
Capital Outlay	10,936	-	10,936	-
TOTAL EXPENDITURES	97,064	75,339	21,725	-
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(85,790)	(76,129)	9,661	-
OTHER FINANCING SOURCES (USES)				
Transfers In	90,000	-	(90,000)	-
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	4,210	(76,129)	(80,339)	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ 4,210	\$ (76,129)	\$ (80,339)	\$ -

See the accompanying Independent Auditors' Report.

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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, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2007 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 2,175,016	\$ 2,262,709	\$ 87,693	\$ 2,207,200
Sale of Materials	47,000	56,463	9,463	200,387
Reimbursed Expenditures	30,000	47,331	17,331	50,413
Other Revenue	62,701	88,316	25,615	145,778
System Improvement Fees	670,000	1,057,193	387,193	1,517,362
Investment Earnings	115,736	176,932	61,196	182,792
Cash in Lieu of Fees	105,000	106,499	1,499	35,505
State Grants	360,657	376,161	15,504	76,228
Other Revenues	1,000	-	(1,000)	5,286
Transfers In	100,000	100,000	-	-
TOTAL REVENUES	3,667,110	4,271,604	604,494	4,420,951
EXPENDITURES				
Personal Services	599,027	633,468	(34,441)	596,264
Supplies	275,980	215,967	60,013	366,971
Purchased Services	1,048,871	620,421	428,450	387,768
Other Operating Expenses	67,500	7,500	60,000	-
Management Fees	144,223	144,223	-	130,791
Fleet Maintenance	39,248	47,663	(8,415)	44,676
Acquisition of Capital Assets	2,647,322	1,004,467	1,642,855	815,391
Debt Principal	258,790	258,789	1	242,046
Interest Expense	123,908	123,195	713	136,069
Transfers Out	31,499	29,874	1,625	-
Other Expenses	1,038	1,038	-	1,038
TOTAL EXPENDITURES	5,237,406	3,086,605	2,150,801	2,721,014
NET INCOME - Budgetary Basis	\$ (1,570,296)	1,184,999	\$ 2,755,295	1,699,937
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		648,646		778,296
Dedicated Infrastructure		2,811,928		543,348
Gain (Loss) on Disposal of Fixed Assets		(196,882)		-
Debt Principal		258,789		242,046
Depreciation Expense		(700,280)		(618,279)
NET INCOME - GAAP Basis		4,007,200		2,645,348
NET ASSETS, Beginning		20,391,287		17,745,939
NET ASSETS, Ending		\$ 24,398,487		\$ 20,391,287

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

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

SEWER FUND

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2007 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 2,255,000	\$ 2,544,894	\$ 289,894	\$ 1,925,803
Other Operating Revenues	25,700	8,333	(17,367)	21,091
System Improvement Fees	750,000	1,088,181	338,181	1,499,700
Investment Earnings	115,000	127,568	12,568	144,968
State Grants	2,000,000	650,614	(1,349,386)	1,414,621
Transfers In	1,000,000	1,000,000	-	-
Other Revenues	-	7,000	7,000	7
TOTAL REVENUES	6,145,700	5,426,590	(719,110)	5,006,190
EXPENDITURES				
Personal Services	432,395	335,817	96,578	338,289
Supplies	68,230	66,590	1,640	75,350
Purchased Services	333,950	322,607	11,343	229,088
Other Operating Expenses	25,000	-	25,000	-
Management Fees	100,295	100,295	-	88,767
Fleet Maintenance	19,070	21,562	(2,492)	19,958
Acquisition of Capital Assets	23,729,650	15,040,274	8,689,376	2,319,967
Debt Principal	56,237	56,794	(557)	43,644
Interest Expense	261,522	435,103	(173,581)	194,757
Transfers Out	1,031,499	1,029,874	1,625	-
Other Expenses	10,000	-	10,000	-
TOTAL EXPENDITURES	26,067,848	17,408,916	8,658,932	3,309,820
NET INCOME - Budgetary Basis	<u>\$(19,922,148)</u>	(11,982,326)	<u>\$ 7,939,822</u>	1,696,370
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		14,775,860		2,301,769
Dedicated Infrastructure		-		489,599
Debt Principal		56,794		43,644
Gain (Loss) on Disposal of Fixed Assets		(58,423)		(58)
Amortization of Bond Premium & Costs		34,661		14,442
Depreciation Expense		(250,236)		(305,982)
NET INCOME - GAAP Basis		2,576,330		4,239,784
NET ASSETS, Beginning		14,925,484		10,685,700
NET ASSETS, Ending		<u>\$ 17,501,814</u>		<u>\$ 14,925,484</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, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008			2007 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Charges for Services	\$ 519,332	\$ 540,009	\$ 20,677	\$ 480,737
Sale of Materials	-	-	-	2,700
Other Revenue	2,000	1,821	(179)	1,648
Investment Earnings	10,000	12,572	2,572	14,550
Gain (Loss) on Disposal of Fixed Assets	-	-	-	6,946
Transfers In	-	-	-	21,154
TOTAL REVENUES	531,332	554,402	23,070	527,735
EXPENDITURES				
Personal Services	145,862	158,197	(12,335)	107,182
Supplies	16,000	20,249	(4,249)	15,583
Purchased Services	227,220	259,899	(32,679)	210,236
Other Operating Expenses	400	110	290	-
Management Fees	35,930	35,930	-	34,292
Fleet Maintenance	43,020	52,403	(9,383)	35,434
Acquisition of Capital Assets	200,000	195,878	4,122	25,425
Transfers Out	9,000	9,000	-	4,000
Contingency Reserve	25,000	-	25,000	-
TOTAL EXPENDITURES	702,432	731,666	(29,234)	432,152
NET INCOME - Budgetary Basis	\$ (171,100)	(177,264)	\$ (6,164)	95,583
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		195,538		25,425
Depreciation Expense		(37,394)		(64,771)
NET INCOME - GAAP Basis		(19,120)		56,237
NET ASSETS, Beginning		597,724		541,487
NET ASSETS, Ending		\$ 578,604		\$ 597,724

See the accompanying Independent Auditors' Report.

INTERNAL SERVICE FUND

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.

CITY OF RIFLE, COLORADO

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

FLEET MAINTENANCE FUND

Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2007 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 526,137	\$ 525,797	\$ (340)	\$ 466,588
Investment Earnings	19,326	9,877	(9,449)	9,205
Gain (Loss) on Disposal of Fixed Assets	-	-	-	(1,183)
TOTAL REVENUES	<u>545,463</u>	<u>535,674</u>	<u>(9,789)</u>	<u>474,610</u>
EXPENDITURES				
Personal Services	68,844	86,826	(17,982)	63,404
Supplies	193,750	199,646	(5,896)	177,881
Purchased Services	27,588	20,302	7,286	32,589
Fleet Maintenance	4,729	6,629	(1,900)	3,392
Acquisition of Capital Assets	231,000	200,252	30,748	69,697
Transfers Out	-	-	-	21,154
Contingency	30,000	-	30,000	21,154
TOTAL EXPENDITURES	<u>555,911</u>	<u>513,655</u>	<u>42,256</u>	<u>389,271</u>
NET INCOME - Budgetary Basis	<u>\$ (10,448)</u>	22,019	<u>\$ 32,467</u>	85,339
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		200,252		69,697
Depreciation Expense		(121,542)		(99,636)
NET INCOME - GAAP Basis		100,729		55,400
NET ASSETS, Beginning		<u>694,088</u>		<u>617,534</u>
NET ASSETS, Ending		<u>\$ 794,817</u>		<u>\$ 672,934</u>

See the accompanying Independent Auditors' Report.

COMPLIANCE SECTION

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State Compliance

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

LOCAL HIGHWAY FINANCE REPORT	City or County: CITY OF RIFLE
	YEAR ENDING : December 2008
This Information From The Records Of (example - City of _ or County of) CITY OF RIFLE	Prepared By: Charles Kelty, Finance Director Phone: 970.625.6240

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	7,892,743
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	856,068
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	5,027
2. General fund appropriations	1,135,150	b. Snow and ice removal	29,491
3. Other local imposts (from page 2)	4,090,206	c. Other	138,746
4. Miscellaneous local receipts (from page 2)	347,379	d. Total (a. through c.)	173,264
5. Transfers from toll facilities	0	4. General administration & miscellaneous	153,676
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	893,801
a. Bonds - Original Issues	0	6. Total (1 through 5)	9,969,552
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	123,676
7. Total (1 through 6)	5,572,735	b. Redemption	255,000
B. Private Contributions	814,678	c. Total (a. + b.)	378,676
C. Receipts from State government (from page 2)	1,453,158	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	0
E. Total receipts (A.7 + B + C + D)	7,840,571	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	378,676
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	10,348,228

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

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	3,350,000		255,000	3,095,000
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	5,959,431	7,840,571	10,348,228	3,451,774	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2008

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	67,474	a. Interest on investments	192,763
b. Other local imposts:		b. Traffic Fines & Penalties	142,616
1. Sales Taxes	1,420,385	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	2,079,097	d. Parking Meter Fees	0
3. Liens	49,652	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	473,598	g. Other Misc. Receipts	12,000
6. Total (1. through 5.)	4,022,732	h. Other	0
c. Total (a. + b.)	4,090,206	i. Total (a. through h.)	347,379
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	235,791	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	41,861	d. Federal Transit Admin	0
d. Other (DOLA)	1,175,506	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	1,217,367	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	1,453,158	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		0	0
b. Engineering Costs		70,051	70,051
c. Construction:			
(1). New Facilities		1,827,953	1,827,953
(2). Capacity Improvements		4,261,547	4,261,547
(3). System Preservation		1,248,268	1,248,268
(4). System Enhancement & Operation		484,924	484,924
(5). Total Construction (1) + (2) + (3) + (4)	0	7,822,692	7,822,692
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	7,892,743	7,892,743
			(Carry forward to page 1)

Notes and Comments:

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Federal Compliance (Single Audit)

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

To the City Council
City of Rifle, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rifle, Colorado, as of and for the year ended December 31, 2008, which collectively comprise the City of Rifle, Colorado's basic financial statements and have issued our report thereon dated May 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Johnson, Holman & Company, P.C." in a cursive script.

Centennial, Colorado
May 14, 2009

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the City Council
City of Rifle, Colorado

Compliance

We have audited the compliance of the City of Rifle, Colorado, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City of Rifle, Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Rifle, Colorado's management. Our responsibility is to express an opinion on the City of Rifle, Colorado's compliance based on our audit.

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

In our opinion, the City of Rifle, Colorado, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City of Rifle, Colorado, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Rifle, Colorado's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Rifle, Colorado, as of and for the year ended December 31, 2008, and have issued our report thereon dated May 14, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Rifle, Colorado's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such 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.

This report is intended solely for the information and use of management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Holman & Company, P.C.

Centennial, Colorado
May 14, 2009

CITY OF RIFLE, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2008

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes no
- Reportable conditions identified that are not considered to be material weaknesses? _____ yes no

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes no

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes no

Identification of major program:

66.458 Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes no

Findings Related to Financial Statements

The audit of the financial statements did not disclose any significant deficiencies in internal controls that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those financial statements.

Findings and Questioned Costs for Federal Awards

The audit of federal awards did not disclose any significant deficiencies in internal controls that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those federal awards.

**CITY OF RIFLE, COLORADO
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008**

Grantor and Program Title	Federal CFDA Number	Pass-Through Grantors Number	Expenditures
<u>U.S. Environmental Protection Agency</u>			
<u>Office Of Water</u>			
Pass Through: Colorado Water Resources & Power Development Authority (CWR&PDA) - Capitalization Grants for Clean Water State Revolving Fund	66.458	WPCRF Loan No. W07A14	\$ 1,543,844
<u>U.S. Department of Justice</u>			
<u>Office of Justice Programs, Bureau of Justice Assistance</u>			
Bullet Proof Vest Partnership Program	16.607		<u>1,734</u>
Total Federal Grants			<u><u>\$ 1,545,578</u></u>

Note 1: Basis of Presentation

This schedule is prepared in accordance with U.S. generally accepted accounting principles. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

See the Accompanying Independent Auditors' Report.