



Town of Wellington, Colorado

Financial Statements and Supplementary Information

For the Year Ended December 31, 2013

Town of Wellington

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Independent Auditor's Report

Honorable Mayor and Members of the Town Board of Trustees
Town of Wellington, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wellington, Colorado (the "Town"), as of and for the year then ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wellington, Colorado as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and the budgetary comparison information on pages 44 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison information on pages 46 through 50 and the Local Highway Finance Report on pages 51 and 52 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Local Highway Finance Report has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Anton Collins Mitchell LLP

Greeley, Colorado
June 24, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Wellington, we offer readers of the Town of Wellington's financial statements this narrative overview and analysis of the financial activities of the Town of Wellington for the fiscal year ended December 31, 2013.

FINANCIAL HIGHLIGHTS

- * The assets of the Town of Wellington exceeded its liabilities and deferred inflows of resources at the close of 2013 by \$50,381,105 (*net position*). Of this amount, \$13,643,306 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- * The Town's total net position increased by \$7,497,935 from the prior year. **Capital assets**, net of accumulated depreciation, increased by \$3,851,653. **Non-capital assets** increased by approximately \$3,636,887. Much of the increase in capital assets can be attributed to dedications of infrastructure assets in "The Knolls". The situation with the non-capital assets involves the significant uptick in building activity in 2013 (i.e., building permit revenue).
- * At the end of calendar year 2013, unassigned fund balance for the general fund was \$1,951,668, about 107 percent of total general fund expenditures of \$1,817,499.
- * The Town retired \$343,701 of its debt (8.4 percent) during the fiscal year. The key factor in this decrease was the semi-annual and annual principal payments made on the Town's outstanding debts shown in Footnote 6, pages 39 and 40 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The **statement of net position** presents information on all of the Town of Wellington's assets, liabilities, and deferred inflow of resources, with the difference between the two (i.e., assets minus liabilities and deferred inflows of resources) reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Wellington is improving or deteriorating.

The **statement of activities** presents information showing how the Town of Wellington's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Wellington that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business*

type activities). The governmental activities of the Town of Wellington include general government, public safety, public works, community development, culture, parks, and recreation. The business-type activities of the Town of Wellington include sewer and water operations.

The government-wide financial statements include only the Town of Wellington itself (known as the *primary government*).

The government-wide financial statements can be found on pages 15 to 17 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 Town of Wellington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Wellington can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations and the basic services it provides. These statements help one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation on page 21.

The basic governmental fund financial statements can be found on pages 18 to 21 of this report.

Proprietary funds. The Town of Wellington maintains three (3) proprietary or enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Wellington uses enterprise funds to account for its sewer, water and storm drainage operations.

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 sewer, water and storm drainage operations, which are considered to be major funds of the Town of Wellington.

The basic proprietary fund financial statements can be found on pages 22 to 24 of this report.

Fiduciary funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Wellington's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Additional information on the Town's Fiduciary Fund can be found on pages 25 and 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 to 43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information* concerning the Town of Wellington's budget comparison statements for the non-major Conservation Trust Fund and the Town's three major enterprise funds among

other information. The other supplementary information can be found on pages 46 to 52 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Wellington, assets exceeded liabilities and deferred inflows of resources by \$50,381,105 at the close of 2013.

By far the largest portion of the Town of Wellington's net position (70.5 percent) reflects its investment in capital assets (e.g., land, buildings machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. The Town is providing condensed financial information for fiscal year 2013 compared with 2012 totals.

Condensed Statement of Net Position

	2013			2012 Totals
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	
<u>ASSETS</u>				
Current assets	\$ 6,399,539	\$ 10,834,955	\$ 17,234,494	\$ 13,617,630
Capital assets	<u>13,917,194</u>	<u>25,514,882</u>	<u>39,432,076</u>	<u>35,580,423</u>
<u>Total assets</u>	<u>20,316,733</u>	<u>36,349,837</u>	<u>56,666,570</u>	<u>49,198,053</u>
<u>LIABILITIES</u>				
Current liabilities	605,484	663,625	1,269,109	854,838
Long-term liabilities	<u>55,327</u>	<u>3,891,210</u>	<u>3,946,537</u>	<u>4,388,818</u>
<u>Total liabilities</u>	<u>660,811</u>	<u>4,554,835</u>	<u>5,215,646</u>	<u>5,243,656</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned revenue - property taxes	<u>982,016</u>	<u>87,803</u>	<u>1,069,819</u>	<u>1,071,227</u>
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	13,917,194	21,623,672	35,540,866	31,246,192
Restricted for:				
Emergencies	111,759	-	111,759	89,068
Other purposes	368,741	716,433	1,085,174	1,026,272
Unrestricted	<u>4,276,212</u>	<u>9,367,094</u>	<u>13,643,306</u>	<u>10,521,638</u>
<u>Total net position</u>	<u>\$ 18,673,906</u>	<u>\$ 31,707,199</u>	<u>\$ 50,381,105</u>	<u>\$ 42,883,170</u>

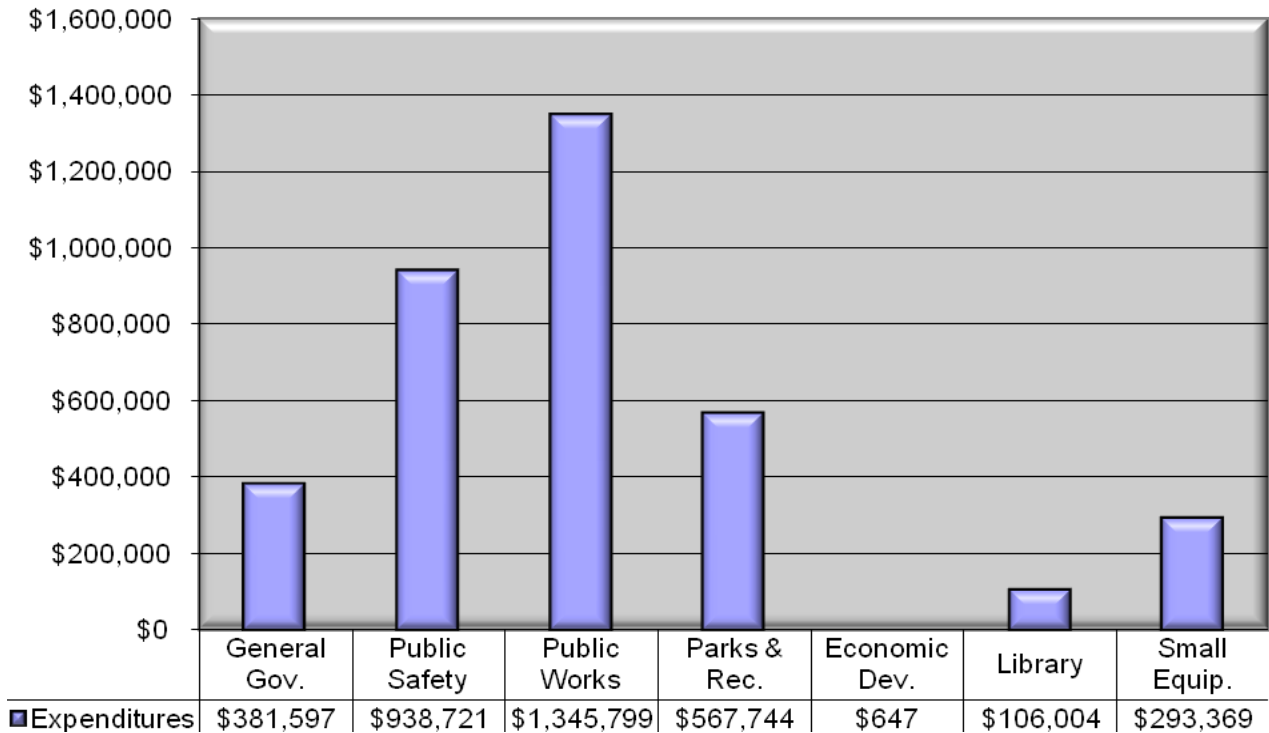
The restricted portion of net position (8 percent) *exclusive of capital assets* represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$13,643,306) may be used to meet the Town's ongoing obligations to citizens and creditors.

The next analysis focuses on changes in the net position of the Town's governmental and business type activities.

Condensed Statement of Activities

	2013			
	<u>Governmental</u>	<u>Business-Type</u>	<u>Totals</u>	<u>2012 Totals</u>
	<u>Activities</u>	<u>Activities</u>		
Revenues				
Program revenues				
Charges for services	\$ 477,348	\$ 2,104,076	\$ 2,581,424	\$ 2,393,546
Operating grants and contributions	69,636	-	69,636	63,170
Capital grants and contributions	652,498	6,770,351	7,422,849	2,263,365
General revenues				
Property taxes	604,714	87,717	692,431	685,675
Open space taxes	167,553	-	167,553	155,336
Sales and use taxes	816,175	-	816,175	625,160
Franchise fees	148,194	-	148,194	137,571
Highway users tax	192,322	-	192,322	193,631
Other taxes	997,013	-	997,013	781,833
Impact fees	240,484	41,810	282,294	129,617
Grants, undesignated	3,816	-	3,816	3,849
Earnings on investments	21,873	1,473	23,346	23,685
Other	55,794	34	55,828	17,626
Transfers	<u>12,410</u>	<u>-</u>	<u>12,410</u>	<u>6,050</u>
Total revenues & transfers	<u>4,459,830</u>	<u>9,005,461</u>	<u>13,465,291</u>	<u>7,480,114</u>
Expenses				
General government	381,597	-	381,597	371,749
Public safety	938,721	-	938,721	790,195
Public works	1,345,799	-	1,345,799	1,388,500
Parks and recreation	567,744	-	567,744	517,121
Economic development	647	-	647	667
Library	106,004	-	106,004	137,395
Small equipment	293,369	-	293,369	83,213
Water	-	1,410,396	1,410,396	1,273,189
Sewer	-	814,501	814,501	822,554
Storm drainage	<u>-</u>	<u>108,578</u>	<u>108,578</u>	<u>104,766</u>
Total expenses	<u>3,633,881</u>	<u>2,333,475</u>	<u>5,967,356</u>	<u>5,489,349</u>
Change in net position	825,949	6,671,986	7,497,935	1,990,765
Net position at beginning of year	<u>17,847,957</u>	<u>25,035,213</u>	<u>42,883,170</u>	<u>40,918,199</u>
Change in accounting principal				(25,794)
Net position at end of year	<u>\$ 18,673,906</u>	<u>\$ 31,707,199</u>	<u>\$ 50,381,105</u>	<u>\$ 42,883,170</u>

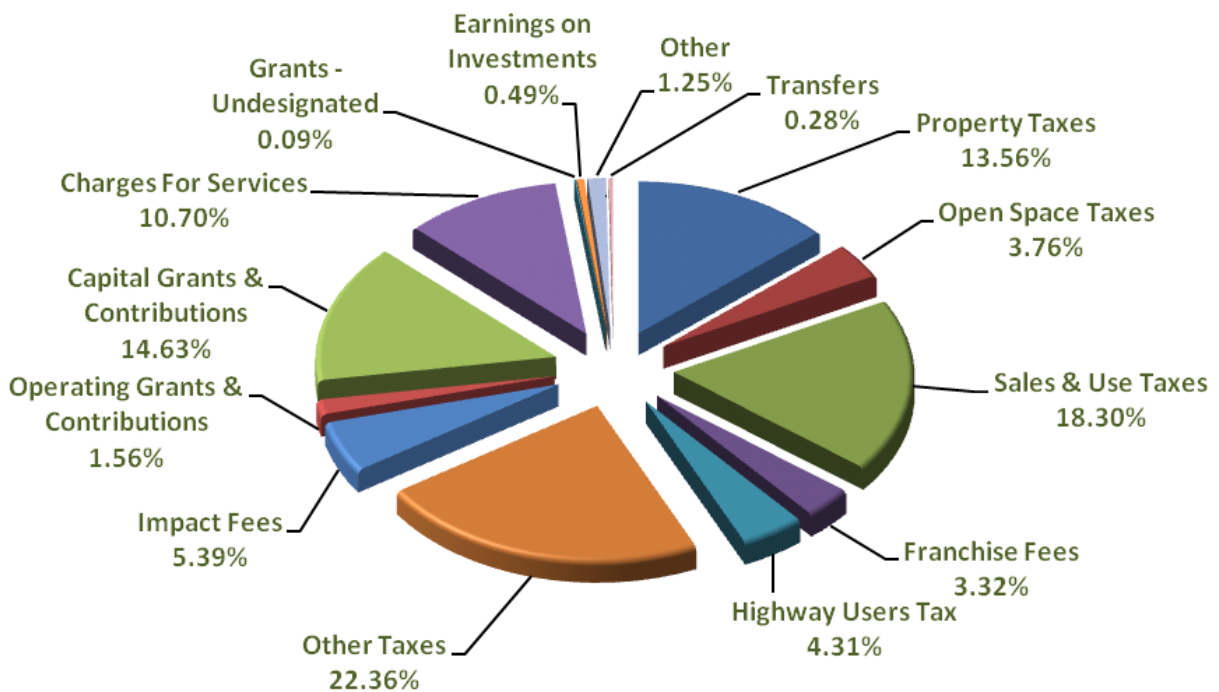
PROGRAM EXPENDITURES - GOVERNMENTAL ACTIVITIES



Revenue percentages have changed from those seen in the last few years. In the last several years, the “heavy hitters” are Sales & Use Taxes and Property Taxes. This is in contrast with the years from the late 1990’s through 2007 where the largest impact was from Use Taxes on building materials, derived from the sale of building permits. Revenues from use taxes on building materials showed surprising strength in 2012, and in 2013, it would appear that there is now a notably renewed interest in building new homes.

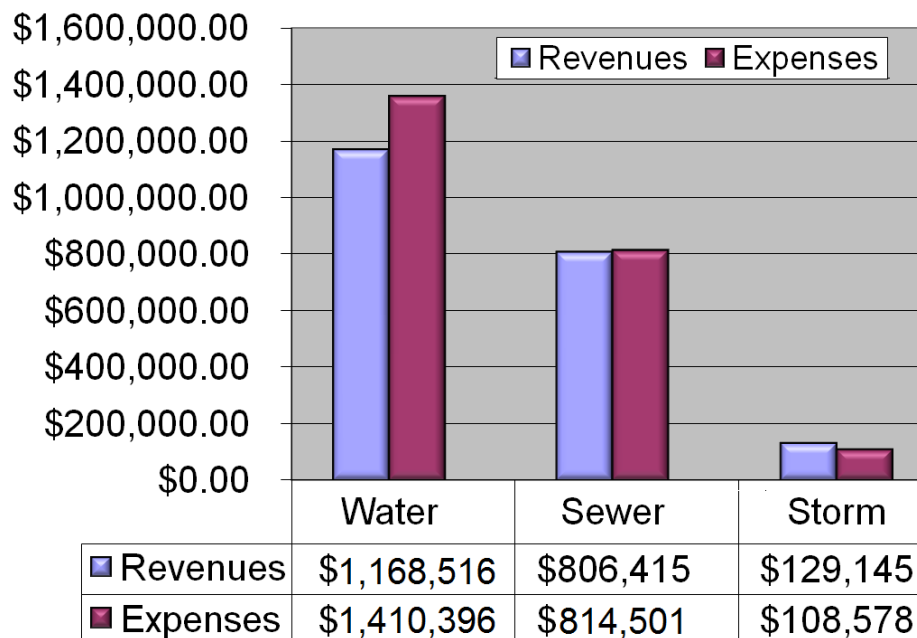
A portion of the year-end net position is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets maybe expensed. Within the governmental activities category restrictions are placed for streets and park improvements, TABOR emergency reserve and other purposes. The business-type activities restrictions were related to the operation and maintenance reserve required by the loan agreements.

Revenues by Source - Governmental Activities

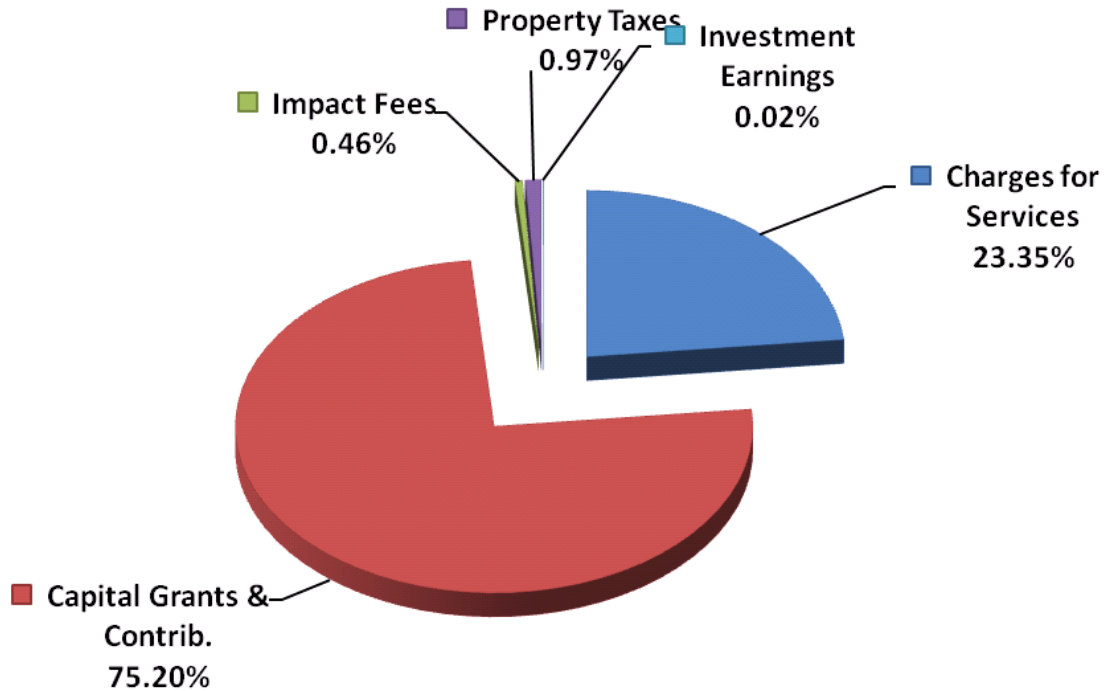


The following chart displays revenues and expenses of the **Business Activities**:

Program Revenues & Expenses - Business-type Activities



Revenue & Contributions By Source - Business Type Activities



Financial Analysis of the Town's Funds

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

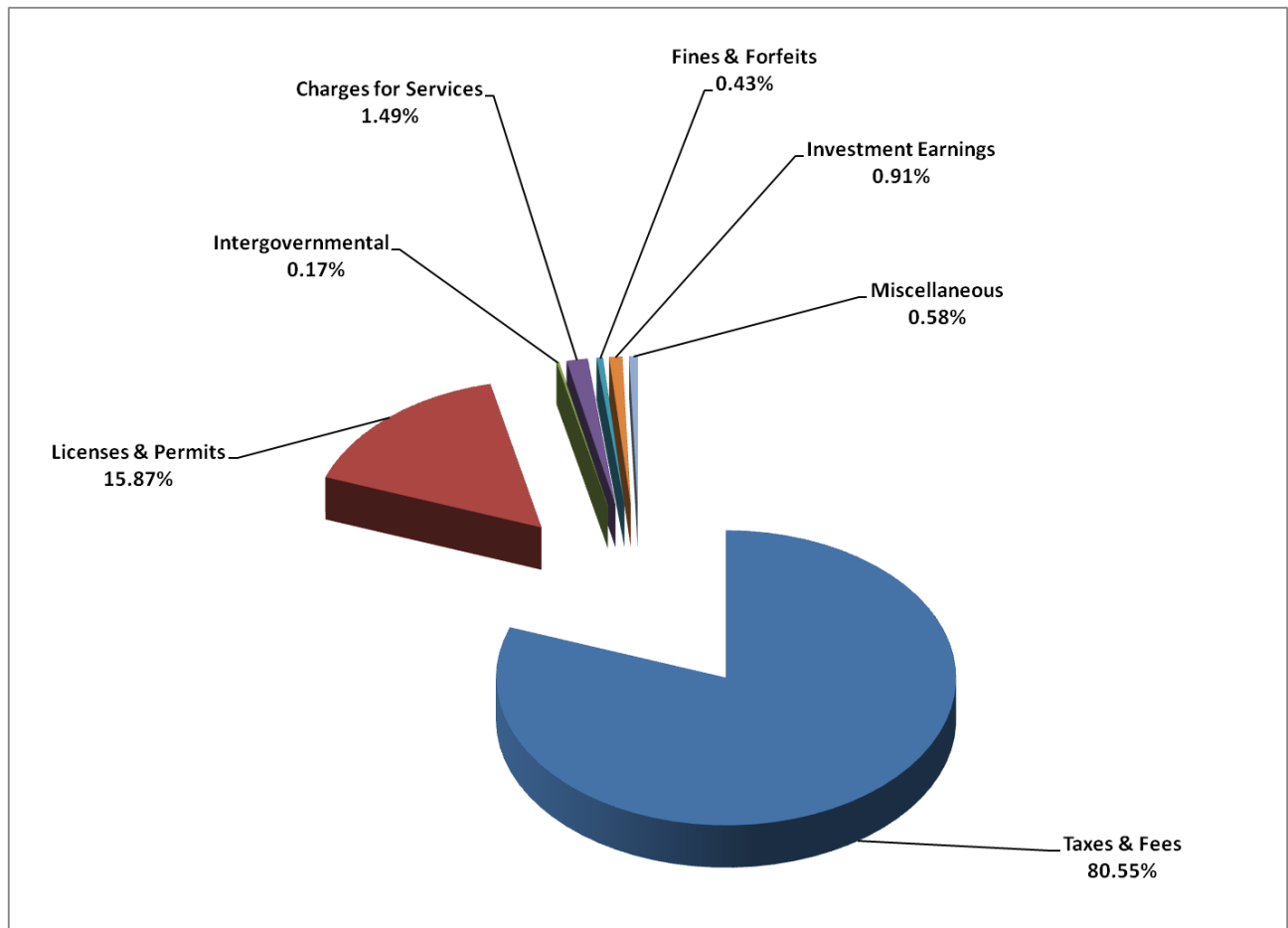
Governmental funds. The focus of the Town of Wellington's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Wellington's financing requirements. In particular, *Unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town of Wellington's governmental funds (General, Street, Park and Conservation Trust Funds) reported combined ending fund balances of \$4,812,039. Approximately 40.6% of this total amount (\$1,951,668) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is otherwise classified to indicate that it is not available for new spending because the asset itself is in a nonspendable form (i.e., pre-paid assets) or the funds have already been restricted, committed or assigned to purposes with preexistent constraints as follows:

Nonspendable	\$390
Restricted	\$480,500
Committed	\$44,454
Assigned	2,335,027
Unassigned	<u>\$1,951,668</u>
TOTAL	\$4,812,039

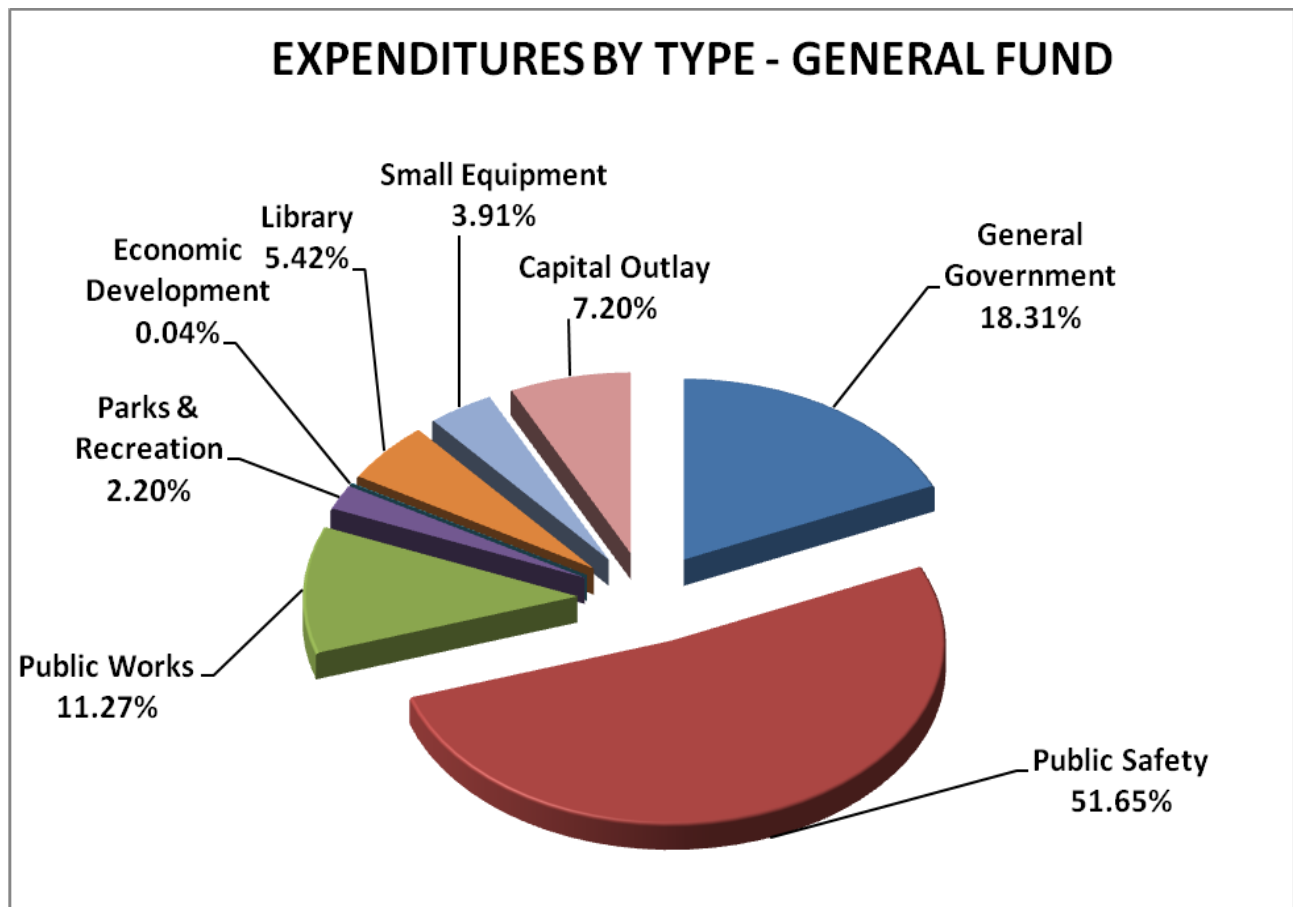
General Fund Budgetary Highlights

The General Fund accounts for all of the general services provided by the Town of Wellington. At the end of 2013, the fund balance of the General Fund totaled \$2,209,246.

Revenues by Source - General Fund



General government expenditures include all administrative functions of the Town (i.e. Town Council, Municipal Court, Town Administrator, Finance Director, Town Attorney, and all other admin. support staff).



During 2013, the Town Board did not amend the General Fund budget.

For the General Fund, the original budgeted revenues and transfers-in were \$1,666,818, compared to the actual amount of \$2,323,090. The General Fund's original budgeted expenditures and transfers were \$1,767,492, compared to the actual amount of \$1,817,499. Worthy of note, during 2013 **actual** expenditures and transfers exceeded the **budgeted** expenditures and transfers by \$50,007. It is generally the Town's practice to amend the General Fund budget near 2013's year end or shortly thereafter to reflect the change in anticipated expenditures and resources available to fund such expenditures. Arguably mitigating this oversight is the increase in the General Fund's fund balance of in excess of \$505,000.

Proprietary Funds. The Town of Wellington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The **unrestricted** net position of the Water, Sewer, and Storm Drain (enterprise funds) operations at the end of the year were \$6,404,015, \$2,579,217 and \$383,862 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town of Wellington's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Town of Wellington's investment in **capital assets** for its governmental and business type activities as of December 31, 2013, amounts to \$35,540,866 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities,

roads, highways, and bridges. At December 31, 2012, this figure was \$31,246,192 or an increase of 13.74 percent. This situation is brought about by the local economy as evidenced by the significant increase in building permits issued in 2013. The Town is once again adding capital assets as the elevated levels of construction experienced in 2013 provide needed revenue, but also produce increased demand on Town facilities.

The major capital asset expenditures occurring in 2013 were as follows: **General Fund**: Acquisition of land along 6th Street (Thimmig Property) for future Town and Boys & Girls Club facilities (\$125,000). **Street Fund**: Washington Avenue Sidewalk Extension (\$115,190) and continued expenditure for the I-25 Pedestrian Underpass (\$27,698). **Water Fund**: Microfiltration Pumps (\$63,812). **Sewer Fund**: Preparation for the Waste Water Treatment Plant expansion to be largely completed in 2014. **Park Fund**: Wellington Community Park – Phase I Irrigation (\$19,224). Significant infrastructure assets were dedicated to the Town in 2013 upon the Town's acceptance of “The Knolls – Phases 2,3 & 4”

Town of Wellington's Capital Assets at Year End

(net of depreciation)							
	Governmental		Business-Type		TOTAL		
	Activities		Activities				
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Land	\$ 232,796	\$ 107,684	\$ 130,283	\$ 130,283	\$ 363,079	\$ 237,967	
Water Rights	160,380	160,380	-	-	160,380	160,380	
Water Delivery Rights	-	-	268,486	268,486	268,486	268,486	
Buildings & Improvements	369,776	405,307	-	-	369,776	405,307	
Improvements Other Than Building	4,341,540	4,390,471	-	-	4,341,540	4,390,471	
Streets & Improvements	8,286,033	8,248,748	-	-	8,286,033	8,248,748	
Machinery & Equipment	214,618	229,145	-	-	214,618	229,145	
Utility Systems & Equip.	-	-	24,937,179	21,470,669	24,937,179	21,470,669	
Construction in Progress	<u>312,051</u>	<u>169,250</u>	<u>178,934</u>	<u>-</u>	<u>490,985</u>	<u>169,250</u>	
TOTAL	\$ <u>13,917,194</u>	\$ <u>13,710,985</u>	\$ <u>25,514,882</u>	\$ <u>21,869,438</u>	\$ <u>39,432,076</u>	\$ <u>35,580,423</u>	

Additional information on the Town of Wellington's capital assets can be found in footnote 5 of this report.

Long-term debt. At the end of 2013, the Town of Wellington had total debt outstanding of \$3,759,762. Of this amount, \$227,000 comprises debt backed by the full faith and credit of the Town. The remainder of the Town of Wellington's debt represents bonds and loans secured solely by specified revenue sources.

Town of Wellington's Outstanding Debt at Year End

	Governmental		Business-Type		TOTAL	
	Activities		Activities			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General Obligation Bonds:	\$ -	\$ -	\$ 227,000	\$ 244,000	\$ 227,000	\$ 244,000
Notes & Contracts:	\$ -	\$ -	\$ 3,532,762	\$ 3,859,463	\$ 3,532,762	\$ 3,859,463
TOTAL	\$ -	\$ -	\$ 3,759,762	\$ 4,103,463	\$ 3,759,762	\$ 4,103,463

This debt payable does not include compensated absences of \$55,327 for the year 2013.

Additional information on the Town of Wellington's long-term debt can be found in footnote 6, pages 39 - 40 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Annual Budget assures the efficient, effective and economic uses of Town's resources, as well as, establishing that highest priority objectives are accomplished. Through the budget, the Town Board sets the direction of the Town, allocates its resources and establishes priorities.

The Town Board approved the 2014 Budget on December 10, 2013, appropriating \$23,966,424 for expenditures. The 2014 appropriation reflects a 2.7% increase from the 2013 Budget.

The Town noted significant improvement in numbers of new home building permits in 2013 following a respectable year in 2012. New home building permits were at their highest level since 2007. This trend is expected to continue into 2014. These sentiments were incorporated into the 2014 budget. Even with this improved set of short to medium term prospects for economic growth, no additional staff FTE's were added in 2013 nor budgeted for in 2014. The administrative staff FTE's are virtually unchanged from as long as five to seven years ago, primarily due to the Town's progressive stance regarding technology (computer equipment & software) with respect to the administrative function. The potential for growth experienced over the period encompassing the late 1990's and ending in about 2007 may be a thing of the past, but optimism is definitely in order for the near term as building activity has unquestionably strengthened and become more aggressive. It is hoped that a more reasonable and sustainable growth pattern may be on the horizon. Perhaps we can experience growth that is reasonable fundamentally based. A steady growth rate somewhere between the growth aberration induced by subprime mortgages prevalent during the boom and the sluggish growth experienced between 2008 and 2011 would be optimal.

The primary issues the Town will need to deal with in the 2014 calendar year and beyond include many challenges associated with the increasing desires noted in the community for parks and recreational facilities. The issue of paying for and then maintaining such facilities will require debt financing which the constituency authorized via a ballot question posed on April 1, 2014. In this election, the community voted to approve the Town's taking on \$2.4 Million in debt to finance the construction of the Wellington Community Park located in the Buffalo Creek subdivision. It will remain critically important to carefully weigh particularly capital type expenditures, as well as personnel related expenditures. In addition to parks & recreational facility considerations, capacity increases (Waste Water Treatment Plant expansion), will see the beginning of some important improvements in 2014.

An important issue in 2014 and extending to the 2015 time frame involves the Waste Water Treatment facility. The situation concerns capacity issues at this facility. Ever more demanding EPA guidelines and the resulting State requirements have caused a sense of some urgency in this regard. Sewer rates necessary to satisfy the lending agency holding the debt instrument for the Town's waste water facility will also come under continued scrutiny for the foreseeable future, and rate increases in both the water and sewer utilities will likely be unavoidable.

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town of Wellington's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Wellington Finance Director, PO Box 127, 3735 Cleveland Ave., Wellington, Colorado 80549.

Basic Financial Statements

Town of Wellington
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,701,170	\$ 7,226,423	\$ 11,927,593
Equity in pooled cash and cash equivalents	50,482	2,495,653	2,546,135
Certificates of deposit	510,265	-	510,265
Receivables	746,776	374,017	1,120,793
Internal balances	20,023	(20,023)	-
Inventory	-	41,420	41,420
Prepaid items	390	1,032	1,422
Restricted cash and cash equivalents	-	716,433	716,433
Capital assets:			
Nondepreciable	705,227	577,703	1,282,930
Depreciable, net of accumulated depreciation	13,211,967	24,937,179	38,149,146
Total assets	19,946,300	36,349,837	56,296,137
Liabilities			
Accounts payable	443,990	591,456	1,035,446
Accrued interest payable	-	49,509	49,509
Accrued wages payable	28,958	22,660	51,618
Developer deposit	132,536	-	132,536
Noncurrent liabilities:			
Accrued compensated absences	55,327	-	55,327
Due within one year	-	355,754	355,754
Due in more than one year	-	3,401,000	3,401,000
Payable to developer	-	134,456	134,456
Total liabilities	660,811	4,554,835	5,215,646
Deferred inflows of resources			
Unearned revenue	611,583	87,803	699,386
Total deferred inflows of resources	611,583	87,803	699,386
Net position			
Net investment in capital assets	13,211,967	21,623,672	34,835,639
Restricted for:			
Emergencies	111,759	-	111,759
Other purposes	368,741	716,433	1,085,174
Unrestricted	4,981,439	9,367,094	14,348,533
Total net position	\$ 18,673,906	\$ 31,707,199	\$ 50,381,105

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

Town of Wellington
Statement of Activities

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 381,597	\$ 34,338	\$ -	\$ -
Public safety	938,721	366,872	-	-
Public works	1,345,799	10,049	-	652,498
Parks and recreation	567,744	66,089	69,636	-
Economic development	647	-	-	-
Library	106,004	-	-	-
Small equipment	293,369	-	-	-
Total governmental activities	3,633,881	477,348	69,636	652,498
Business-type activities:				
Water	1,410,396	1,168,516	-	4,427,270
Sewer	814,501	806,415	-	1,780,450
Storm drainage	108,578	129,145	-	562,631
Total business-type activities	2,333,475	2,104,076	-	6,770,351
Total primary government	\$ 5,967,356	\$ 2,581,424	\$ 69,636	\$ 7,422,849

General revenues

Taxes:

Property taxes levied for general purposes

Property taxes levied for debt service

Open space tax

Sales and use tax

Franchise fees

Highway users tax

Other taxes

Impact fees

Grants and contributions not restricted to specific programs

Earnings on investments

Other revenues

Subtotal of general revenues, before transfers

Transfers

Total general revenues and transfers

Changes in net position

Net position at beginning of year

Net position at end of year

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (347,259)	\$ -	\$ (347,259)
(571,849)	-	(571,849)
(683,252)	-	(683,252)
(432,019)	-	(432,019)
(647)	-	(647)
(106,004)	-	(106,004)
(293,369)	-	(293,369)
(2,434,399)	-	(2,434,399)
-	4,185,390	4,185,390
-	1,772,364	1,772,364
-	583,198	583,198
-	6,540,952	6,540,952
(2,434,399)	6,540,952	4,106,553
604,714	-	604,714
-	87,717	87,717
167,553	-	167,553
816,175	-	816,175
148,194	-	148,194
192,322	-	192,322
997,013	-	997,013
240,484	41,810	282,294
3,816	-	3,816
21,873	1,473	23,346
55,794	34	55,828
3,247,938	131,034	3,378,972
12,410	-	12,410
3,260,348	131,034	3,391,382
825,949	6,671,986	7,497,935
17,847,957	25,035,213	42,883,170
\$ 18,673,906	\$ 31,707,199	\$ 50,381,105

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

Town of Wellington
Statement of Activities

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 381,597	\$ 34,338	\$ -	\$ -
Public safety	938,721	366,872	-	-
Public works	1,345,799	10,049	-	652,498
Parks and recreation	567,744	66,089	69,636	-
Economic development	647	-	-	-
Library	106,004	-	-	-
Small equipment	293,369	-	-	-
Total governmental activities	3,633,881	477,348	69,636	652,498
Business-type activities:				
Water	1,410,396	1,168,516	-	4,427,270
Sewer	814,501	806,415	-	1,780,450
Storm drainage	108,578	129,145	-	562,631
Total business-type activities	2,333,475	2,104,076	-	6,770,351
Total primary government	\$ 5,967,356	\$ 2,581,424	\$ 69,636	\$ 7,422,849

General revenues

Taxes:

Property taxes levied for general purposes

Property taxes levied for debt service

Open space tax

Sales and use tax

Franchise fees

Highway users tax

Other taxes

Impact fees

Grants and contributions not restricted to specific programs

Earnings on investments

Other revenues

Subtotal of general revenues, before transfers

Transfers

Total general revenues and transfers

Changes in net position

Net position at beginning of year

Net position at end of year

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (347,259)	\$ -	\$ (347,259)
(571,849)	-	(571,849)
(683,252)	-	(683,252)
(432,019)	-	(432,019)
(647)	-	(647)
(106,004)	-	(106,004)
(293,369)	-	(293,369)
(2,434,399)	-	(2,434,399)
-	4,185,390	4,185,390
-	1,772,364	1,772,364
-	583,198	583,198
-	6,540,952	6,540,952
(2,434,399)	6,540,952	4,106,553
604,714	-	604,714
-	87,717	87,717
167,553	-	167,553
816,175	-	816,175
148,194	-	148,194
192,322	-	192,322
997,013	-	997,013
240,484	41,810	282,294
3,816	-	3,816
21,873	1,473	23,346
55,794	34	55,828
3,247,938	131,034	3,378,972
12,410	-	12,410
3,260,348	131,034	3,391,382
825,949	6,671,986	7,497,935
17,847,957	25,035,213	42,883,170
\$ 18,673,906	\$ 31,707,199	\$ 50,381,105

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

Town of Wellington
Balance Sheet
Governmental Funds
December 31, 2013

	General	Street	Park	Conservation Trust (Nonmajor)	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,038,303	\$ 1,255,825	\$ 1,000,480	\$ 368,741	\$ 4,663,349
Equity in pooled cash and cash equivalents	-	50,482	-	-	50,482
Cash with fiscal agent	21,092	6,183	10,546	-	37,821
Certificates of deposit	510,265	-	-	-	510,265
Receivables	670,191	15,786	60,799	-	746,776
Due from other funds	-	20,023	-	-	20,023
Prepaid items	191	176	23	-	390
Totals assets	\$ 3,240,042	\$ 1,348,475	\$ 1,071,848	\$ 368,741	\$ 6,029,106
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	\$ 272,285	\$ 155,050	\$ 16,655	\$ -	\$ 443,990
Accrued wages payable	14,392	4,810	9,756	-	28,958
Developer deposit	132,536	-	-	-	132,536
Total liabilities	419,213	159,860	26,411	-	605,484
Deferred inflows of resources					
Unearned revenue	611,583	-	-	-	611,583
Total deferred inflows of resources	611,583	-	-	-	611,583
Fund balances					
Nonspendable	191	176	23	-	390
Restricted	111,759	-	-	368,741	480,500
Committed	44,454	-	-	-	44,454
Assigned	101,174	1,188,439	1,045,414	-	2,335,027
Unassigned	1,951,668	-	-	-	1,951,668
Total fund balances	2,209,246	1,188,615	1,045,437	368,741	4,812,039
Total liabilities, deferred inflows of resources and fund balances	\$ 3,240,042	\$ 1,348,475	\$ 1,071,848	\$ 368,741	\$ 6,029,106

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

Town of Wellington
Reconciliation of the Governmental Funds Balance Sheet
with the Government-wide Statement of Net Position
December 31, 2013

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

Total fund balance - governmental funds	\$ 4,812,039
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Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental fund financial statements.

Capital assets	\$ 24,694,554	
Accumulated depreciation	<u>(10,777,360)</u>	13,917,194

Accrued compensated absences are not due and payable in the current period, and therefore, are not reported as liabilities in the fund financial statements.	<u>(55,327)</u>
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Total net position - governmental activities	<u>\$ 18,673,906</u>
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The accompanying notes are an integral part of these financial statements.

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2013

	General	Street	Park	Conservation Trust Fund (Nonmajor)	Total Governmental Funds
Revenues					
Taxes and fees	\$1,861,355	\$ 371,466	\$ 933,634	\$ -	\$ 3,166,455
Licenses and permits	366,697	175	-	-	366,872
Intergovernmental	3,816	-	-	69,636	73,452
Charges for services	34,338	-	66,089	-	100,427
Fines and forfeitures	10,049	-	-	-	10,049
Earnings on investments	21,066	358	250	199	21,873
Contributions and grants	-	652,498	-	-	652,498
Miscellaneous	13,359	1,378	41,057	-	55,794
Total revenues	2,310,680	1,025,875	1,041,030	69,835	4,447,420
Expenditures					
Current:					
General government	332,849	-	-	-	332,849
Public safety	938,721	-	-	-	938,721
Public works	204,867	429,813	-	-	634,680
Parks and recreation	39,970	-	455,474	-	495,444
Economic development	647	-	-	-	647
Library	98,420	-	-	-	98,420
Small equipment	71,078	222,291	-	-	293,369
Capital outlay	130,947	882,219	32,054	-	1,045,220
Total expenditures	1,817,499	1,534,323	487,528	-	3,839,350
Excess (deficiency) of revenues over expenditures	493,181	(508,448)	553,502	69,835	608,070
Other financing sources					
Transfers in	12,410	-	-	-	12,410
Total other financing sources	12,410	-	-	-	12,410
Net change in fund balances	505,591	(508,448)	553,502	69,835	620,480
Fund balances at beginning of year	1,703,655	1,697,063	491,935	298,906	4,191,559
Fund balances at end of year	\$2,209,246	\$1,188,615	\$1,045,437	\$ 368,741	\$4,812,039

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

Town of Wellington

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Government-wide Statement of Activities

Year Ended December 31, 2013

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

Total net change in fund balance - governmental funds.	\$ 620,480
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay exceeded depreciation expense during the year.

Capital outlay	\$1,045,220	
Depreciation expense	<u>(839,011)</u>	206,209

Increase in accrued compensated absences liability reflected as an expense on the statement of activities and not reflected as an expenditure on the governmental fund statement of revenues, expenditures and changes in fund balances.	(740)
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Change in net position of governmental activities	\$ 825,949
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The accompanying notes are an integral part of these financial statements.

Town of Wellington
Statement of Net Position
Proprietary Funds
December 31, 2013

	Water	Sewer	Storm Drainage	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 4,534,445	\$ 2,596,210	\$ 95,768	\$ 7,226,423
Equity in pooled cash and cash equivalents	1,936,476	-	559,177	2,495,653
Receivables	195,845	120,090	58,082	374,017
Inventory	40,479	941	-	41,420
Prepaid items	964	68	-	1,032
Total current assets	6,708,209	2,717,309	713,027	10,138,545
Noncurrent assets				
Restricted cash and cash equivalents	242,846	473,587	-	716,433
Capital assets:				
Land	36,130	83,103	-	119,233
Water rights	279,536	-	-	279,536
Construction in progress	97,524	77,729	3,681	178,934
Utilities systems	19,531,963	12,834,772	819,454	33,186,189
Equipment	373,304	446,870	-	820,174
Less accumulated depreciation	(5,880,432)	(3,162,256)	(26,496)	(9,069,184)
Total capital assets - net	14,438,025	10,280,218	796,639	25,514,882
Total noncurrent assets	14,680,871	10,753,805	796,639	26,231,315
Total assets	21,389,080	13,471,114	1,509,666	36,369,860
Liabilities				
Current liabilities				
Due to other funds	20,023	-	-	20,023
Accounts payable	178,991	85,301	327,164	591,456
Accrued interest payable	6,004	43,505	-	49,509
Accrued wages payable	11,373	9,286	2,001	22,660
Current portion of long-term debt	109,921	245,833	-	355,754
Total current liabilities	326,312	383,925	329,165	1,039,402
Noncurrent liabilities				
Payable to developer	134,456	-	-	134,456
Long-term debt	1,106,400	2,294,600	-	3,401,000
Total noncurrent liabilities	1,240,856	2,294,600	-	3,535,456
Total liabilities	1,567,168	2,678,525	329,165	4,574,858
Deferred inflows of resources				
Unearned revenue - property taxes	87,803	-	-	87,803
Total deferred inflows of resources	87,803	-	-	87,803
Net position				
Net investment in capital assets	13,087,248	7,739,785	796,639	21,623,672
Restricted for rate stabilization	-	350,000	-	350,000
Restricted for maintenance	242,846	123,587	-	366,433
Unrestricted	6,404,015	2,579,217	383,862	9,367,094
Total net position	\$ 19,734,109	\$ 10,792,589	\$ 1,180,501	\$ 31,707,199

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

Town of Wellington
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

Year Ended December 31, 2013

	Water	Sewer	Storm Drainage	Totals
Operating revenues				
Charges for services	\$ 1,166,337	\$ 806,415	\$ 129,145	\$ 2,101,897
Miscellaneous	2,179	-	-	2,179
Total operating revenues	1,168,516	806,415	129,145	2,104,076
Operating expenses				
Administrative	155,156	111,155	30,705	297,016
Operating	728,130	346,041	52,521	1,126,692
Small equipment	4,350	65,995	11,321	81,666
Depreciation	467,826	290,613	14,031	772,470
Total operating expenses	1,355,462	813,804	108,578	2,277,844
Operating income (loss)	(186,946)	(7,389)	20,567	(173,768)
Non-operating revenues (expenses)				
Property taxes and impact fees	87,717	-	41,810	129,527
Earnings on investments	851	622	-	1,473
Interest expense	(54,934)	(697)	-	(55,631)
Other non-operating revenue	-	17	17	34
Total non-operating revenues (expenses)	33,634	(58)	41,827	75,403
Income (loss) before contributions	(153,312)	(7,447)	62,394	(98,365)
Capital contributions	4,427,270	1,780,450	562,631	6,770,351
Changes in net position	4,273,958	1,773,003	625,025	6,671,986
Net position at beginning of year	15,460,151	9,019,586	555,476	25,035,213
Net position at end of year	\$ 19,734,109	\$ 10,792,589	\$ 1,180,501	\$ 31,707,199

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

Town of Wellington
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013

	Water	Sewer	Storm Drainage	Total
Cash flows from operating activities				
Cash received from customers	\$ 1,169,488	\$ 802,826	\$ 125,010	\$ 2,097,324
Cash payments to suppliers	(640,591)	(264,664)	18,611	(886,644)
Cash payments to employees	(214,298)	(186,490)	(34,607)	(435,395)
Net cash flows from operating activities	314,599	351,672	109,014	775,285
Cash flows from non-capital financing activities				
Property and other taxes	87,803	-	8,874	96,677
Impact fees	-	-	32,936	32,936
Other nonoperating revenue	-	17	17	34
Change in interfund balances due	283,458	(2,518)	-	280,940
Net cash flows from non-capital financing activities	371,261	(2,501)	41,827	410,587
Cash flows from capital and related financing activities				
Capital contributions	1,575,151	1,117,509	-	2,692,660
Acquisitions of capital assets	(221,620)	(114,931)	(3,681)	(340,232)
Principal paid on long-term debt	(105,366)	(238,335)	-	(343,701)
Interest paid on long-term debt	(54,920)	(104,647)	-	(159,567)
Net cash flows from capital and related financing activities	1,193,245	659,596	(3,681)	1,849,160
Cash flows from investing activities				
Earnings on investments	851	622	-	1,473
Change in restricted cash and cash equivalents	10,861	72	-	10,933
Net cash flows from investing activities	11,712	694	-	12,406
Net change in cash and cash equivalents	1,890,817	1,009,461	147,160	3,047,438
Cash and cash equivalents at beginning of year	4,580,104	1,586,749	507,785	6,674,638
Cash and cash equivalents at end of year	\$ 6,470,921	\$ 2,596,210	\$ 654,945	\$ 9,722,076
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (186,946)	\$ (7,389)	\$ 20,567	\$ (173,768)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	467,826	290,613	14,031	772,470
(Increase) decrease in:				
Receivables	973	(3,589)	(4,135)	(6,751)
Inventory	(2,666)	10,470	-	7,804
Prepaid items	(964)	(68)	-	(1,032)
Increase (decrease) in:				
Accounts payable	34,957	60,708	78,195	173,860
Accrued wages payable	1,419	927	356	2,702
Net cash flows from operating activities	\$ 314,599	\$ 351,672	\$ 109,014	\$ 775,285
Noncash investing, capital and financing activities:				
Contributed capital assets	\$ 2,852,119	\$ 662,941	\$ 562,631	\$ 4,077,691

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

Town of Wellington
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2013

	Library Trust
Assets	
Restricted cash and cash equivalents	\$ 118,983
Equity in pooled cash and cash equivalents, restricted	80,703
Total assets	199,686
Net position	\$ 199,686

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

Town of Wellington
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended December 31, 2013

	Library Trust
Additions	
Library impact fees	\$ 36,500
Grants	3,000
Total additions	39,500
Deductions	
Transfer out	12,410
Change in net position	27,090
Net position at beginning of year	172,596
Net position at end of year	\$ 199,686

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

Town of Wellington

Notes to Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies

Form of Organization

The Town of Wellington, Colorado (the "Town") was founded on November 10, 1905 as a statutory town. The Town's major operations include general government; public safety; public works; culture, parks and recreation; and community development.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the Town's accounting policies are described below.

Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the Town.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those 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.

The fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Town of Wellington

Notes to Financial Statements

December 31, 2013

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balances present increases and decreases in those components. These funds use the modified accrual basis of accounting, whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Property taxes, intergovernmental grants, and earnings on investments 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 Town.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, reconciliation is presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, ("GASB No. 33") the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

Governmental funds are used to account for all or most of a government's general activities. The following are the Town's major governmental funds:

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

Street Fund - The Street Fund, a special revenue fund, is considered a major fund of the Town and is used to account for the collection and disbursement of specific revenue sources for the maintenance of the Town's streets and alleys.

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December 31, 2013

Park Fund - The Park Fund, a special revenue fund, is considered a major fund of the Town and is used to account for the collection and disbursement of specific revenue sources for the maintenance of the Town's parks and open space.

The other governmental fund (nonmajor fund) is a special revenue fund (Conservation Trust) and has been established to account for revenues derived from specific earmarked revenue sources which finance specific activities as required by law or administrative action.

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into amounts invested in capital assets, restricted for debt service and rate stabilization loan reserves, and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Town's major enterprise funds include the Water, Sewer, and Storm Drainage funds.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town has one private-purpose trust fund, the Library Trust Fund, which accounts for library impact fees and grants and disburses funds for the benefit of the Town's library. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets

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

- By October 15, the Town Administrator submits to the Town Board of Trustees, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board of Trustees through passage of a formal resolution.
- The Town legally adopts budgets for all of the funds. Budgets for the general, special revenue and fiduciary funds are adopted on a basis consistent with GAAP. Budgetary comparisons for the enterprise funds are presented on a non-GAAP budgetary basis, where payments for capital assets and principal amounts of debt are treated as expenditures.

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- Budgeted amounts in the financial statements are as originally adopted or as amended by the Town Board of Trustees. All appropriations lapse at year end.

The following table summarizes the individual fund budgeted expenditures, as originally adopted, and as revised:

	Original	Total Revisions	Final Budget
Governmental funds:			
General fund	\$ 1,767,492	\$ -	\$ 1,767,492
Special revenue funds:			
Street fund	4,944,153	-	4,944,153
Park fund	4,477,389	-	4,477,389
Conservation trust fund	-	-	-
Business type funds:			
Water fund	7,971,190	-	7,971,190
Sewer fund	2,652,402	-	2,652,402
Storm drainage fund	1,509,581	-	1,509,581
Fiduciary fund type:			
Library trust fund	3,550	-	3,550
Total funds	\$ 23,325,757	\$ -	\$ 23,325,757

Cash and Cash Equivalents

To improve cash management, cash received by the Town is pooled and invested. Individual fund integrity is maintained through the Town's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The Town considers all highly liquid investments with original maturities of three months or less, including deposits in a pooled investment fund, to be cash equivalents. Overdrawn balances in pooled cash accounts are treated by the Town as interfund liabilities, payable to the fund deemed to have made the loan.

Restricted Cash

The amounts restricted in the Water and Sewer funds are in compliance with the operation and maintenance reserve and rate stabilization requirements of the loans from the Colorado Water Resource and Power Development Authority.

Certificates of Deposit

Certificates of deposit are carried at cost plus accrued interest, which approximates fair value.

Revenue Recognition/Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the Town by the tenth

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day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the Town. In the fund financial statements, property taxes are recognized in the year for which levied provided they become available and measurable.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as internal balances on the government-wide statement of net position and classified as due from other funds or due to other funds on the balance sheet.

Inventories

Inventories, consisting primarily of chemicals used in the treatment process of the Water and Sewer funds, have been valued at cost on a first-in first-out basis. The consumption method is used to account for inventories. Inventory costs are recorded as expenditures when individual inventory items are consumed.

Bond Premium and Debt Issuance Costs

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Debt issuance costs are recognized during the period of issuance.

In the fund financial statements, governmental fund types recognize bond premiums during the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums on the debt issuance are reported as other finance sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., streets and roads, bridges, water lines, storm-water drainage, traffic signals, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more 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 on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Assets are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense in the government-wide statement of activities. Estimated useful lives for asset types are as follows:

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Description	Governmental	Business-Type
Land and water rights	N/A	N/A
Buildings and improvements	10-40 years	N/A
Improvements other than buildings	5-50 years	N/A
Streets and improvements	20-40 years	N/A
Machinery and equipment	5-20 years	5 years
Utilities systems	N/A	50 years

Compensated Absences

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, ("GASB No. 16"). Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the Town will compensate the employees for the benefits earned. Upon termination of employment from the Town, an employee will be compensated for all accrued vacation and compensatory time at their current rate of pay. There is no payment for sick leave upon termination.

Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. The Town has recorded a liability of \$55,327 at December 31, 2013.

On the governmental fund financial statements, where applicable, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. At December 31, 2013, there is no accrual in the fund financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of long-term liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Capital lease obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance and Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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Unrestricted Net Position - This category represents the net position, which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees (the "Board"). The Board is the highest level of decision making authority for the Town. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Town considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

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As of December 31, 2013, fund balances are composed of the following:

	General Fund	Street Fund	Park Fund	Conservation Trust Fund	Total Governmental
Nonspendable:					
Prepaid items	\$ 191	\$ 176	\$ 23	\$ -	\$ 390
Restricted:					
Emergencies	111,759	-	-	-	111,759
Parks and open space	-	-	-	368,741	368,741
Committed:					
Cemetery operations	44,454	-	-	-	44,454
Assigned:					
Capital projects	-	1,188,439	1,045,414	-	2,233,853
Subsequent year's expenditures	101,174	-	-	-	101,174
Unassigned	1,951,668	-	-	-	1,951,668
Total fund balances	\$ 2,209,246	\$ 1,188,615	\$ 1,045,437	\$ 368,741	\$ 4,812,039

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes ("CRS") require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all

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uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2013, all of the Town's cash and cash equivalents were either insured by FDIC or collateralized under PDPA.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the Town may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Town's policy is to hold investments until maturity.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the Town would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a specific policy for custodial credit risk. As of December 31, 2013, the Town had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust (the "Trust"), discussed below.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

Local Government Investment Pools

At December 31, 2013, the Town had invested \$9,806,108 in the Trust, a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAm by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities, and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

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At December 31, 2013, the Town had cash and cash equivalent balances, including restricted cash, as follows:

Cash on hand	\$ 300
Cash with county treasurer and clerk	37,821
Cash deposits	5,545,618
Local government investment pool	9,806,108
Total	\$ 15,389,847

Cash and cash equivalents, by statement, are as follows:

Statement of net position:	
Cash and cash equivalents	\$ 11,927,593
Equity in pooled cash and cash equivalents	2,546,135
Restricted cash and cash equivalents	716,433
Statement of fiduciary net position:	
Restricted cash and cash equivalents	118,983
Equity in pooled cash and cash equivalents, restricted	80,703
Total	\$ 15,389,847

3. Receivables

Receivables at December 31, 2013, consisted of the following:

Types	Governmental Activities	Business-Type Activities	Total
Taxes	\$ 604,083	\$ 87,803	\$ 691,886
Trade accounts	-	286,084	286,084
Intergovernmental	96,654	-	96,654
Developers	370,376	-	370,376
Other	46,096	130	46,226
Total	\$ 1,117,209	\$ 374,017	\$ 1,491,226

4. Interfund Receivables/Payables and Transfers

The Town's interfund receivables and payables at December 31, 2013 (at the fund level) are shown below. These amounts represent short-term receivables and payables. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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Receivable Fund	Payable Fund	Amount
Street	Water	\$ 20,023
Total - fund financial statements		20,023
Less: fund eliminations		-
Total internal balances - government-wide statement of net position		\$ 20,023

Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The only transfer made during the year was \$12,410 from the Library Trust Fund to the General Fund for the portion of impact fees which are allowed to be used for operating costs of the library that are paid by the General Fund.

5. Capital Assets

A summary of changes in governmental-activities capital assets for the year ended December 31, 2013, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land and water rights	\$ 268,064	\$ 125,112	\$ -	\$ 393,176
Construction in progress	169,250	152,790	(9,989)	312,051
Total capital assets, not being depreciated	437,314	277,902	(9,989)	705,227
Capital assets, being depreciated:				
Buildings and improvements	948,040	-	-	948,040
Improvements other than buildings	6,560,925	125,178	-	6,686,103
Streets and improvements	14,605,122	624,713	-	15,229,835
Machinery and equipment	1,097,933	27,416	-	1,125,349
Total capital assets, being depreciated	23,212,020	777,307	-	23,989,327
Less accumulated depreciation for:				
Buildings and improvements	(542,733)	(35,531)	-	(578,264)
Improvements other than buildings	(2,170,454)	(174,109)	-	(2,344,563)
Streets and improvements	(6,356,374)	(587,428)	-	(6,943,802)
Machinery and equipment	(868,788)	(41,943)	-	(910,731)
Total accumulated depreciated	(9,938,349)	(839,011)	-	(10,777,360)
Total capital assets, being depreciated, net	13,273,671	(61,704)	-	13,211,967
Governmental activities capital assets, net	\$ 13,710,985	\$ 216,198	\$ (9,989)	\$ 13,917,194

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Depreciation expense for governmental activities has been allocated to various activities as follows:

Governmental activities:

General government	\$ 48,008
Public works	711,119
Parks and recreation	72,300
Library	7,584
Total depreciation expense - governmental activities	\$ 839,011

A summary of changes in business-type activities capital assets for the year ended December 31, 2013, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Land and water rights	\$ 398,769	\$ -	\$ -	\$ 398,769
Construction in progress	-	178,934		178,934
Total capital assets, not being depreciated	398,769	178,934	-	577,703
Capital assets, being depreciated:				
Utilities systems	28,999,018	4,187,171	-	33,186,189
Equipment	768,356	51,818	-	820,174
Total capital assets, being depreciated	29,767,374	4,238,989	-	34,006,363
Less accumulated depreciation	(8,296,714)	(772,470)	-	(9,069,184)
Total capital assets, being depreciated, net	21,470,660	3,466,519	-	24,937,179
Business-type activities capital assets, net	\$ 21,869,429	\$ 3,645,453	\$ -	\$ 25,514,882

Depreciation expense for business-type activities has been allocated to various activities as follows:

Business-type activities:

Water	\$ 467,826
Sewer	290,613
Storm drainage	14,031
Total depreciation expense - business-type activities	\$ 772,470

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6. Long-Term Debt

Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. The Town has recorded a liability of \$55,327 at December 31, 2013.

Following is a summary of the business-type activities debt transactions for the year ended December 31, 2013:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
\$500,000 January 13, 1984, general obligation water bond due in installments of \$17,000 in 2013; this bond matures December 1, 2023; interest at 5%.	\$ 244,000	\$ -	\$ (17,000)	\$ 227,000	\$ 18,000
December 1, 1982, Colorado Water Conservation Board note requiring annual payments of \$57,593 principal and interest at 4.0% through December 1, 2023. Revenues of the Town are pledged in an amount sufficient to pay the annual amounts due under the loan contract.	504,553	-	(37,413)	467,140	38,909
2001 Colorado Water Resource and Power Development Authority 20 year note requiring semi-annual payments of \$36,747 principal and interest, at 4.0% through May 1, 2022. The loan is a special revenue obligation of the Water Fund payable from water rates, fees, standby charges, and charges from the use and operation of the system and from such other funds legally available after the payment of operation and maintenance expenses of the system.	576,142	-	(50,953)	525,189	53,012

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2002 Colorado Water Resource and Power Development Authority 20 year note requires varying semi-annual principal and interest payments at 3.71%, payments through August 1, 2022. The loan is a special revenue obligation of the Sewer Fund payable from sewer rates, fees, standby charges, and charges from the use and operation of the system and from such other funds legally available after the payment of operation and maintenance expenses of the system.

	2,778,768	-	(238,335)	2,540,433	245,833
Accrued compensated absences	54,587	10,341	(9,601)	55,327	-
	<u>\$ 4,158,050</u>	<u>\$ 10,341</u>	<u>\$ (353,302)</u>	<u>3,815,089</u>	<u>\$ 355,754</u>
Current portion of long-term debt				(355,754)	
Discount on long-term debt				(3,008)	
Non-current portion of long-term liabilities				<u>\$ 3,456,327</u>	

The following table represents future debt service requirements on the business-type activity debt as of December 31, 2013:

Year	Principal	Interest
2014	\$ 355,754	\$ 133,487
2015	370,031	120,660
2016	381,053	107,264
2017	400,251	93,340
2018	411,195	78,847
2019-2023	1,841,478	164,031
	<u>\$ 3,759,762</u>	<u>\$ 697,629</u>

Developer Obligation

The Town received from a developer a cash payment in lieu of a line of credit to insure improvements were made to the developer's property. The deposit has been held by the Town in an interest bearing account and has a balance of \$132,536 at December 31, 2013. The developer has since gone out of business and the improvements to the property have never been made. A final determination of this liability has not been made as of December 31, 2013.

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Notes to Financial Statements

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7. Rate Maintenance

Water Fund

Pursuant to the Colorado Water Resource & Power Development Authority ("CWRPDA") loan agreement, the Town shall establish, levy, and collect rents, rates, and other charges for the products and services provided by the Town's water system (the "Water System") in an amount sufficient to; (1) meet the operation and maintenance expenses of the Water System, (2) comply with all covenants in the loan resolution, and (3) pay at least 110% of the debt service on all indebtedness or at least 110% of all such debt if connection fees are included as a source of payment.

The following calculation shows the Town has complied with the rate maintenance provision of this loan agreement.

Operating revenues	\$1,166,337	
Connection fees	<u>1,575,151</u>	
Subtotal	2,741,488	
Operation and maintenance expenses	<u>887,636</u>	
Net revenue as defined in loan agreement		\$ 1,853,852
2013 principal due	\$ 50,953	
2013 interest due	<u>22,541</u>	
	73,494	
	x110%	80,843

Amount the current year revenues were in excesss of the requirements		
of the CWRPDA loan agreement.		\$ 1,773,009

Per the loan agreement, the Town is required to either raise rates within 60 days after the end of the year to comply with the rate covenant or to hire an independent firm of accountants or consulting engineers to do a rate study within 120 days of year end to recommend a rate increase to meet the loan covenant.

Sewer Fund

Pursuant to the CWRPDA loan agreement, the Town shall establish, levy, and collect rents, rates, and other charges for the products and services provided by the Town's sewer system (the "Sewer System") in an amount sufficient to; (1) meet the operation and maintenance expenses of the Sewer System, (2) comply with all covenants in the loan resolution, and (3) pay at least 110% of the debt service on all indebtedness or at least 110% of all such debt if connection fees are included as a source of payment.

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The following calculation shows the Town has complied with the rate maintenance provision of this loan agreement.

Operating revenues	\$ 806,415	
Connection fees	1,117,509	
Subtotal	1,923,924	
Operation and maintenance expenses	523,191	
Net revenue as defined in loan agreement		\$ 1,400,733
2013 principal due	\$ 238,335	
2013 interest due	104,656	
	342,991	
	x110%	377,290
Amount the current year revenues were in excess of the requirements of the CWRPDA loan agreement.		\$ 1,023,443

Per the loan agreement, the Town is required to either raise rates within 60 days after the end of the year to comply with the rate covenant or to hire an independent firm of accountants or consulting engineers to do a rate study within 120 days of year end to recommend a rate increase to meet the loan covenant.

The Town Board approved resolution 1-2012 SE establishing rate stabilization account in the Sewer Fund in conformity with the rate covenant provisions of the 2002 CWRPDA loan agreement. This resolution restricted \$350,000 specifically for debt service on the aforementioned CWRPDA loan, retroactive to December 31, 2011. This restriction, plus the calculation shown above, demonstrates the Town is in compliance with the requirements of the CWRPDA loan at December 31, 2013.

The CWRPDA loans in the Water and Sewer Funds require the Town to maintain an operations and maintenance reserve in an amount equal to three months of operations and maintenance expenses, excluding depreciation of the system, as set forth in the annual budget for the current fiscal year. The Town has restricted \$242,846 in the Water Fund and \$123,587 in the Sewer Fund to comply with the terms of these agreements.

8. Risk Management

The Town 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.

The Town carries commercial insurance covering specific and general risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

9. Taxes, Spending and Debt Limitations

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment excludes spending from certain revenue and financing sources such as federal funds, gifts,

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December 31, 2013

property sales, fund transfers, damage awards, and fund reserve (balance). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the Town under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. An emergency, as defined by the Amendment, excludes economic conditions, revenue shortfalls, or salary of fringe benefit increase. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The Town has reserved \$111,759 for this purpose.

On November 5, 1996, the voting citizens of the Town of Wellington authorized the Town (retroactive to January 1, 1995) to, without imposing any new taxes or increases in tax rates, retain all revenue from all sources in 1995 and subsequent years, and to spend the same as a voter-approved revenue change and as exception to limits which would otherwise apply for each of said years under Colorado Constitution Article X, Section 20, the taxpayer's bill of rights. This effectively removed all revenue and spending limits imposed by TABOR.

The Town believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

10. Violation of State Statutes

During the year ended December 31, 2013, expenditures exceeded budget appropriations by \$8,860 in the Library Trust Fund and by \$50,007 in the General Fund, which may be in violation of state statutes.

11. Subsequent Events

Management of the Town has evaluated subsequent events through June 24, 2014, the date that the financial statements were available to be issued. No events requiring adjustment to our disclosure in the financial statements were noted.

Required Supplementary Information

Town of Wellington
Schedule of Revenues, Expenditures and Changes in Fund
Balance (Budget and Actual) - General Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,385,083	\$ 1,385,083	\$ 1,713,161	\$ 328,078
Franchise fees	134,000	134,000	148,194	14,194
Licenses and permits	107,100	107,100	366,697	259,597
Intergovernmental	-	-	3,816	3,816
Charges for services	14,775	14,775	34,338	19,563
Fines and forfeitures	8,000	8,000	10,049	2,049
Earnings on investments	810	810	21,066	20,256
Miscellaneous	14,500	14,500	13,359	(1,141)
Total revenues	1,664,268	1,664,268	2,310,680	646,412
Expenditures				
Current:				
General government:				
Legislative	114,931	114,931	107,627	7,304
Judicial	23,350	23,350	38,290	(14,940)
Administrative	166,532	166,532	132,724	33,808
Planning and zoning	95,500	95,500	54,208	41,292
Public safety:				
Police	610,250	610,250	610,055	195
Protective inspections	136,215	136,215	328,666	(192,451)
Public works:				
Sanitation	26,750	26,750	23,051	3,699
Operating	88,609	88,609	83,281	5,328
Cemetery	4,200	4,200	3,267	933
General use buildings	51,500	51,500	95,268	(43,768)
Park and recreation:				
Community activities	58,934	58,934	39,970	18,964
Economic development	3,000	3,000	647	2,353
Library	154,971	154,971	98,420	56,551
Small equipment	37,250	37,250	71,078	(33,828)
Capital outlay	7,500	7,500	130,947	(123,447)
Reservation of fund balance	180,000	180,000	-	180,000
Total expenditures	1,759,492	1,759,492	1,817,499	(58,007)
Excess (deficiency) of revenues over expenditures	(95,224)	(95,224)	493,181	588,405
Other financing sources (uses)				
Transfers in	2,550	2,550	12,410	9,860
Transfers out	(8,000)	(8,000)	-	8,000
Total other financing sources (uses)	(5,450)	(5,450)	12,410	17,860
Net change in fund balance	\$ (100,674)	\$ (100,674)	505,591	\$ 606,265
Fund balance at beginning of year			1,703,655	
Fund balance at end of year			\$ 2,209,246	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Revenues, Expenditures and Changes in Fund
Balances (Budget and Actual) - Street and Park Funds
Year Ended December 31, 2013

	Street Fund				Park Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Taxes	\$ 264,000	\$ 264,000	\$ 272,182	\$ 8,182	\$ 435,000	\$ 435,000	\$ 792,434	\$ 357,434
Impact fees	12,000	12,000	99,284	87,284	24,000	24,000	141,200	117,200
Licenses and permits	3,250	3,250	175	(3,075)	-	-	-	-
Charges for services	-	-	-	-	78,400	78,400	66,089	(12,311)
Earnings on investments	400	400	358	(42)	500	500	250	(250)
Contributions and grants	3,710,417	3,710,417	652,498	(3,057,919)	3,775,089	3,775,089	-	(3,775,089)
Miscellaneous	100	100	1,378	1,278	5,100	5,100	41,057	35,957
Total revenues	3,990,167	3,990,167	1,025,875	(2,964,292)	4,318,089	4,318,089	1,041,030	(3,277,059)
Expenditures								
Current:								
Public works/Parks and recreation:								
Administrative	51,587	51,587	53,785	(2,198)	67,446	67,446	72,034	(4,588)
Operating	324,799	324,799	376,028	(51,229)	227,078	227,078	211,233	15,845
Recreation	-	-	-	-	209,926	209,926	172,207	37,719
Small equipment and other	115,100	115,100	222,291	(107,191)	33,600	33,600	-	33,600
Capital outlay	4,452,667	4,452,667	882,219	3,570,448	3,939,339	3,939,339	32,054	3,907,285
Total expenditures	4,944,153	4,944,153	1,534,323	3,409,830	4,477,389	4,477,389	487,528	3,989,861
Net change in fund balances	\$ (953,986)	\$ (953,986)	(508,448)	\$ 445,538	\$ (159,300)	\$ (159,300)	\$ 553,502	\$ 712,802
Fund balances at beginning of year			1,697,063				491,935	
Fund balances at end of year			\$ 1,188,615				\$ 1,045,437	

See accompanying Independent Auditor's Report.

Other Supplementary Information

Town of Wellington
Schedule of Revenues, Expenditures and
Changes in Fund Balance (Budget and Actual)
Conservation Trust Fund
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 69,636	\$ 9,636
Earnings on investments	210	210	199	(11)
Total revenues	60,210	60,210	69,835	9,625
Expenditures	-	-	-	-
Net change in fund balance	\$ 60,210	\$ 60,210	69,835	\$ 9,625
Fund balance at beginning of year			298,906	
Fund balance at end of year			\$ 368,741	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Water Fund

Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Operating revenues				
Charges for services	\$ 998,250	\$ 998,250	\$ 1,166,337	\$ 168,087
Miscellaneous	6,000	6,000	2,179	(3,821)
Total operating revenues	1,004,250	1,004,250	1,168,516	164,266
Operating expenses				
Administrative	208,071	208,071	155,156	52,915
Operating	763,313	763,313	728,130	35,183
Small equipment	45,700	45,700	4,350	41,350
Total operating expenses	1,017,084	1,017,084	887,636	129,448
Operating income (loss)	(12,834)	(12,834)	280,880	293,714
Non-operating revenues (expenses)				
Property taxes	87,562	87,562	87,717	155
Capital contributions	4,623,861	4,623,861	4,427,270	(196,591)
Earnings on investments	2,750	2,750	851	(1,899)
Miscellaneous	3,500	3,500	-	(3,500)
Interest expense	(67,143)	(67,143)	(54,934)	12,209
Principal paid	(93,523)	(93,523)	(105,366)	(11,843)
Capital outlay	(6,793,440)	(6,793,440)	(3,073,739)	3,719,701
Total non-operating revenues (expenses)	(2,236,433)	(2,236,433)	1,281,799	3,518,232
Change in net position - budgetary basis	\$ (2,249,267)	\$ (2,249,267)	1,562,679	\$ 3,811,946
Reconciliation to GAAP Basis				
Depreciation			(467,826)	
Principal paid			105,366	
Capital outlay			3,073,739	
Change in net position - GAAP basis			4,273,958	
Net position at beginning of year			15,460,151	
Net position at end of year			\$ 19,734,109	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Sewer Fund

Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Operating revenues				
Charges for services	\$ 800,000	\$ 800,000	\$ 806,415	\$ 6,415
Total operating revenues	800,000	800,000	806,415	6,415
Operating expenses				
Administrative	140,211	140,211	111,155	29,056
Operating	354,138	354,138	346,041	8,097
Small equipment	11,000	11,000	65,995	(54,995)
Total operating expenses	505,349	505,349	523,191	(17,842)
Operating income	294,651	294,651	283,224	(11,427)
Non-operating revenues (expenses)				
Capital contributions	1,737,841	1,737,841	1,780,450	42,609
Earnings on investments	800	800	622	(178)
Other nonoperating revenue	5,000	5,000	17	(4,983)
Interest expense	(141,880)	(141,880)	(697)	141,183
Principal paid	(216,668)	(216,668)	(238,335)	(21,667)
Capital outlay	(1,665,780)	(1,665,780)	(777,872)	887,908
Loan reserve	(122,725)	(122,725)	-	122,725
Total non-operating revenues (expenses)	(403,412)	(403,412)	764,185	1,167,597
Change in net position - budgetary basis	\$ (108,761)	\$ (108,761)	1,047,409	\$ 1,156,170
Reconciliation to GAAP basis				
Depreciation			(290,613)	
Principal paid			238,335	
Capital outlay			777,872	
Change in net position - GAAP basis			1,773,003	
Net position at beginning of year			9,019,586	
Net position at end of year			\$ 10,792,589	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Storm Drainage Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Operating revenues				
Charges for services	\$ 324,000	\$ 324,000	\$ 129,145	\$ (194,855)
Total operating revenues	324,000	324,000	129,145	(194,855)
Operating expenses				
Administrative	258,750	258,750	30,705	228,045
Operating	68,257	68,257	52,521	15,736
Small equipment	12,482	12,482	11,321	1,161
Reserves	6,000	6,000	-	6,000
Total operating expenses	345,489	345,489	94,547	250,942
Operating income (loss)	(21,489)	(21,489)	34,598	56,087
Non-operating revenues (expenses)				
Taxes	8,600	8,600	8,874	274
Capital contributions	1,164,092	1,164,092	562,631	(601,461)
Impact fees	18,000	18,000	32,936	14,936
Other nonoperating revenue	-	-	17	17
Capital outlay	(1,164,092)	(1,164,092)	(566,312)	597,780
Total non-operating revenues (expenses)	26,600	26,600	38,146	11,546
Change in net position - budgetary basis	\$ 5,111	\$ 5,111	72,744	\$ 67,633
Reconciliation to GAAP basis				
Depreciation			(14,031)	
Capital outlay			566,312	
Change in net position - GAAP basis			625,025	
Net position at beginning of year			555,476	
Net position at end of year			\$ 1,180,501	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Changes in Fiduciary Net Position (Budget and Actual)
Library Trust Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Additions				
Library impact fees	\$ 7,500	\$ 7,500	\$ 36,500	\$ 29,000
Larimer county grant	1,250	1,250	3,000	1,750
Total additions	8,750	8,750	39,500	30,750
Deductions				
Library expenditures	1,000	1,000	-	1,000
Transfer out	2,550	2,550	12,410	(9,860)
Total deductions	3,550	3,550	12,410	(8,860)
Change in net position	\$ 5,200	\$ 5,200	27,090	\$ 21,890
Net position at beginning of year			172,596	
Net position at end of year			\$ 199,686	

See accompanying Independent Auditor's Report.

State Compliance Section

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

LOCAL HIGHWAY FINANCE REPORT		City or County: Town of Wellington			
		YEAR ENDING : December 31, 2013			
This Information From The Records Of : Town of Wellington		Prepared By: Mike Cummins Phone: 970-568-3381			
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)	576,255		
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	292,430		
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:			
c. Total (a.+b.)		a. Traffic control operations			
2. General fund appropriations		b. Snow and ice removal			
3. Other local imposts (from page 2)	158,381	c. Other			
4. Miscellaneous local receipts (from page 2)	62,581	d. Total (a. through c.)	0		
5. Transfers from toll facilities		4. General administration & miscellaneous	73,809		
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety			
a. Bonds - Original Issues		6. Total (1 through 5)	942,494		
b. Bonds - Refunding Issues		B. Debt service on local obligations:			
c. Notes		1. Bonds:			
d. Total (a. + b. + c.)	0	a. Interest			
7. Total (1 through 6)	220,962	b. Redemption			
B. Private Contributions		c. Total (a. + b.)	0		
C. Receipts from State government (from page 2)	213,084	2. Notes:			
D. Receipts from Federal Government (from page 2)	0	a. Interest			
E. Total receipts (A.7 + B + C + D)	434,046	b. Redemption			
		c. Total (a. + b.)	0		
		3. Total (1.c + 2.c)	0		
		C. Payments to State for highways			
		D. Payments to toll facilities			
		E. Total disbursements (A.6 + B.3 + C + D)	942,494		
IV. LOCAL HIGHWAY DEBT STATUS (Show all entries at par)					
	Opening Debt	Amount Issued	Redemptions	Closing Debt	
A. Bonds (Total)				0	
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
	1,697,063	434,046	942,494	1,188,615	0
Notes and Comments:					

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado YEAR ENDING (mm/yy): December 31, 2013																									
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL																											
ITEM	AMOUNT	ITEM	AMOUNT																								
A.3. Other local imposts:		A.4. Miscellaneous local receipts:																									
a. Property Taxes and Assessments		a. Interest on investments	358																								
b. Other local imposts:		b. Traffic Fines & Penalties																									
1. Sales Taxes		c. Parking Garage Fees																									
2. Infrastructure & Impact Fees	99,284	d. Parking Meter Fees																									
3. Liens		e. Sale of Surplus Property																									
4. Licenses		f. Charges for Services																									
5. Specific Ownership &/or Other	59,097	g. Other Misc. Receipts	1,553																								
6. Total (1. through 5.)	158,381	h. Other	60,670																								
c. Total (a. + b.)	158,381	i. Total (a. through h.)	62,581																								
	(Carry forward to page 1)		(Carry forward to page 1)																								
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL																											
ITEM	AMOUNT	ITEM	AMOUNT																								
C. Receipts from State Government		D. Receipts from Federal Government																									
1. Highway-user taxes	192,322	1. FHWA (from Item I.D.5.)																									
2. State general funds		2. Other Federal agencies:																									
3. Other State funds:		a. Forest Service																									
a. State bond proceeds		b. FEMA																									
b. Project Match		c. HUD																									
c. Motor Vehicle Registrations	20,762	d. Federal Transit Admin																									
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers																									
e. Other (Specify)		f. Other Federal																									
f. Total (a. through e.)	20,762	g. Total (a. through f.)	0																								
4. Total (1. + 2. + 3.f)	213,084	3. Total (1. + 2.g)																									
			(Carry forward to page 1)																								
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL																											
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)																								
A.1. Capital outlay:																											
a. Right-Of-Way Costs			0																								
b. Engineering Costs			0																								
c. Construction:																											
(1). New Facilities			0																								
(2). Capacity Improvements			0																								
(3). System Preservation			0																								
(4). System Enhancement & Operation			0																								
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0																								
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0																								
			(Carry forward to page 1)																								
Notes and Comments:																											
<table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">County Road & Bridge Tax:</td> <td style="width: 17%; text-align: right;">12,848</td> <td style="width: 33%;">Street Cut Permits:</td> <td style="width: 17%; text-align: right;">175</td> </tr> <tr> <td>Specific Ownership Tax:</td> <td style="text-align: right;"><u>46,249</u></td> <td>Misc. Revenue:</td> <td style="text-align: right;"><u>1,378</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>59,097</u></td> <td></td> <td style="text-align: right;"><u>1,553</u></td> </tr> <tr> <td colspan="2"></td> <td>Due From Other Funds:</td> <td style="text-align: right;">20,023</td> </tr> <tr> <td colspan="2"></td> <td>Developer Reimbursement:</td> <td style="text-align: right;"><u>40,647</u></td> </tr> <tr> <td colspan="2"></td> <td></td> <td style="text-align: right;"><u>60,670</u></td> </tr> </table>				County Road & Bridge Tax:	12,848	Street Cut Permits:	175	Specific Ownership Tax:	<u>46,249</u>	Misc. Revenue:	<u>1,378</u>		<u>59,097</u>		<u>1,553</u>			Due From Other Funds:	20,023			Developer Reimbursement:	<u>40,647</u>				<u>60,670</u>
County Road & Bridge Tax:	12,848	Street Cut Permits:	175																								
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