

TOWN OF FREDERICK, COLORADO

BASIC FINANCIAL STATEMENTS

December 31, 2012

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Honorable Mayor and Members of the Town Council
Town of Frederick
Frederick, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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 Frederick, Colorado, as of and for the year ended December 31, 2012, which collectively comprise the basic financial statements of the Town, as listed in the table of contents. These financial statements are the responsibility of the Town of Frederick, Colorado's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Frederick, Colorado, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance 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 and budgetary comparison information on pages 28-30 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fredericks' basic financial statements. The individual fund financial schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such 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 combining statements are fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

July 17, 2013

This section of the annual financial report offers readers of the Town of Frederick a discussion and analysis of the Town's financial performance during the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information furnished in the Town's financial statements, which immediately follow this section.

Financial Highlights

- The Town's financial status improved over the course of the 2012 fiscal year. Total net position increased 2.9%.
- General revenues account for \$4,630,266 or 22% of all revenues. The Town had \$16,474,351 in program specific revenues in the form of charges for services, operating grants and contributions, and capital contributions.
- The Town had \$8,034,883 in expenses related to governmental activities, of which \$3,062,087 were offset by program specific charges for services and operating grants, contributions. Taxes of \$4,449,252 and other general revenues of \$100,572, and transfers in of \$1,251,936 as shown on the statement of activities, offset the costs.
- The Town had water, electric, and storm drainage charges for service income totaling \$10,973,525. Grants and capital contributions revenues totaled \$2,438,739. The cost of providing water, electric, and storm drainage services totaled \$10,199,931.
- Outlays for capital assets were primarily comprised of park improvements, trail improvements, street infrastructure additions. See the Capital Assets Section of the Financial Statements for detail.
- The Town's governmental funds have outstanding capital leases and the 2006 sales and use tax bond totaling \$3,950,837 at December 31, 2012.
- The Town's business-type funds have outstanding debt totaling \$695,136 at December 31, 2012.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) specific fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

The **statement of net position** presents information on all the Town's assets, liabilities, and deferred inflows, with the difference between the three being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the Town of Frederick's net position changed during 2012. 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 reported in this statement for some items will result in cash flows in future periods (e.g. uncollected taxes and earned but unused personal time).

The government-wide financial statements distinguish functions of the Town of Frederick 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 Frederick include general government, public safety (police), public works, community development and events. The Business-type Activities of the Town of Frederick include Water, Electric and Drainage.

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. Some funds are required to be established by State law and bond covenants; however, the Town Board establishes other funds to help control and manage money for particular purposes. All of the Town's funds can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *short-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. The accounting method used is *modified accrual* accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and other major funds. The minor funds are combined in the *Other Governmental Funds* into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The Town of Frederick maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its Water, Electric and Drainage Funds. These funds are considered major funds of the Town of Frederick.

Fiduciary Funds - The Town of Frederick maintains one type of fiduciary fund. Fiduciary funds are used to account for assets held in trust by the government for the benefit of individuals or other entities. The Oil Royalty Fund is the only fiduciary fund held by the Town.

Major Features of the Town and Fund Financial Statements

	Government-wide Statements	<u>Fund Financial Statements</u>		
		Governmental Funds	Proprietary Funds	Fiduciary Fund
Scope	Entire Town (except fiduciary funds)	The activities of the Town not proprietary or fiduciary.	Activities the Town operates similar to private businesses: water, electric, and drainage services	Instances in which the Town administers resources on behalf of someone else.
Required Financial Statements	Statement of net assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis	Accrual	Modified accrual	Accrual	Accrual
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Town and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. This includes the required supplemental data required for non-major fund information and budgetary comparison schedules.

Financial Analysis of the Town as a Whole

As noted previously, net position may serve over time as a useful indicator of the Town's financial position. For the year ending December 31, 2012, the Town's combined assets exceeded liabilities and deferred inflows of resources by \$100,312,301.

TOWN OF FREDERICK, COLORADO CONDENSED STATEMENT OF NET POSITION 2012/2011

	<u>2012</u>			<u>2011</u>
	Governmental Activities	Business- Type Activities	Total	Total
Assets				
Current Assets	10,145,342	20,610,036	30,755,378	28,888,763
Restricted Assets	-	74,297	74,297	74,297
Capital Assets - Net	<u>29,108,682</u>	<u>47,872,725</u>	<u>76,981,407</u>	<u>76,043,774</u>
Total Assets	<u>39,254,024</u>	<u>68,557,058</u>	<u>107,811,082</u>	<u>105,006,834</u>
Liabilities				
Current Liabilities	756,967	828,785	1,586,017	1,661,291
Long-Term Liabilities	<u>3,950,837</u>	<u>695,136</u>	<u>4,645,708</u>	<u>4,646,042</u>
Total Liabilities	<u>4,707,804</u>	<u>1,523,921</u>	<u>6,231,725</u>	<u>6,307,333</u>
Deferred Inflows of Resources				
Deferred Property Tax Revenue	<u>1,267,056</u>	-	<u>1,267,056</u>	<u>1,257,003</u>
Net Position				
Net Investment in Capital Assets	25,157,845	47,177,854	72,335,699	71,067,089
Restricted	221,000	-	221,000	184,000
Unrestricted	<u>7,900,319</u>	<u>19,855,283</u>	<u>27,755,602</u>	<u>26,191,409</u>
Total Net Position at December 31	<u>33,279,164</u>	<u>67,033,137</u>	<u>100,312,301</u>	<u>97,442,498</u>
Total Increase in Net Position				2,869,803
Percent Increase in Net Position				2.9%

The largest portion of the Town of Frederick's net position (71%) reflects its investment in capital assets (e.g. land, buildings, etc.), less any related debt still outstanding (current and long-term), that was used to acquire those assets. 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 restricted portion of net position (<1.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (\$27,755,602) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town reports positive balances in all three categories of net position, for the government as a whole, as well as for its separate Governmental and Business-type Activities.

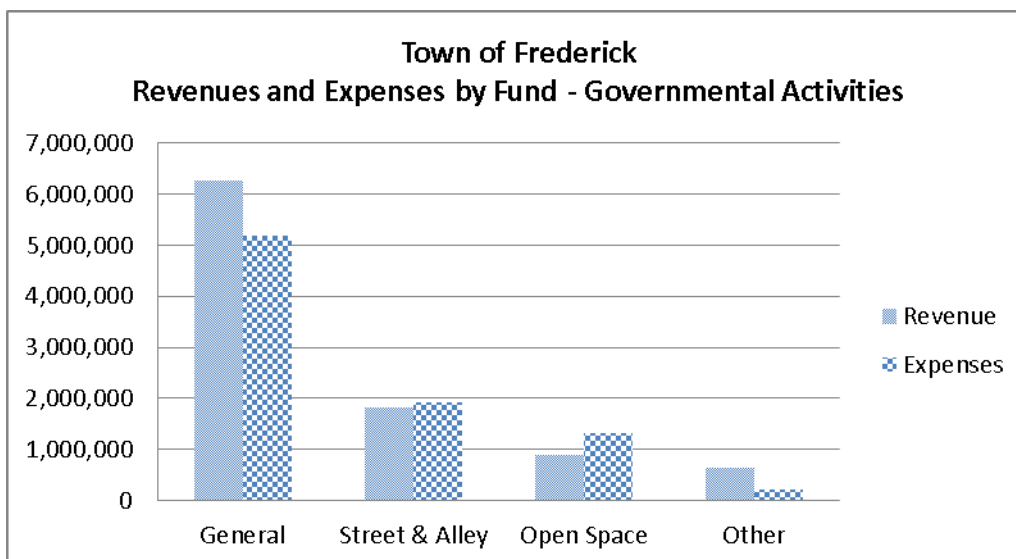
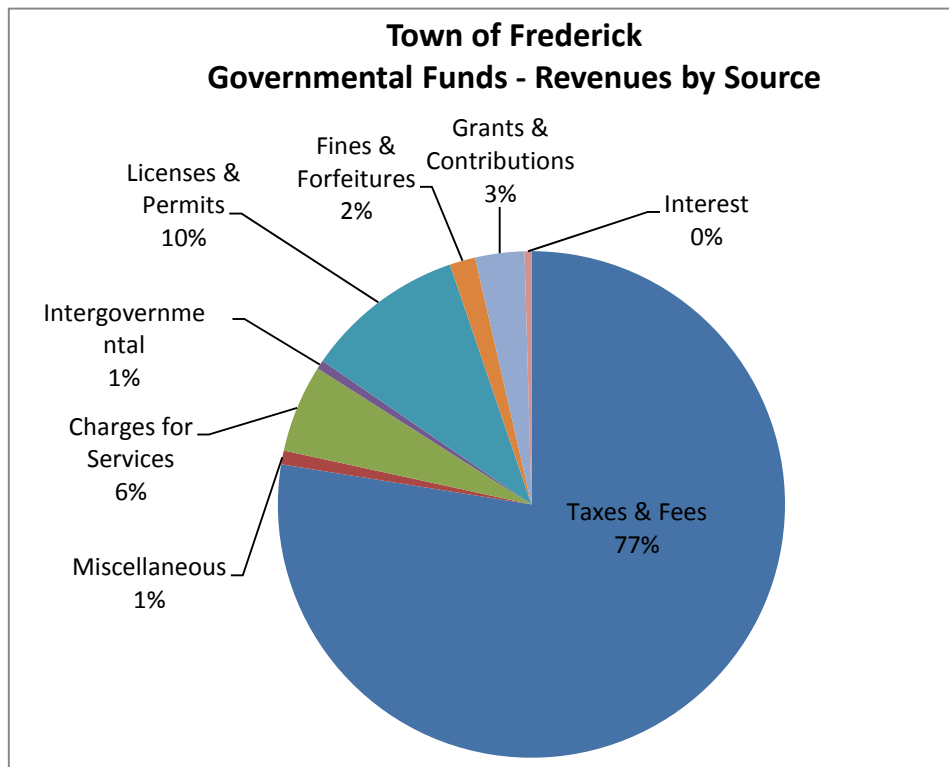
**TOWN OF FREDERICK, COLORADO
CONDENSED STATEMENT OF ACTIVITIES
2012/2011**

	2012			2011
	Governmental Activities	Business -Type Activities	Total	Total
Revenues				
<u>Program Revenues</u>				
Charges for Services	1,327,464	10,973,525	12,300,989	11,532,698
Operating Grants and Contributions	120,841	-	120,841	51,835
Capital Grants and Contributions	1,613,782	2,438,739	4,052,521	2,497,266
<u>General Revenues</u>				
Property Taxes	1,345,225	-	1,345,225	1,271,637
Sales and Use Taxes	2,604,990	-	2,604,990	2,126,021
Franchise Taxes	143,341	-	143,341	100,793
Other Taxes	355,696	-	355,696	281,401
Interest	33,755	80,442	114,197	152,774
Other Revenues	66,817	-	66,817	69,169
Transfers	1,251,936	(1,251,936)	-	-
Total Revenues	8,863,847	12,240,770	21,104,617	18,083,594
Expenses				
General Government	2,551,048	-	2,551,048	2,116,657
Public Safety	1,935,341	-	1,935,341	1,656,592
Public Works	3,249,055	-	3,249,055	3,086,329
Parks & Recreation	22,888	-	22,888	-
Interest on Long-Term Debt	276,551	-	276,551	192,566
Water	-	3,036,244	3,036,244	2,128,544
Electric	-	7,122,314	7,122,314	6,562,084
Tri-area Drainage	-	8,705	8,705	6,813
Interest on Long-Term Debt	-	32,668	32,668	36,252
Total Expenses	8,034,883	10,199,931	18,234,814	15,785,837
Change in Net Position	828,964	2,040,839	2,869,803	2,297,757

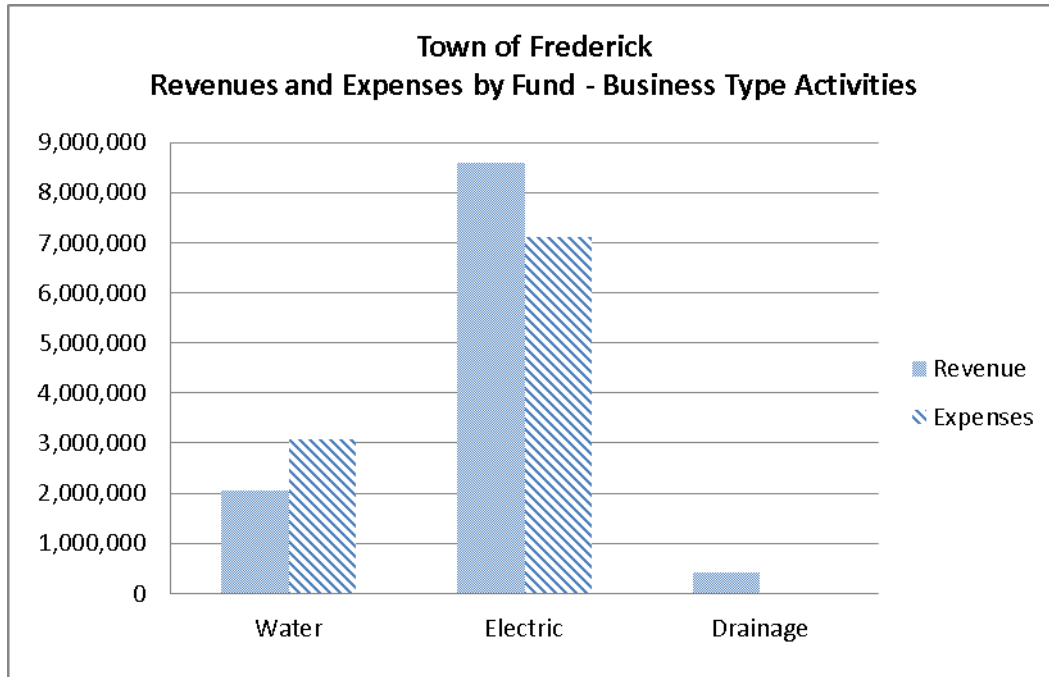
Financial Analysis of the Town's Funds

Governmental Activities. The focus of the Town of Frederick'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$8,267,122, an increase of \$970,414. The increase in fund balance is attributed to increases in revenues.



Business-type Activities. Net Position of Business-type Activities increased by \$2,040,839 primarily due to an increase revenues and capital contributions. The Electric Fund represents \$1,285,393 of the increase in Net Position, the Water Fund represents \$465,298 and the Tri-Area Drainage represents \$290,148. Charges for services for business-type activities increased \$920,647 in 2012. Operating revenues increased \$840,579. Operating expenses increased \$1,469,822.



General Fund Budgetary Highlights

The Town budgeted for General Fund expenditures of \$5,710,989 for the year ended December 31, 2012. Actual expenditures were \$5,185,621. The Town budgeted \$4,161,575 in revenues for the General Fund and actual revenues were \$4,268,613. The fund balance in the General Fund increased \$1,085,020.

Capital Assets and Debt Administration

Capital Assets

By the end of 2012, the Town had invested \$76,981,407 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, site improvements, vehicles and other equipment. This amount represents a net increase of \$937,633 or 1.2% increase from last year. Additional information on the Town's capital assets can be found in Note 4 to the financial statements. Total accumulated depreciation expense was \$21,355,204 in the governmental activities and \$5,612,852 in the business-type activities.

Long-Term Debt

At year-end the Town's governmental funds had outstanding capital leases, accrued compensated absences and the 2006 Sales and Use Tax Bond outstanding, which totaled \$4,089,264 at December 31, 2012.

The Town's business-type funds have outstanding debt totaling \$695,136 at December 31, 2012.

Fiduciary Fund Activities

Oil Royalty Trust Fund

The fund received \$63,025 of oil royalties and other revenue of \$5,188 and paid out \$52,522 in scholarships and support of other community organizations. The fund balance at December 31, 2012, is \$1,304,663.

Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, taxpayers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Frederick at, 401 Locust Street, Frederick, Colorado 80530-0435

BASIC FINANCIAL STATEMENTS

TOWN OF FREDERICK, COLORADO

STATEMENT OF NET POSITION

As of December 31, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
			2012	2011
ASSETS				
Cash and Investments	\$ 8,185,981	\$ 19,759,741	\$ 27,945,722	\$ 26,036,709
Restricted Cash and Investments	-	74,297	74,297	74,297
Receivables				
Property Taxes	1,267,056	-	1,267,056	1,257,003
Sales and Other	612,188	-	612,188	522,259
Accounts	-	768,569	768,569	975,969
Prepaid Expenses	80,117	81,726	161,843	-
Bond Issue Costs, Net of Accumulated Amortization	-	-	-	96,823
Capital Assets, Not Depreciated	3,385,989	36,109,110	39,495,099	37,874,551
Capital Assets, Depreciated				
Net of Accumulated Depreciation	25,722,693	11,763,615	37,486,308	38,169,223
TOTAL ASSETS	39,254,024	68,557,058	107,811,082	105,006,834
LIABILITIES				
Accounts Payable	42,020	798,262	840,282	748,603
Accrued Salaries and Benefits	143,785	1,774	145,559	93,817
Accrued Interest	7,376	2,499	9,875	10,129
Accrued Compensated Absences	138,427	-	138,427	226,618
Developer Escrow	425,359	-	425,359	203,291
Deposits	-	26,250	26,250	48,190
Noncurrent Liabilities				
Due within One Year	220,837	49,466	270,303	330,643
Due in More Than One Year	3,730,000	645,670	4,375,670	4,646,042
TOTAL LIABILITIES	4,707,804	1,523,921	6,231,725	6,307,333
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	1,267,056	-	1,267,056	1,257,003
NET POSITION				
Net Investment in Capital Assets	25,157,845	47,177,589	72,335,434	71,067,089
Restricted for Emergencies	221,000	-	221,000	184,000
Unrestricted	7,900,319	19,855,548	27,755,867	26,191,409
TOTAL NET POSITION	\$ 33,279,164	\$ 67,033,137	\$ 100,312,301	\$ 97,442,498

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

TOWN OF FREDERICK, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 2,551,048	\$ 800	\$ 111,074	\$ 572,260
Public Safety	1,935,341	125,076	9,767	-
Public Works	3,249,055	1,151,482	-	672,577
Parks and Recreation	22,888	50,106	-	368,945
Interest on Long-Term Debt	276,551	-	-	-
Total Governmental Activities	8,034,883	1,327,464	120,841	1,613,782
Business-Type Activities				
Water	3,036,244	2,023,935	-	2,438,739
Electric	7,122,314	8,538,539	-	-
Storm Water	8,705	411,051	-	-
Interest on Long-Term Debt	32,668	-	-	-
Total Business-Type Activities	10,199,931	10,973,525	-	2,438,739
Total Primary Government	\$ 18,234,814	\$ 12,300,989	\$ 120,841	\$ 4,052,521

GENERAL REVENUES

Sales Taxes
 Property Taxes
 Franchise Taxes
 Other Taxes
 Interest
 Other

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
		2012	2011
\$ (1,866,914)	\$ -	\$ (1,866,914)	\$ (1,853,509)
(1,800,498)	-	(1,800,498)	(1,469,008)
(1,424,996)	-	(1,424,996)	(990,896)
396,163	-	396,163	353,138
(276,551)	-	(276,551)	(192,566)
<u>(4,972,796)</u>	<u>-</u>	<u>(4,972,796)</u>	<u>(4,152,841)</u>
-	1,426,430	1,426,430	639,449
-	1,416,225	1,416,225	1,389,006
-	402,346	402,346	456,600
-	(32,668)	(32,668)	(36,252)
<u>-</u>	<u>3,212,333</u>	<u>3,212,333</u>	<u>2,448,803</u>
(4,972,796)	3,212,333	(1,760,463)	(1,704,038)
2,604,990	-	2,604,990	2,126,021
1,345,225	-	1,345,225	1,271,637
143,341	-	143,341	100,793
355,696	-	355,696	281,401
33,755	80,442	114,197	152,774
66,817	-	66,817	69,169
<u>1,251,936</u>	<u>(1,251,936)</u>	<u>-</u>	<u>-</u>
<u>5,801,760</u>	<u>(1,171,494)</u>	<u>4,630,266</u>	<u>4,001,795</u>
828,964	2,040,839	2,869,803	2,297,757
<u>32,450,200</u>	<u>64,992,298</u>	<u>97,442,498</u>	<u>95,144,741</u>
<u>\$ 33,279,164</u>	<u>\$ 67,033,137</u>	<u>\$ 100,312,301</u>	<u>\$ 97,442,498</u>

TOWN OF FREDERICK, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2012

	General Fund	Street and Alley Fund	Open Space Fund	Other Governmental Funds	Total Governmental Funds	
					2012	2011
ASSETS						
Cash and Investments	\$ 2,749,892	\$ 1,927,520	\$ 1,526,029	\$ 1,982,540	\$ 8,185,981	\$ 7,264,235
Taxes Receivable	1,267,056	-	-	-	1,267,056	1,257,003
Accounts Receivable	232,287	105,560	274,260	81	612,188	522,259
Prepaid Expenses	80,117	-	-	-	80,117	-
TOTAL ASSETS	\$ 4,329,352	\$ 2,033,080	\$ 1,800,289	\$ 1,982,621	\$ 10,145,342	\$ 9,043,497
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts Payable	\$ 18,448	\$ 11,835	\$ -	\$ 11,737	\$ 42,020	\$ 192,678
Accrued Liabilities	142,858	690	237	-	143,785	93,817
Developer Escrow	105,045	320,314	-	-	425,359	203,291
TOTAL LIABILITIES	266,351	332,839	237	11,737	611,164	489,786
DEFERRED INFLOWS OF RESOURCES						
Deferred Property Tax Revenue	1,267,056	-	-	-	1,267,056	1,257,003
FUND EQUITY						
Fund Balance						
Nonspendable	80,117	-	-	-	80,117	-
Restricted for Emergencies	221,000	-	-	-	221,000	184,000
Restricted for Open Space	-	-	1,800,052	-	1,800,052	2,228,391
Restricted for Street Improvements	-	1,700,241	-	-	1,700,241	1,809,327
Restricted for Parks and Recreation	-	-	-	309,490	309,490	288,496
Committed for Parks, Open Space, and Capital Outlay	-	-	-	1,661,394	1,661,394	1,259,569
Unassigned	2,494,828	-	-	-	2,494,828	1,526,925
TOTAL FUND EQUITY	2,795,945	1,700,241	1,800,052	1,970,884	8,267,122	7,296,708
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY	\$ 4,329,352	\$ 2,033,080	\$ 1,800,289	\$ 1,982,621		

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	29,108,682	29,524,367
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include Bonds Payable of (\$3,945,000), Capital Leases (\$5,837), Accrued Compensated Absences (\$138,427), and Accrued Interest Payable (\$7,376).	(4,096,640)	(4,370,875)
Net position of governmental activities	<u>\$ 33,279,164</u>	<u>\$ 32,450,200</u>

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

TOWN OF FREDERICK, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	General Fund	Street and Alley Fund	Open Space Fund	Other Governmental Funds	Total Governmental Funds	
					2012	2011
REVENUES						
Taxes and Fees	\$ 3,175,921	\$ 1,424,912	\$ 761,258	\$ 540,000	\$ 5,902,091	\$ 4,659,253
Licenses and Permits	776,188	-	-	-	776,188	799,550
Intergovernmental	-	-	-	43,842	43,842	36,640
Charges for Services	-	375,293	-	50,906	426,199	416,775
Fines and Forfeitures	125,076	-	-	-	125,076	183,427
Grants and Contributions	113,447	-	117,103	7,393	237,943	583,511
Interest	12,272	9,032	7,391	5,060	33,755	(58,426)
Miscellaneous	65,709	1,108	-	-	66,817	69,169
TOTAL REVENUES	4,268,613	1,810,345	885,752	647,201	7,611,911	6,689,899
EXPENDITURES						
General Government	2,427,308	-	-	-	2,427,308	2,113,595
Public Safety	1,926,518	-	-	-	1,926,518	1,584,344
Public Works	638,034	610,505	30,988	137,504	1,417,031	1,258,842
Parks and Recreation	-	-	-	22,888	22,888	-
Capital Outlay	175,005	478,888	919,210	63,990	1,637,093	685,155
Debt Service						
Principal	15,958	266,779	-	-	282,737	277,981
Interest	2,798	177,060	-	-	179,858	192,814
TOTAL EXPENDITURES	5,185,621	1,533,232	950,198	224,382	7,893,433	6,112,731
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(917,008)	277,113	(64,446)	422,819	(281,522)	577,168
OTHER FINANCING SOURCES (USES)						
Transfers In	2,002,028	-	-	-	2,002,028	2,344,476
Transfers Out	-	(386,199)	(363,893)	-	(750,092)	(1,092,111)
TOTAL OTHER FINANCING SOURCES (USES)	2,002,028	(386,199)	(363,893)	-	1,251,936	1,252,365
NET CHANGE IN FUND BALANCES	1,085,020	(109,086)	(428,339)	422,819	970,414	1,829,533
FUND BALANCES, Beginning,	1,710,925	1,809,327	2,228,391	1,548,065	7,296,708	5,467,175
FUND BALANCES, Ending	<u>\$ 2,795,945</u>	<u>\$ 1,700,241</u>	<u>\$ 1,800,052</u>	<u>\$ 1,970,884</u>	<u>\$ 8,267,122</u>	<u>\$ 7,296,708</u>

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

TOWN OF FREDERICK, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 970,414
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$2,043,965) exceeded capital outlay \$1,628,280 in the current period.	(415,685)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include bond payments of \$200,000, payments of capital leases of \$82,878, change in accrued compensated absences of \$88,191, and change in accrued interest of (\$11)	371,058
Bond Issuance costs are an expenditure in the governmental funds, but are capitalized and amortized in the government-wide financial statements. This is the current year amortization expense.	<u>(96,823)</u>
Change in Net Position of Governmental Activities	<u>\$ 828,964</u>

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

TOWN OF FREDERICK, COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
As of December 31, 2012

	WATER FUND	ELECTRIC FUND	STORM WATER FUND	TOTALS	
				2012	2011
ASSETS					
Current Assets					
Cash and Investments	\$ 7,710,184	\$ 11,102,966	\$ 946,591	\$ 19,759,741	\$ 18,772,474
Restricted Cash and Investments	74,297	-	-	74,297	74,297
Accounts Receivable	119,804	603,309	45,456	768,569	975,969
Prepaid Expenses	81,726	-	-	81,726	-
Total Current Assets	<u>7,986,011</u>	<u>11,706,275</u>	<u>992,047</u>	<u>20,684,333</u>	<u>19,822,740</u>
Noncurrent Assets					
Capital Assets, net of accumulated depreciation	43,993,127	3,686,839	192,759	47,872,725	46,519,407
TOTAL ASSETS	<u>51,979,138</u>	<u>15,393,114</u>	<u>1,184,806</u>	<u>68,557,058</u>	<u>66,342,147</u>
LIABILITIES					
Current Liabilities					
Accounts Payable	259,699	538,510	53	798,262	555,925
Accrued Expenses	941	309	524	1,774	-
Accrued Interest Payable	2,499	-	-	2,499	2,764
Total Current Liabilities	<u>263,139</u>	<u>538,819</u>	<u>577</u>	<u>802,535</u>	<u>558,689</u>
Noncurrent Liabilities					
Deposits	26,250	-	-	26,250	48,190
Bonds Payable	695,136	-	-	695,136	742,970
Total Noncurrent Liabilities	<u>721,386</u>	<u>-</u>	<u>-</u>	<u>721,386</u>	<u>791,160</u>
TOTAL LIABILITIES	<u>984,525</u>	<u>538,819</u>	<u>577</u>	<u>1,523,921</u>	<u>1,349,849</u>
NET POSITION					
Net Investment in Capital Assets	43,297,991	3,686,839	192,759	47,177,589	45,776,437
Unreserved	7,696,622	11,167,456	991,470	19,855,548	19,215,861
TOTAL NET POSITION	<u>\$ 50,994,613</u>	<u>\$ 14,854,295</u>	<u>\$ 1,184,229</u>	<u>\$ 67,033,137</u>	<u>\$ 64,992,298</u>

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

TOWN OF FREDERICK, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended December 31, 2012

	WATER FUND	ELECTRIC FUND	STORM WATER FUND	TOTALS	
				2012	2011
OPERATING REVENUES					
Charges for Services	\$ 2,022,144	\$ 8,497,899	\$ -	\$ 10,520,043	\$ 9,599,396
Drainage Fees	-	-	411,051	411,051	463,243
Miscellaneous	1,791	40,640	-	42,431	70,307
TOTAL OPERATING REVENUES	2,023,935	8,538,539	411,051	10,973,525	10,132,946
OPERATING EXPENSES					
Administration	148,629	16,321	-	164,950	125,641
Operations	2,606,642	6,945,436	8,510	9,560,588	8,132,836
Depreciation	280,973	160,557	195	441,725	438,964
TOTAL OPERATING EXPENSES	3,036,244	7,122,314	8,705	10,167,263	8,697,441
OPERATING INCOME	(1,012,309)	1,416,225	402,346	806,262	1,435,505
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	34,345	42,507	3,590	80,442	211,199
Interest Expense	(32,668)	-	-	(32,668)	(36,252)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,677	42,507	3,590	47,774	174,947
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,010,632)	1,458,732	405,936	854,036	1,610,452
Capital Contributions	2,097,177	135,200	206,362	2,438,739	1,049,550
Transfers Out	(621,247)	(308,539)	(322,150)	(1,251,936)	(1,252,365)
NET INCOME	465,298	1,285,393	290,148	2,040,839	1,407,637
NET POSITION, Beginning	50,529,315	13,568,902	894,081	64,992,298	63,584,661
NET POSITION, Ending	\$ 50,994,613	\$ 14,854,295	\$ 1,184,229	\$ 67,033,137	\$ 64,992,298

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

TOWN OF FREDERICK, COLORADO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE

Year Ended December 31, 2012

Increase (Decrease) in Cash and Cash Equivalents

	WATER FUND	ELECTRIC FUND	STORM WATER FUND	TOTALS	
				2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 2,029,368	\$ 8,744,243	\$ 407,314	\$ 11,180,925	\$ 9,854,917
Cash Paid to Suppliers	(2,596,470)	(6,958,750)	(7,933)	(9,563,153)	(8,281,488)
Net Cash Provided by Operating Activities	<u>(567,102)</u>	<u>1,785,493</u>	<u>399,381</u>	<u>1,617,772</u>	<u>1,573,429</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of Property and Equipment	(1,179,387)	(490,701)	(124,955)	(1,795,043)	(169,462)
Principal Paid on Debt	(47,834)	-	-	(47,834)	(45,740)
Interest Payments	(32,933)	-	-	(32,933)	(35,028)
Capital Contributions	2,097,177	135,200	206,362	2,438,739	1,049,550
Deposits from Customers	(21,940)	-	-	(21,940)	9,943
Operating Transfers Out	(621,247)	(308,539)	(322,150)	(1,251,936)	(1,252,365)
Net Cash Used by Capital and Related Financing Activities	<u>193,836</u>	<u>(664,040)</u>	<u>(240,743)</u>	<u>(710,947)</u>	<u>(443,102)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	34,345	42,507	3,590	80,442	211,199
Net Cash Provided by Investing Activities	<u>34,345</u>	<u>42,507</u>	<u>3,590</u>	<u>80,442</u>	<u>211,199</u>
Net Increase in Cash and Cash Equivalents	(338,921)	1,163,960	162,228	987,267	1,341,526
CASH AND INVESTMENTS, Beginning	<u>8,123,402</u>	<u>9,939,006</u>	<u>784,363</u>	<u>18,846,771</u>	<u>17,505,245</u>
CASH AND INVESTMENTS, Ending	<u>\$ 7,784,481</u>	<u>\$ 11,102,966</u>	<u>\$ 946,591</u>	<u>\$ 19,834,038</u>	<u>\$ 18,846,771</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income	<u>\$(1,012,309)</u>	<u>\$ 1,416,225</u>	<u>\$ 402,346</u>	<u>\$ 806,262</u>	<u>\$ 1,435,505</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation and Amortization	280,973	160,557	195	441,725	438,964
Changes in Assets and Liabilities					
Accounts Receivable	5,433	205,704	(3,737)	207,400	(278,029)
Prepaid Expenses	(81,726)	-	-	(81,726)	-
Accounts Payable	239,587	2,697	53	242,337	(23,011)
Accrued Expenses	940	310	524	1,774	-
Total Adjustments	<u>445,207</u>	<u>369,268</u>	<u>(2,965)</u>	<u>811,510</u>	<u>137,924</u>
Net Cash Provided by Operating Activities	<u>\$ (567,102)</u>	<u>\$ 1,785,493</u>	<u>\$ 399,381</u>	<u>\$ 1,617,772</u>	<u>\$ 1,573,429</u>

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

TOWN OF FREDERICK, COLORADO

STATEMENT OF NET POSITION
OIL ROYALTY TRUST FUND
December 31, 2012

	<u>PRIVATE PURPOSE TRUST</u>
ASSETS	
Cash and Investments	\$ 1,291,002
Accounts Receivable	<u>15,031</u>
TOTAL ASSETS	<u>\$ 1,306,033</u>
LIABILITIES	
Accounts Payable	<u>1,370</u>
NET POSITION	<u><u>\$ 1,304,663</u></u>

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

TOWN OF FREDERICK, COLORADO

STATEMENT OF CHANGES IN NET POSITION
 OIL ROYALTY TRUST FUND
 Year Ended December 31, 2012

	<u>PRIVATE PURPOSE TRUST</u>
ADDITIONS	
Oil Royalties	\$ 63,025
Investment Income	<u>5,188</u>
TOTAL ADDITIONS	<u>68,213</u>
DEDUCTIONS	
Purchased Services	28,672
Scholarships	6,000
Donations	<u>17,850</u>
TOTAL DEDUCTIONS	<u>52,522</u>
CHANGE IN NET POSITION	15,691
NET POSITION, Beginning	<u>1,288,972</u>
NET POSITION, Ending	<u><u>\$ 1,304,663</u></u>

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

TOWN OF FREDERICK, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Frederick, Colorado was incorporated in 1907. The Town is governed by a Mayor and six-member council elected by the residents.

The accounting policies of the Town of Frederick, Colorado (the “Town”) conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, the Town of Frederick has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Town officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. The Town may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based on the application of these criteria, the Town does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary 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 and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

TOWN OF FREDERICK, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

TOWN OF FREDERICK, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The *Street and Alley Fund* accounts for revenues from specific sources and to account for the construction and maintenance of the Town's streets and alleys

The *Open Space Fund* accounts for allocated impact fee and sales tax revenues approved by voters to provide funding for the acquire and maintain open space areas within the Town.

The Town reports the following major proprietary funds:

The *Water Fund* accounts for the financial activities associated with the provision of water services.

The *Electric Fund* accounts for the financial activities associated with the provision of electric services.

The *Storm Water Fund* accounts for the financial activities associated with the provision of drainage services.

Additionally, the Town reports the following fund type:

The *Fiduciary Fund* accounts for the activities of the Town's oil royalties.

TOWN OF FREDERICK, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

Capital Assets

Capital assets, which include property and equipment, 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 more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Buildings	20 - 50 years
Water System	10 - 50 years
Machinery and Equipment	5 - 10 years
Vehicles	5 - 10 years
Infrastructure	10 - 30 years

Compensated Absences

Employees of the Town are allowed to accumulate unused vacation time up to 160 hours. Upon termination of employment from the Town, an employee will be compensated for all accrued vacation time at their current pay rate.

Employees are not compensated for any of their accrued sick time.

These compensated absences are recognized as current salary costs when earned in the proprietary fund types and when due in the governmental fund types. A liability has been recorded in the government-wide financial statements for the accrued compensated absences.

TOWN OF FREDERICK, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

TOWN OF FREDERICK, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Town reports prepaid expenses as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Town has also classified the Open Space Fund as restricted because its use is restricted by taxpayer initiative, the Street and Alley Fund as restricted as the revenues are restricted through taxpayer initiatives and State Statute, and the Conservation Trust Fund is classified as restricted because its revenues are restricted by State Statute.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town reports the fund balances of the Park Improvement Fund and the Capital Facilities Fund as committed as the Town has passed ordinances to create impact fees that are committed for the costs of infrastructure necessary to support new development.
- Assigned – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

TOWN OF FREDERICK, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the Town on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- In October, the Town staff submits to the Town Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- The Town Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Town Council.

TOWN OF FREDERICK, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets and Budgetary Accounting (Continued)

- Budgets are legally adopted for all funds of the Town. Budgets for the General, Special Revenue, and Private Purpose Trust Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Budgetary comparison presented for the enterprise funds are presented on a non-GAAP budgetary basis. Capital outlay and debt payments are budgeted as expenditures.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Town Council. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

Legal Compliance

At December 31, 2012, actual expenditures in the Electric Fund exceeded its budgeted amounts by \$224,527. This may be a violation of State Statute

NOTE 3: DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2012 follows:

Petty Cash	\$ 450
Cash Deposits	7,821,530
Investments	<u>21,489,041</u>
Total	<u>\$ 29,311,021</u>

The above amounts are classified in the statement of net position as follows:

Cash and Investments	\$ 27,945,722
Restricted Cash and Investments	74,297
Fiduciary Funds	<u>1,291,002</u>
Total	<u>\$ 29,311,021</u>

TOWN OF FREDERICK, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2012, State regulatory commissioners have indicated that all financial institutions holding deposits for the Town are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Town has no policy regarding custodial credit risk for deposits.

At December 31, 2012, the Town had deposits with financial institutions with a carrying amount of \$7,821,530. The bank balances with the financial institutions were \$8,104,814. Of these balances, \$500,000 was covered by federal depository insurance and \$7,604,814 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

As of December 31, 2012 the Town had the following investments and maturities:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Maturities (in Years)</u>	
		<u>0 – 1 Years</u>	<u>1 – 5 Years</u>
U.S. Government Securities	\$ 1,561,525	\$ -	\$ 1,561,525
U.S. Government Agencies	5,544,764	-	5,544,764
Corporate Bonds	2,777,084	649,783	2,127,301
Local Government Investment Pools	<u>11,605,668</u>	<u>11,605,668</u>	<u>-</u>
Total	<u>\$ 21,489,041</u>	<u>\$ 12,255,451</u>	<u>\$ 9,233,590</u>

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF FREDERICK, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The above investments are authorized for all funds and fund types used by Colorado municipalities. The Town's securities at December 31, 2012, are rated AA+ by Standard and Poor's and AAA by Moody's Investors Services for its U.S. Government Agencies and Securities. Corporate debt and Commercial Paper is rated at least AA- by Standard and Poor's and AA2 by Moody's Investors Services.

The Town had invested \$5,519,853 in the Colorado Government Liquid Asset Trust (COLOTRUST) and \$6,085,815 in the Colorado Surplus Asset Fund Trust (CSAFE), investment vehicles established for local government entities in Colorado to pool surplus funds and are registered with the State Securities Commissioner. They operate similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. Colotrust and CSAFE are rated AAAM by Standard and Poor's.

Restricted Cash

Cash is restricted for the following purposes:

Water Revenue Bond Reserve	<u>\$ 74,297</u>
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TOWN OF FREDERICK, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2012 is summarized below:

	<u>Balances</u> <u>12/31/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/12</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 2,584,217	\$ 801,772	\$ -	\$ 3,385,989
Construction in Process	<u>383,486</u>	<u>-</u>	<u>383,486</u>	<u>-</u>
Total Capital Assets, not depreciated	<u>2,967,703</u>	<u>801,772</u>	<u>383,486</u>	<u>3,385,989</u>
Capital Assets, depreciated				
Buildings	3,139,302	-	-	3,139,302
Improvements other than buildings	7,046,295	713,263	-	7,759,558
Infrastructure	32,922,972	368,679	-	33,051,024
Equipment	<u>2,759,334</u>	<u>128,052</u>	<u>-</u>	<u>3,128,013</u>
Total Capital Assets, depreciated	<u>45,867,903</u>	<u>1,209,994</u>	<u>-</u>	<u>47,077,897</u>
Less Accumulated Depreciation				
Buildings	668,230	67,461	-	735,691
Improvements	1,248,585	182,198	-	1,430,783
Infrastructure	15,712,247	1,584,146	-	17,296,393
Equipment	<u>1,682,177</u>	<u>210,160</u>	<u>-</u>	<u>1,892,337</u>
Total Accumulated Depreciation	<u>19,311,239</u>	<u>2,043,965</u>	<u>-</u>	<u>21,355,204</u>
Total Capital Assets, depreciated, Net	<u>26,556,664</u>	<u>(833,971)</u>	<u>-</u>	<u>25,722,693</u>
Governmental Activities, Capital Assets, Net	<u>\$ 29,524,367</u>	<u>\$ (32,199)</u>	<u>\$ 383,486</u>	<u>\$ 29,108,682</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental Activities

General Government	\$ 131,006
Public Safety	85,866
Public Works	<u>1,827,093</u>
Total	<u>\$ 2,043,965</u>

TOWN OF FREDERICK, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4: CAPITAL ASSETS (Continued)

	Balances <u>12/31/11</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/12</u>
Business-Type Activities				
Capital Assets, not depreciated				
Land	\$ 92,999	\$ 952,520	\$ -	\$ 1,045,519
Water Rights	33,183,548	129,960	-	33,313,508
System Enhancement	1,019,000	-	-	1,019,000
Construction in Progress	<u>611,301</u>	<u>119,782</u>	-	<u>731,082</u>
Total Capital Assets, not depreciated	<u>34,906,848</u>	<u>1,202,262</u>	-	<u>36,109,110</u>
Capital Assets, depreciated				
Intangible Assets	74,850	-	-	74,850
Buildings	150,000	325,826	-	475,826
Utility Systems	16,377,294	201,722	-	16,579,016
Equipment	<u>181,542</u>	<u>65,233</u>	-	<u>246,775</u>
Total Capital Assets, depreciated	<u>16,783,686</u>	<u>592,781</u>	-	<u>17,376,467</u>
Less: Accumulated Depreciation				
Intangible Assets	32,747	14,970	-	47,717
Buildings	66,579	8,502	-	75,081
Utility Systems	4,958,763	399,923	-	5,358,686
Equipment	<u>113,038</u>	<u>18,330</u>	-	<u>131,368</u>
Total Accumulated Depreciation	<u>5,171,127</u>	<u>441,725</u>	-	<u>5,612,852</u>
Total Capital Assets, depreciated, Net	<u>11,612,559</u>	<u>151,056</u>	-	<u>11,763,615</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 46,519,407</u>	<u>\$ 1,353,318</u>	<u>\$ -</u>	<u>\$ 47,872,725</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Business-type Activities

Water Fund	\$ 280,973
Electric Fund	160,557
Storm Water Fund	<u>195</u>
Total	<u>\$ 441,725</u>

TOWN OF FREDERICK, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2012.

	<u>Balance</u> <u>12/31/11</u>		<u>Additions</u>		<u>Payments</u>	<u>Balance</u> <u>12/31/12</u>	<u>Due In</u> <u>One Year</u>
Capital Leases	\$ 88,715	\$ -	\$ -	\$ 82,878	\$ 5,837	\$ 5,837	
Revenue Bonds	4,145,000	-	-	200,000	3,945,000	215,000	
Accrued Compensated Absences	<u>226,618</u>	<u>17,793</u>	<u>105,984</u>	<u>138,427</u>	<u>-</u>		
Total	<u>\$ 4,460,333</u>	<u>\$ 17,793</u>	<u>\$ 388,862</u>	<u>\$ 4,089,264</u>	<u>\$ 220,837</u>		

Accrued Compensated Absences are being paid from resources generated by the General Fund.

Revenue Bonds

2006 Sales and Use Tax Revenue Bonds were issued finance a portion of the construction and improvements of the section of Weld County Road 13 within the Town limits. Principal and interest payments are due annually on December 15 through December 15, 2026. Interest accrues at a rate of 4.25%.

Capital Leases

The Town has entered into several capital lease agreements to purchase vehicles and equipment which will be paid from revenues of the General, Park Improvement, and Street and Alley Funds. These leases require interest to be paid ranging from 3.95% to 7.15%. These leases mature from 2010-2012.

TOWN OF FREDERICK, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5: LONG-TERM DEBT (Continued)

Future Debt Service Requirements

Annual debt service requirements for the outstanding bonds at December 31, 2012 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 215,000	\$ 168,260	\$ 383,260
2014	225,000	157,510	382,510
2015	235,000	146,260	381,260
2016	240,000	136,860	376,860
2017	250,000	127,260	377,260
2018 - 2022	1,420,000	473,505	1,893,505
2023 - 2026	<u>1,360,000</u>	<u>148,933</u>	<u>1,508,933</u>
Total Debt Service Requirements	<u>\$ 3,945,000</u>	<u>\$ 1,358,588</u>	<u>\$ 5,303,588</u>

Following is a schedule of the future minimum lease payments required under the outstanding capital lease obligations at December 31, 2012.

<u>Year Ended December 31,</u>	
2012	<u>\$ 6,260</u>
Total Minimum Lease Payments	6,260
Less: Interest	<u>(423)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 5,837</u>

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2012.

	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/12</u>	<u>Due In</u> <u>One Year</u>
2003 Water Revenue Note Payable	\$ <u>742,970</u>	\$ <u>-</u>	\$ <u>47,834</u>	\$ <u>695,136</u>	\$ <u>49,466</u>
Total	<u>\$ 742,970</u>	<u>\$ -</u>	<u>\$ 47,834</u>	<u>\$ 695,136</u>	<u>\$ 49,466</u>

TOWN OF FREDERICK, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE 5: LONG-TERM DEBT (Continued)

Water Revenue Note Payable

2003 Water Revenue Note Payable was issued to pay for improvements to rehabilitate Milavec Lake. Principal payments are due annually on December 1 and interest payments are due semi-annually on June 1 and December 1, through January 1, 2024. Interest accrues at a rate of 4.50%.

Future Debt Service Requirements

Annual debt service requirements for the outstanding bonds at December 31, 2012 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 49,466	\$ 31,001	\$ 80,467
2014	51,730	28,738	80,468
2015	54,097	26,370	80,467
2016	56,573	23,894	80,467
2017	59,162	21,305	80,467
2018-2022	338,989	63,348	402,337
2023	<u>85,119</u>	<u>2,639</u>	<u>87,758</u>
Total Debt Service Requirements	<u>\$ 695,136</u>	<u>\$ 197,295</u>	<u>\$ 892,431</u>

NOTE 6: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2012, were comprised of the following:

Street and Alley Fund	\$ 386,199
Open Space Fund	363,893
Water Fund	621,247
Electric Fund	308,539
Storm Water Fund	<u>322,150</u>
Transfer to the General Fund	<u>\$ 2,002,028</u>

These transfers were made to assist the General Fund with operating and administrative costs. These transfers are budgeted annually.

TOWN OF FREDERICK, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 7: RETIREMENT COMMITMENTS

Police Pension Plan

Plan Description – The Town’s full-time police officers participate in an FPPA Supplemental Social Security Program designed to provide supplementary coverage under the statewide plan. The FPPA Social Security Supplemental Retirement Plan was implemented on January 1, 2007, and provides a benefit payable over a member’s lifetime based upon his/her Highest Average Salary (HAS) and years of service. It is supplemental to any Social Security benefits that a member may receive. The new plan is designed to give half the benefit of the Statewide Defined Benefit Plan for half the cost. The employer and member each contribute 4 percent.

FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by contacting FPPA.

Funding Policy – The contribution requirements of plan members and the Town are established and may be amended by the State legislature. Both the Town and the employee contribute 4.0% of the employee’s covered salary. The Town and employee contributions to the Plan for the years ending December 31, 2011 and 2012 were \$41,259 and \$42,516, respectively, equal to the required contributions.

Deferred Compensation Plan

All full-time employees are eligible to participate in a voluntary 457 Deferred Comp Plan. The Plan is administered by the International City/County Management Association (ICMA-RC). The Town matches up to 4%. The Town contributed \$41,184 and \$47,967 to the plan for the years ended December 31, 2011 and 2012, respectively, equal to the required contribution.

NOTE 8: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Town carries commercial insurance to cover these risks. The Town has not had any claims that exceeded insurable amounts for the last three years.

TOWN OF FREDERICK, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 9: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. On November 8, 1994, voters within the Town approved the collection, retention and expenditure of the full revenues generated pursuant to its existing sales and use tax code by the Town in 1994 and subsequent years for debt services, municipal operations, capital projects, and/or lawful municipal purposes, notwithstanding the provisions of the Amendment.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2012, the emergency reserve of \$221,000 was recorded in the General Fund.

NOTE 10: SUBSEQUENT EVENTS

The Town has evaluated subsequent events through the date which the financial statements were issued. There were no material subsequent events that required recognition or additional disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FREDERICK, COLORADO

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2012

	2012			VARIANCE	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Taxes and Fees	\$ 2,849,601	\$ 3,219,296	\$ 3,175,921	\$ (43,375)	\$ 2,705,086
Licenses and Permits	685,400	685,400	776,188	90,788	799,550
Fines and Forfeitures	129,000	129,000	125,076	(3,924)	183,427
Grants and Contributions	70,550	70,550	113,447	42,897	50,125
Interest	3,790	3,790	12,272	8,482	(126,048)
Miscellaneous	53,539	53,539	65,709	12,170	69,974
TOTAL REVENUES	<u>3,791,880</u>	<u>4,161,575</u>	<u>4,268,613</u>	<u>107,038</u>	<u>3,682,114</u>
EXPENDITURES					
General Government	2,414,388	2,527,287	2,427,308	99,979	2,113,595
Public Safety	1,680,930	1,680,930	1,926,518	(245,588)	1,584,344
Public Works	801,516	801,516	638,034	163,482	603,610
Capital Outlay	682,500	682,500	175,005	507,495	-
Debt Service					
Principal	18,756	18,756	15,958	2,798	15,958
Interest	-	-	2,798	(2,798)	2,798
TOTAL EXPENDITURES	<u>5,598,090</u>	<u>5,710,989</u>	<u>5,185,621</u>	<u>525,368</u>	<u>4,320,305</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,806,210)</u>	<u>(1,549,414)</u>	<u>(917,008)</u>	<u>632,406</u>	<u>(638,191)</u>
OTHER FINANCING SOURCES					
Transfers In	<u>2,002,028</u>	<u>2,002,028</u>	<u>2,002,028</u>	<u>-</u>	<u>2,344,476</u>
NET CHANGE IN FUND BALANCE	195,818	452,614	1,085,020	632,406	1,706,285
FUND BALANCE, Beginning	<u>1,568,762</u>	<u>1,568,762</u>	<u>1,710,925</u>	<u>142,163</u>	<u>4,640</u>
FUND BALANCE, Ending	<u>\$ 1,764,580</u>	<u>\$ 2,021,376</u>	<u>\$ 2,795,945</u>	<u>\$ 774,569</u>	<u>\$ 1,710,925</u>

See the accompanying independent auditors' report.

TOWN OF FREDERICK, COLORADO

STREET AND ALLEY FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2012

	2012			VARIANCE	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Taxes and Fees	\$ 1,053,430	\$ 1,280,800	\$ 1,424,912	\$ 144,112	\$ 1,223,427
Charges for Services	350,240	350,240	375,293	25,053	358,443
Contributions	300,000	300,000	-	(300,000)	382,840
Interest	1,800	1,800	9,032	7,232	21,943
Miscellaneous	1,360	1,360	1,108	(252)	(805)
TOTAL REVENUES	<u>1,706,830</u>	<u>1,934,200</u>	<u>1,810,345</u>	<u>(123,855)</u>	<u>1,985,848</u>
EXPENDITURES					
Public Works	688,304	719,804	610,505	109,299	546,360
Capital Outlay	965,000	1,026,000	478,888	547,112	250,815
Debt Service					
Principal	266,780	266,780	266,779	1	262,023
Interest	176,835	176,910	177,060	(150)	190,016
TOTAL EXPENDITURES	<u>2,096,919</u>	<u>2,189,494</u>	<u>1,533,232</u>	<u>656,262</u>	<u>1,249,214</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(390,089)</u>	<u>(255,294)</u>	<u>277,113</u>	<u>532,407</u>	<u>736,634</u>
OTHER FINANCING USES					
Transfers Out	<u>(386,199)</u>	<u>(386,199)</u>	<u>(386,199)</u>	<u>-</u>	<u>(404,077)</u>
NET CHANGE IN FUND BALANCE	<u>(776,288)</u>	<u>(641,493)</u>	<u>(109,086)</u>	<u>532,407</u>	<u>332,557</u>
FUND BALANCE, Beginning	1,543,349	1,543,349	1,809,327	265,978	1,565,314
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,544)</u>
FUND BALANCE, Ending	<u>\$ 767,061</u>	<u>\$ 901,856</u>	<u>\$ 1,700,241</u>	<u>\$ 798,385</u>	<u>\$ 1,809,327</u>

See the accompanying independent auditors' report.

TOWN OF FREDERICK, COLORADO

OPEN SPACE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2012

	2012			VARIANCE	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Taxes	\$ 117,347	\$ 359,900	\$ 520,998	\$ 161,098	\$ 405,940
Open Space Fees	211,000	211,000	240,260	29,260	54,000
Grants and Contributions	17,103	17,103	117,103	100,000	150,546
Interest Income	1,550	1,550	7,391	5,841	25,256
TOTAL REVENUES	<u>347,000</u>	<u>589,553</u>	<u>885,752</u>	<u>296,199</u>	<u>635,742</u>
EXPENDITURES					
Public Works	34,000	49,100	30,988	18,112	13,153
Capital Outlay	50,000	1,205,361	919,210	286,151	427,805
TOTAL EXPENDITURES	<u>84,000</u>	<u>1,254,461</u>	<u>950,198</u>	<u>304,263</u>	<u>440,958</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>263,000</u>	<u>(664,908)</u>	<u>(64,446)</u>	<u>600,462</u>	<u>194,784</u>
OTHER FINANCING USES					
Transfers Out	<u>(363,893)</u>	<u>(363,893)</u>	<u>(363,893)</u>	<u>-</u>	<u>(353,294)</u>
TOTAL OTHER FINANCING USES	<u>(363,893)</u>	<u>(363,893)</u>	<u>(363,893)</u>	<u>-</u>	<u>(353,294)</u>
NET CHANGE IN FUND BALANCES	(100,893)	(1,028,801)	(428,339)	600,462	(158,510)
FUND BALANCES, Beginning	1,974,531	1,974,531	2,228,391	253,860	2,298,357
Prior Period Adjustment	-	-	-	-	88,544
FUND BALANCES, Ending	<u>\$ 1,873,638</u>	<u>\$ 945,730</u>	<u>\$ 1,800,052</u>	<u>\$ 854,322</u>	<u>\$ 2,228,391</u>

See the accompanying independent auditors' report.

COMBINING AND INDIVIDUAL FUND SCHEDULES

TOWN OF FREDERICK, COLORADO

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 December 31, 2012

	SPECIAL REVENUE			TOTALS	
	CONSERVATION TRUST FUND	CAPITAL FACILITIES FUND	PARK IMPROVEMENT FUND	2012	2011
ASSETS					
Cash and Investments	\$ 309,490	\$ 665,908	\$ 1,007,142	\$ 1,982,540	\$ 1,540,599
Accounts Receivable	-	-	81	81	9,313
TOTAL ASSETS	<u>\$ 309,490</u>	<u>\$ 665,908</u>	<u>\$ 1,007,223</u>	<u>\$ 1,982,621</u>	<u>\$ 1,549,912</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ -	\$ 8,375	\$ 3,362	\$ 11,737	\$ 1,847
TOTAL LIABILITIES	<u>-</u>	<u>8,375</u>	<u>3,362</u>	<u>11,737</u>	<u>1,847</u>
FUND EQUITY					
Fund Balance					
Restricted for Parks & Recreation	309,490	-	-	309,490	288,496
Committed for Parks, Open Space, and Capital Outlay	-	657,533	1,003,861	1,661,394	1,259,569
TOTAL FUND EQUITY	<u>309,490</u>	<u>657,533</u>	<u>1,003,861</u>	<u>1,970,884</u>	<u>1,548,065</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 309,490</u>	<u>\$ 665,908</u>	<u>\$ 1,007,223</u>	<u>\$ 1,982,621</u>	<u>\$ 1,549,912</u>

See the accompanying independent auditors' report.

TOWN OF FREDERICK, COLORADO

NONMAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended December 31, 2012

	SPECIAL REVENUE			TOTALS	
	CONSERVATION	CAPITAL	PARK	2012	2011
	TRUST FUND	FACILITIES FUND	IMPROVEMENT FUND		
REVENUES					
Capital Improvement Fees	\$ -	\$ 332,000	\$ -	\$ 332,000	\$ 162,000
Intergovernmental	43,842	-	-	43,842	36,640
Park Impact Fees	-	-	208,000	208,000	108,800
Charges for Services	-	800	50,106	50,906	58,332
Grants and Contributions	-	7,393	-	7,393	-
Interest Income	40	1,184	3,836	5,060	20,423
TOTAL REVENUES	43,882	341,377	261,942	647,201	386,195
EXPENDITURES					
Public Works	-	37,951	99,553	137,504	95,719
Parks and Recreation	22,888	-	-	22,888	-
Capital Outlay	-	-	63,990	63,990	6,535
TOTAL EXPENDITURES	22,888	37,951	163,543	224,382	102,254
EXCESS OF REVENUES OVER EXPENDITURES	20,994	303,426	98,399	422,819	283,941
OTHER FINANCING USES					
Transfers Out	-	-	-	-	(334,740)
NET CHANGE IN FUND BALANCES	20,994	303,426	98,399	422,819	(50,799)
FUND BALANCES, Beginning	288,496	354,107	905,462	1,548,065	1,598,864
FUND BALANCES, Ending	\$ 309,490	\$ 657,533	\$ 1,003,861	\$ 1,970,884	\$ 1,548,065

See the accompanying independent auditors' report.

TOWN OF FREDERICK, COLORADO

CONSERVATION TRUST FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2012

	2012			VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Intergovernmental	\$ 35,000	\$ 43,000	\$ 43,842	\$ 842	\$ 36,640
Interest Income	-	-	40	40	3,087
TOTAL REVENUES	35,000	43,000	43,882	882	39,727
EXPENDITURES					
Parks and Recreation	-	22,888	22,888	-	-
TOTAL EXPENDITURES	-	22,888	22,888	-	-
NET CHANGE IN FUND BALANCE	35,000	20,112	20,994	882	39,727
FUND BALANCE, Beginning	326,095	326,095	288,496	(37,599)	248,769
FUND BALANCE, Ending	\$ 361,095	\$ 346,207	\$ 309,490	\$ (36,717)	\$ 288,496

See the accompanying independent auditors' report.

TOWN OF FREDERICK, COLORADO

CAPITAL FACILITIES FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2012

	2012			VARIANCE	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Capital Improvement Fees	\$ 27,250	\$ 323,915	\$ 332,000	\$ 8,085	\$ 162,000
Charges for Services	-	-	800	800	1,180
Grants and Contributions	16,250	16,250	7,393	(8,857)	-
Interest Income	100	100	1,184	1,084	3,382
TOTAL REVENUES	43,600	340,265	341,377	1,112	166,562
EXPENDITURES					
Public Works	21,150	37,951	37,951	-	34,399
TOTAL EXPENDITURES	21,150	37,951	37,951	-	34,399
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,450	302,314	303,426	1,112	132,163
NET CHANGE IN FUND BALANCES	22,450	302,314	303,426	1,112	132,163
FUND BALANCES, Beginning	334,683	334,683	354,107	19,424	221,944
FUND BALANCES, Ending	\$ 357,133	\$ 636,997	\$ 657,533	\$ 20,536	\$ 354,107

See the accompanying independent auditors' report.

TOWN OF FREDERICK, COLORADO

PARK IMPROVEMENT FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2012

	2012			VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Park Impact Fees	\$ 114,740	\$ 182,000	\$ 208,000	\$ 26,000	\$ 108,800
Charges for Services	50,110	50,110	50,106	(4)	57,152
Interest Income	800	800	3,836	3,036	10,062
TOTAL REVENUES	<u>165,650</u>	<u>232,910</u>	<u>261,942</u>	<u>29,032</u>	<u>176,014</u>
EXPENDITURES					
Public Works	92,600	97,600	99,553	(1,953)	61,320
Reimbursements	85,000	85,000	-	85,000	-
Capital Outlay	-	64,000	63,990	10	6,535
TOTAL EXPENDITURES	<u>177,600</u>	<u>246,600</u>	<u>163,543</u>	<u>83,057</u>	<u>67,855</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,950)</u>	<u>(13,690)</u>	<u>98,399</u>	<u>112,089</u>	<u>108,159</u>
NET CHANGE IN FUND BALANCES	(11,950)	(13,690)	98,399	112,089	108,159
FUND BALANCES, Beginning	<u>859,975</u>	<u>859,975</u>	<u>905,462</u>	<u>45,487</u>	<u>797,303</u>
FUND BALANCES, Ending	<u>\$ 848,025</u>	<u>\$ 846,285</u>	<u>\$ 1,003,861</u>	<u>\$ 157,576</u>	<u>\$ 905,462</u>

See the accompanying independent auditors' report.

TOWN OF FREDERICK, COLORADO

WATER FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2012

	2012			VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Charges for Services	\$ 1,881,781	\$ 1,881,781	\$ 2,022,144	\$ 140,363	\$ 1,698,330
Contributions	772,449	2,074,400	2,097,177	22,777	1,000,800
Interest Income	1,020	1,020	34,345	33,325	93,223
Miscellaneous	-	-	1,791	1,791	20,113
TOTAL REVENUES	<u>2,655,250</u>	<u>3,957,201</u>	<u>4,155,457</u>	<u>198,256</u>	<u>2,812,466</u>
EXPENDITURES					
Administration	133,520	192,520	148,629	43,891	121,107
Operations	1,084,500	2,665,500	2,591,422	74,078	1,723,401
Capital Outlay	338,000	1,428,825	1,194,607	234,218	143,595
Depreciation Expense	-	290,800	280,973	9,827	284,036
Debt Service	80,617	80,617	80,502	115	81,992
Transfers Out	638,968	638,968	621,247	17,721	640,046
TOTAL EXPENDITURES	<u>2,275,605</u>	<u>5,297,230</u>	<u>4,917,380</u>	<u>379,850</u>	<u>2,994,177</u>
NET INCOME, Budget Basis	<u>\$ 379,645</u>	<u>\$ (1,340,029)</u>	(761,923)	<u>\$ 578,106</u>	(181,711)
GAAP BASIS ADJUSTMENTS					
Capital Outlay			1,179,387		143,595
Principal Paid on Long-Term Debt			47,834		45,740
NET INCOME, GAAP Basis			465,298		7,624
NET POSITION, Beginning			<u>50,529,315</u>		<u>50,521,691</u>
NET POSITION, Ending			<u>\$ 50,994,613</u>		<u>\$ 50,529,315</u>

See the accompanying independent auditors' report.

TOWN OF FREDERICK, COLORADO

ELECTRIC FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2012

	2012			VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Charges for Services	\$ 7,461,220	\$ 7,991,816	\$ 8,497,899	\$ 506,083	\$ 7,901,066
Contribution	312,500	418,000	135,200	(282,800)	48,750
Interest Income	7,600	8,250	42,507	34,257	109,692
Miscellaneous	40,180	40,180	40,640	460	50,024
TOTAL REVENUES	<u>7,821,500</u>	<u>8,458,246</u>	<u>8,716,246</u>	<u>258,000</u>	<u>8,109,532</u>
EXPENDITURES					
Administration	60,500	60,500	16,321	44,179	4,534
Operations	5,765,500	6,389,038	6,945,436	(556,398)	6,402,622
Capital Outlay	790,050	790,050	490,701	299,349	25,866
Depreciation Expense	-	148,900	160,557	(11,657)	154,928
Transfers Out	308,539	308,539	308,539	-	299,552
TOTAL EXPENDITURES	<u>6,924,589</u>	<u>7,697,027</u>	<u>7,921,554</u>	<u>(224,527)</u>	<u>6,887,502</u>
NET INCOME, Budget Basis	<u>\$ 896,911</u>	<u>\$ 761,219</u>	794,692	<u>\$ 33,473</u>	1,222,030
GAAP BASIS ADJUSTMENTS					
Capital Outlay			490,701		25,866
NET INCOME, GAAP Basis			1,285,393		1,247,896
NET POSITION, Beginning			13,568,902		12,321,006
NET POSITION, Ending			<u>\$ 14,854,295</u>		<u>\$ 13,568,902</u>

See the accompanying independent auditors' report.

TOWN OF FREDERICK, COLORADO

STORM WATER FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2012

	2012			VARIANCE	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Drainage Fees	\$ 370,000	\$ 370,000	\$ 411,051	\$ 41,051	\$ 463,243
Contributions	136,483	190,000	206,362	16,362	-
Interest Income	-	-	3,590	3,590	8,284
Miscellaneous	-	-	-	-	170
TOTAL REVENUES	<u>506,483</u>	<u>560,000</u>	<u>621,003</u>	<u>61,003</u>	<u>471,697</u>
EXPENDITURES					
Operations	11,700	51,900	8,510	43,390	6,813
Capital Outlay	49,800	98,600	124,955	(26,355)	-
Depreciation Expense	-	-	195	(195)	-
Transfers Out	<u>322,150</u>	<u>322,150</u>	<u>322,150</u>	<u>-</u>	<u>312,767</u>
TOTAL EXPENDITURES	<u>383,650</u>	<u>472,650</u>	<u>455,810</u>	<u>16,840</u>	<u>319,580</u>
NET INCOME, Budget Basis	<u>\$ 122,833</u>	<u>\$ 87,350</u>	165,193	<u>\$ 77,843</u>	152,117
GAAP BASIS ADJUSTMENTS					
Capital Outlay			<u>124,955</u>		<u>-</u>
NET INCOME, GAAP Basis			290,148		152,117
NET POSITION, Beginning			<u>894,081</u>		<u>741,964</u>
NET POSITION, Ending			<u>\$ 1,184,229</u>		<u>\$ 894,081</u>

See the accompanying independent auditors' report.

TOWN OF FREDERICK, COLORADO

OIL ROYALTY TRUST FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2012

	2012			VARIANCE	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Oil Royalties	\$ 32,000	\$ 44,520	\$ 63,025	\$ 18,505	\$ 93,577
Investment Income	-	1,000	5,188	4,188	14,662
TOTAL REVENUES	32,000	45,520	68,213	22,693	108,239
EXPENDITURES					
Purchased Services	26,500	30,000	28,672	1,328	12,537
Scholarships	-	6,000	6,000	-	4,000
Donations	-	22,500	17,850	4,650	13,950
TOTAL EXPENDITURES	26,500	58,500	52,522	5,978	30,487
CHANGE IN NET POSITION	5,500	(12,980)	15,691	28,671	77,752
NET ASSETS, Beginning	1,273,527	1,273,527	1,288,972	15,445	1,211,220
NET ASSETS Ending	\$ 1,279,027	\$ 1,260,547	\$ 1,304,663	\$ 44,116	\$ 1,288,972

See the accompanying independent auditors' report.

STATE COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT	City or County:
	YEAR ENDING : December 2012

This Information From The Records Of (example - City of _ or County of _ Town of Frederick	Prepared By: Phone:	Mitzi McCoy 720-382-5561
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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)	378,623
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	87,969
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	31,099
3. Other local imposts (from page 2)	884,336	c. Other	86,669
4. Miscellaneous local receipts (from page 2)	16,066	d. Total (a. through c.)	117,768
5. Transfers from toll facilities		4. General administration & miscellaneous	480,570
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	1,064,930
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)	900,402	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	409,104	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	176,760
E. Total receipts (A.7 + B + C + D)	1,309,506	b. Redemption	200,000
		c. Total (a. + b.)	376,760
		3. Total (1.c + 2.c)	376,760
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,441,690

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
	2,126,795	1,309,506	1,441,690	1,994,611	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2012

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	9,032
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	480,445	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	303,442	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	100,449	g. Other Misc. Receipts	7,034
6. Total (1. through 5.)	884,336	h. Other	
c. Total (a. + b.)	884,336	i. Total (a. through h.)	16,066
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	369,136	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	39,968	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.)	39,968	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	409,104	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			9,811
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			368,812
(5). Total Construction (1) + (2) + (3) + (4)	0	0	368,812
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	378,623
			(Carry forward to page 1)

Notes and Comments: