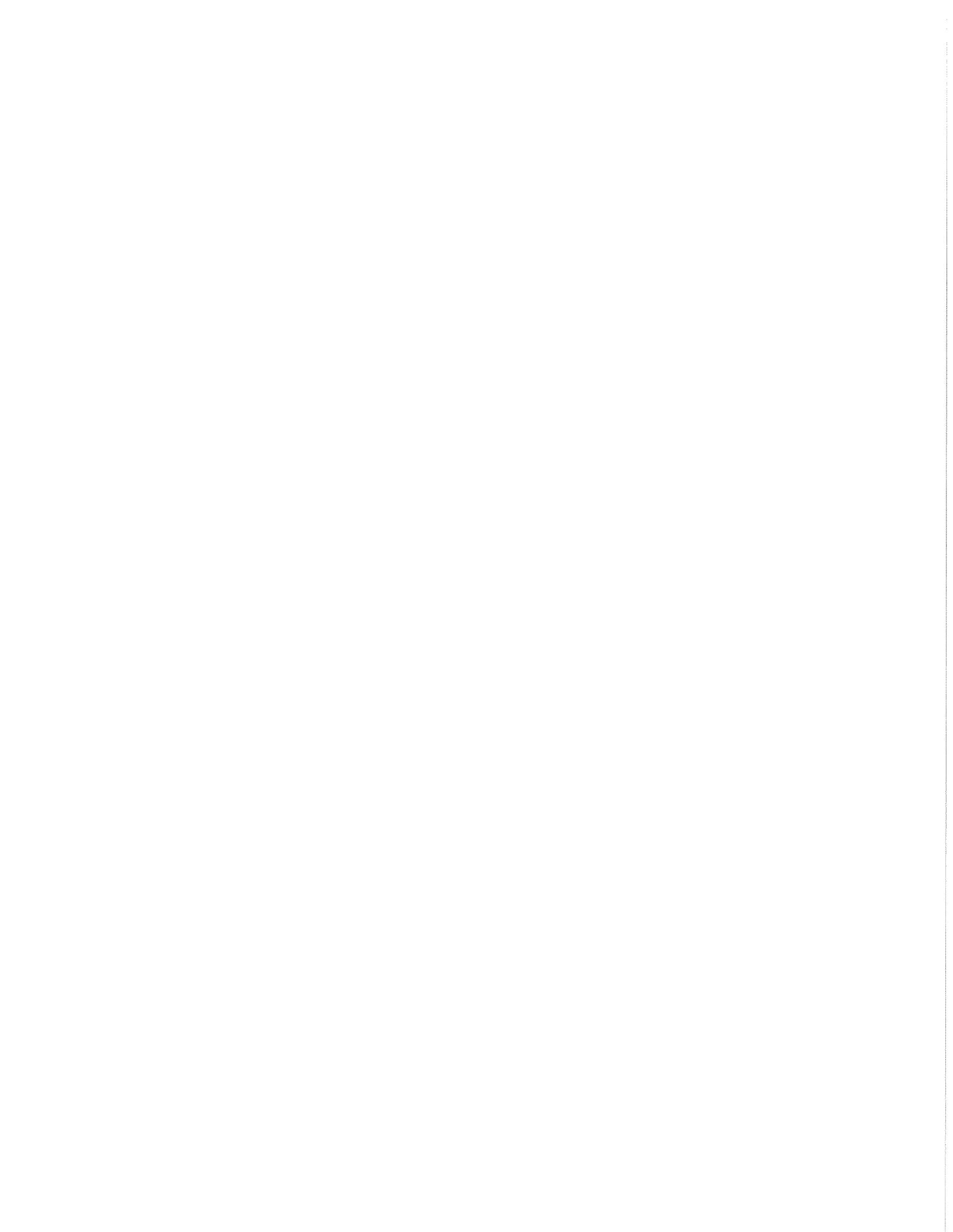




CITY OF CENTRAL, COLORADO
BASIC AUDITED FINANCIAL STATEMENTS
December 31, 2012



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Financial Report
December 31, 2012
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**JOHN CUTLER
& ASSOCIATES**

City Council
City of Central, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Central, Colorado, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City'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 did not audit the financial statements of the City of Central Business Improvement District, which is presented as a discrete component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Central, Colorado, is based solely on the report of the other auditors. 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.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Central, 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 required supplementary information 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 City's basic financial statements. The combining and individual fund schedules and the Local Highway Finance Report 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 and individual fund schedules and the Local Highway Finance Report are fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

August 27, 2013

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City of Central, Colorado
Management Discussion & Analysis
December 31, 2012

As management of the City of Central, (“City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year that ended December 31, 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements as well as providing the reader with greater detail and explanation of areas and/or issues that the City’s Management feels are significant. The following discussion and analysis is divided into two basic parts. The first section provides an overview and discussion of the basic components of the financial statements as well as explains the types of analysis that take place within each component. The second section of this report follows the frame-work laid out in the first section and provides figurative analysis of the financial statements themselves. For better understanding, Management suggests reviewing the financial statements in conjunction with this report.

All financial statements include three basic components which are as follows: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. Each of these components provides readers with differing levels of detail and discusses the City’s activities and financial position in different scopes. Each of the three components will be discussed below.

1) Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business. For that reason, the government-wide financial statements are calculated using the Accrual basis of accounting like the private-sector. Government-wide statements incorporate all aspects of the City’s financial condition and allow the reader a general knowledge of financial activities.

The *Statement of Net Position* presents information on all City assets and liabilities, with the difference between the two 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 City is improving or deteriorating. The information presented in this report focuses on the TOTAL changes for various assets and liabilities.

The second type of analysis used to give the reader a broad overview of City financials is the *Statement of Activities*. This report incorporates information from the Statement of Net Position and presents information showing how the government’s net position has changed during the most recent fiscal year. While the Statement of Net Position focuses on total changes in Assets and Liabilities, the Statement of Activities focuses on the underlying causes of those total changes.

Both of the government-wide financial statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental

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activities). The governmental activities of the City include general government, public safety (police and fire), streets, historic preservation and parks. The business-type activities of the City include water distribution and system maintenance.

The government-wide financial statements can be found on pages C1 and C2 of this report.

2) Fund financial statements: Fund Financial Statements are the second component (of three) in the City's Financial Statements and detail the status and changes within certain Fund groups. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements are prepared using the *modified accrual basis* of accounting. Because this basis is different than that used for government-wide reporting, reconciliations are presented to detail the differences. All City funds can be divided into three separate categories: governmental, proprietary funds and fiduciary.

Governmental Funds: Governmental funds are used to monitor and account for essentially the same functions that are called "governmental activities" in the government-wide financial statements. However, governmental fund financial statements focus their attention on *current financial resources* that are available to finance the programs and activities of the current period. These financial statements also illustrate balances of spendable resources available at the end of the fiscal year. This type of information can be used to help evaluate a government's capacity to finance near-term operations and programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In doing so, readers are able to better understand the long-term impact of a government's near-term financing decisions. Reports presented at this scope include the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance*. These analyses provide reconciliation between governmental funds and governmental activities so that the reader may make comparisons between the two.

The City of Central maintains seven (7) individual governmental funds. Information regarding these funds is presented in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance. Three (3) of these funds (General, Historic Preservation and Debt Service) are considered to be "major funds" and are therefore separately identified. The remaining four (4) funds are presented in aggregate and individual information for these funds is provided in another section of the financial statements.

The City adopts an annual appropriated budget for all governmental funds in order to monitor and maintain accepted levels of change. A budgetary comparison statement is also provided for all governmental funds to demonstrate compliance with both municipal and state budget statutes. The governmental funds financial statements can be found on pages C3 through C6 of this report.

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Proprietary Funds: The City currently maintains one proprietary fund commonly known as an “enterprise fund”. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The main distinction between governmental funds and enterprise funds is that enterprise funds are used to account for activities that are supported by fees charged for goods and services. In the City’s case, the enterprise fund is used to account for and maintain the water system operations and all related financial activity.

Proprietary funds are accounted for using the Accrual basis; the same bases used in government-wide statements and therefore provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages C7 through C10 of this report.

Fiduciary Fund: Fiduciary funds are used to maintain and account for resources that are held outside of the government but for the benefit of governmental parties. The City currently has one fiduciary fund; the Fireman’s Pension Trust Fund. These funds are not reflected in government-wide financial statements because they are not available for the use of the City’s programs. Accounting for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages C11 through C12 of this report.

3) Notes to the Financial Statements: The third and final component of the Financial Statements is the 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. They also describe items and/or events that have impacted the financial statements. The Notes to the Financial Statements can be found on pages D1 through D39 of this report.

Government-Wide Financial Analysis

As mentioned previously, the government-wide financial statements are designed to provide readers with a broad overview and long-term analysis of the City’s finances, in a manner similar to a private-sector business. The largest portion of the City’s assets is reflected in the investment in capital assets (i.e. land, buildings, improvements, and equipment). Capital assets account for 96% of total assets; an increase of 1% over 2011’s percentage of overall assets. While capital assets make up the most significant portion of the City’s Net Position, it is the cash investments, receivables and prepaids with which the City operates. The capital assets increase in concentration of total assets is the result of significant decreases in both unrestricted and restricted cash and investments. This decrease of 33% in unrestricted cash and investments and 70% decrease in restricted cash and investments are related primarily to the use of lease-purchase proceeds for the Ennovate contract within the Historic Preservation Fund in the amount of \$482,273. The funds were received in 2011 and used for the project in 2012. Overall, the City’s Total Net Position decreased by 5%, or \$2,616,699.

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The City utilizes both types of assets described above to provide services to citizens and visitors and to fund daily City operations. The following table shows the City's *Net Position* for 2012 and 2011.

	City of Central's Net Position					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	1,821,808	2,743,682	9,282	111,581	1,831,090	2,855,263
Capital assets	37,656,905	38,974,736	10,702,075	10,968,544	48,358,980	49,943,280
Total Assets	39,478,713	41,718,418	10,711,357	11,080,125	50,190,070	52,798,543
Other liabilities	511,876	1,356,855	154,318	154,886	666,194	1,511,741
Due to (from) other fund	(1,232,994)	(1,089,205)	1,232,994	1,089,205	-	-
Long-term liabilities outstanding	1,692,946	2,395,895	-	7,308	1,692,946	2,403,203
Total Liabilities	971,828	2,663,545	1,387,312	1,251,399	2,359,140	3,914,944
Deferred Inflow of Resources	333,698	-	-	-	333,698	-
Net assets:						
Net Investment in capital assets	35,963,959	36,679,352	10,702,075	10,968,544	46,666,034	47,647,896
Restricted for Emergencies	204,726	204,248	-	-	204,726	204,248
Restricted	689,793	1,157,364	-	-	689,793	1,157,364
Unrestricted	1,314,709	1,013,909	(1,378,030)	(1,139,818)	(63,321)	(125,909)
Total Net Position	38,173,187	39,054,873	9,324,045	9,828,726	47,497,232	48,883,599

As illustrated above, the City had a significant decrease in current assets in 2012; current assets decreased by \$921,874 or 34%. This decrease is largely the result of the abovementioned use of the Ennovate lease proceeds as well as a decrease in unrestricted cash and investments within the Historic Preservation Fund that was used for projects. The Ennovate contract was executed late in 2011 and the funding for the project was received late in December 2011. However, the project did not begin until 2012. This means that the \$482,773 was shown as a current cash asset in 2011 and was completely used in 2012.

The business-type (Water Fund) cash and other assets decreased by \$102,299 (92%) due to cash and investments being completely depleted during the year. In fact, the shortfall in cash and investments within the Water Fund was \$143,789 and was covered by funding in Governmental Activities. This loan to cover the depletion in cash and investments is illustrated above by the increase in Due to (from) other funds under Business-type activities. The Water Fund's total assets decreased by \$368,768, or 3% between 2011 and 2012. The continued decrease in total assets is a direct result of the fund's user charges not fully supporting expenses. The City did complete the residential meter project referenced in 2011's report and expects that the implementation of a tiered water rate system in 2012 will decrease the shortage in revenues in part.

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Capital Assets decreased slightly by 3%, \$1,584,300. This decrease is due primarily to annual depreciation for both governmental and business-type activities in the amount of \$2,712,168. The difference between depreciation and the overall decrease in capital assets is from acquiring capital assets in the amount of \$1,127,868 and a loss on disposals that totaled \$492. While this minimal decrease in capital assets is a positive note, it is important to recognize that the City's capital assets are reported *net* of related debt. Therefore, the resources needed to repay that debt are derived from the current assets and revenues on hand. This means that while capital assets are important, they cannot be used when the payments for those assets are due.

Total liabilities decreased by \$1,555,804 (40%) during the year. Approximately 9% of the overall decrease is related to the new classification of deferred property tax revenues as a deferred inflow of resources. This change is reflected in the above chart in the amount of \$333,698. The remainder of the decrease in total liabilities made up of a substantial decrease in accounts payables and a reduction in the amount of bonded debt payable. The significant decrease in accounts payables in the Governmental Activities is related to there being a number of large invoices outstanding for the Main Street Streetscape at the end of 2011. As the project was completed in 2011 and the beginning of 2012, this was not the case for the end of the year.

The chart on the following page identifies the City's *Changes in Net Position* based upon

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES:						
Program revenues:						
Charges for services	206,188	201,175	443,383	385,285	649,571	586,460
Operating Grants & Contributions	525,209	505,164	-	-	525,209	505,164
Capital Grants & Contributions	-	-	-	85,640	-	85,640
General revenues:						
Property taxes	308,621	410,548	-	-	308,621	410,548
Sales and use taxes	759,591	981,315	-	-	759,591	981,315
Lodging Tax	48,060	43,977	-	-	48,060	43,977
State Gaming Tax	841,882	812,685	-	-	841,882	812,685
Device Fees	3,066,871	2,804,410	-	-	3,066,871	2,804,410
Investment Income	2,175	1,176	-	-	2,175	1,176
Other revenue	223,082	449,177	168	644	223,250	449,821
Transfers	-	-	-	-	-	-
Total Revenues	5,981,679	6,209,627	443,551	471,569	6,425,230	6,681,196
EXPENSES:						
General Government	1,702,357	1,637,721	-	-	1,702,357	1,637,721
Public Safety	942,503	866,866	-	-	942,503	866,866
Public Works	4,149,098	3,912,411	-	-	4,149,098	3,912,411
Cultural and Recreational	-	-	-	-	-	37,500
Interest on Long-term Debt	49,955	156,828	-	-	49,955	156,828
Water	-	-	948,232	746,321	948,232	746,321
Total Expenses	6,843,913	6,573,826	948,232	746,321	7,792,145	7,357,647
Change in Net Position	(862,234)	(364,199)	(504,681)	(274,752)	(1,366,915)	(638,951)
Net Position - Beginning	39,054,873	39,419,070	9,828,726	10,103,478	48,883,599	49,522,548
Prior Period Adjustment	(19,452)	-	-	-	(19,452)	-
Net Position - Ending	38,173,187	39,054,871	9,324,045	9,828,726	47,497,232	48,883,597

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revenues and expenses:

Key elements of the changes shown above are as follows:

- Charges for services increased by 11%; primarily as a result of a 20% increase in user fees in the Water Fund.
- Capital Grants and Contributions decreased by 100%, or \$85,640 as no tap fees were receiving during 2012.
- Property Taxes collected were 25% lower than in 2011; this decrease is related to a decrease in overall property valuation as well as uncollected taxes that are now delinquent.
- Sales and Use taxes decreased by 23% from 2011 collections. As noted in 2011's report, there were a number of sizable one time revenues related to the sale and subsequent remodel of a large casino property within the City during 2011. As those revenues were one time occurrences, 2012 collections are lower as a result.
- Lodging Tax increased by 9% due to increased lodging business resulting from the aforementioned remodel.
- Device Fees increased by 9% as a result of additional devices being added to one of the City's casino operations.
- Total governmental activities expenses increased by \$270,087 (4%) due to increases in General Government for marketing and events carried out by the Business Improvement District as well as increases in both the Public Safety and Public Works areas.
- Expenses within the Water Fund increased by 27% as a result of the completing a number of small to mid-size capital improvement repairs, the reallocation of one full-time employee into the Water Department and the completion of distribution and raw water assessment studies.
- Only 47% of the Water Fund's expenses were covered by user charges. In 2012 52% of expenses were covered by user charges. This decrease in coverage is related primarily to the increased capital improvement and repair expenses recognized in 2012.

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Governmental Funds Financial Analysis

As mentioned on page 2 of this analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. This section of the report discusses the City's governmental and proprietary funds by type as well as individually when the funds are considered major funds or where additional information may be useful to the reader.

Governmental Funds: The focus of the City's governmental funds is to provide information on *current* financial resources and the operations and/or programs that they fund. Such information is useful in assessing the City's financing requirements as well as its ability to continue programs and operations in the near future. In particular, fund balances may serve as useful measures of a government's net resources available for spending at the end of the fiscal year.

Governmental Fund Balances

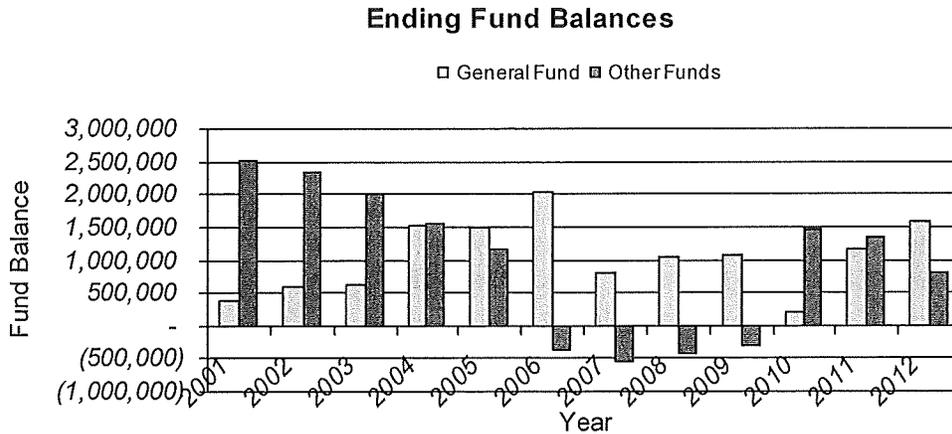
At the close of the year, the City's governmental funds reported combined ending fund balances of \$2,409,426; a decrease of \$97,226 (4%) from the prior year's ending fund balances. As has been mentioned previously in this report, the use of the Ennovate lease proceeds to complete the project during the year is the primary reason for the decrease. The Historic Preservation Fund's ending fund balance decreased by 53%, \$532,336. Of this amount, \$482,773 is the amount of the Ennovate proceeds. The remaining \$49,563 decrease in the Historic Preservation Fund is due to a prior period adjustment of \$19,452 and \$30,111 in expenditures that drew down the ending fund balance. The General Fund ending balance increased by 38%, \$441,280 as revenues collected were higher than expenditures. The Debt Service Fund's balance decreased by \$7,156 and other governmental fund balances increased by \$986.

Below is a chart detailing the City's fund balances for the past six (6) years and current:

<u>Fund</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General	2,038,288	816,077	1,042,854	1,083,488	204,049	1,153,136	1,594,416
Historic Preservation	277,785	96,953	451,949	580,053	399,885	999,475	467,139
Tabor	197,068	203,128	203,856	204,054	204,130	204,248	204,726
Conservation Trust	20,437	26,227	28,455	25,063	33,005	38,811	38,688
Capital Projects	6,000	66,346	66,592	66,657	66,682	-	-
Debt Service	(1,227,349)	(1,229,717)	(1,229,713)	(1,229,715)	-	29,135	21,979
Highway Lighting	7,435	3,026	3,342	-	-	-	-
Public Property Trust	200,000	200,598	201,317	201,512	925,191	225,928	226,559
Impact Fees Fund	143,300	47,140	(165,474)	(156,776)	(156,745)	(144,081)	(144,081)
Total	<u>1,662,964</u>	<u>229,778</u>	<u>603,178</u>	<u>774,336</u>	<u>1,676,197</u>	<u>2,506,652</u>	<u>2,409,426</u>

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The chart below shows that governmental fund balances over the past eleven (12) years.



Proprietary Funds: The City’s proprietary fund analysis provides the same type of information found in the government-wide financial statements but in more detail. At the end of the current fiscal year, the City’s Water Fund had expended \$948,232 for operating expenses. This is an increase of \$201,911, or 27% over 2011 total expenses for the Water Fund. This increase results mainly from the completion of both raw water and a distribution study, the reallocation of one full-time employee into the Department. The Water Fund expended \$60,882 on capital outlay.

Charges for services within the Water Fund increased by 15% from \$58,098 in 2012 due to a 20% increase in water rates for all users and slightly less consumption than prior year for commercial users. While the rate increase did increase charges for services, the gap between revenues and expenses within the Water Fund, grew from 47% in 2011 to 52% in 2012. This equates to an operating loss of \$504,681. As an Enterprise Fund, the Water Fund should be supported completely by charges for services in accordance with TABOR requirements. In past years the General Fund has loaned the Water Fund money to help correct the deficiencies between revenues and expenses. As in previous years, the General Fund covered the Water Fund’s cash and investments shortfall of \$143,789. The majority of the remainder of the operating loss is depreciation expense in the amount of \$327,351. As mentioned earlier in this report the City completed the residential meter installation project at the end of the year and will be instituting a tiered rate billing structure based off of usage in 2013. It is hoped that in doing so, the Water Fund will be able to capture revenues for the actual amount of water used by customers and increase revenues in future years.

The City did not receive any tap fees during 2012. Taken with the above information, this equates to a decrease in the Water Fund’s net position of \$504,681; a 5% reduction. This decrease in net position is \$229,929 more than the decrease in net position in 2011. Until the City can collect charges for services that fully cover the costs of production, operation and maintenance of the water system, the Water Fund’s net position can be expected to continue to decrease. This also means that the City’s governmental funds will have to continue to subsidize the Water Fund at a fairly high rate.

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General Fund Revenues

At the close of the year, the City had received \$4,837,008 in General Fund revenues. This is an increase of \$89,751 or 2% more than in 2011. Total revenues collected for the year surpassed budgetary allocations by \$463,682. \$118,809 of this amount is from increased tax collections and \$175,497 is related to collection in miscellaneous revenues sources; one of which is surplus sale of old or unneeded equipment. Device fee collections within the General Fund were \$85,308 or 3% higher than anticipated. This is generally due to the addition of a number of devices in one of the City's existing casinos. Charges for services increased by 118% due to increased fines from municipal court, receipt of the BID's annual CCP maintenance payment and receipt of funds for sidewalk repairs made by the City for private businesses. State gaming tax increased by approximately \$29,197 in 2012 and accounted for 17% of the General Fund's overall revenue.

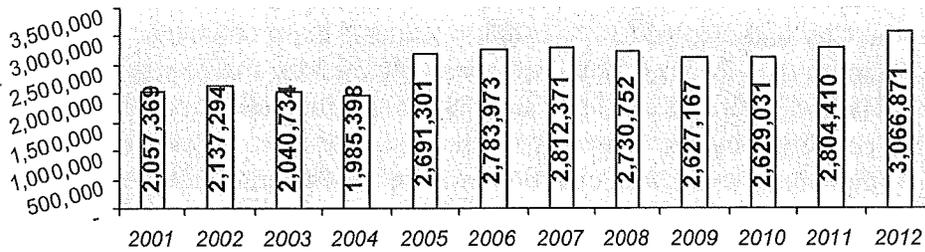
When taken with device fee revenues, gaming directly funded 73% of all General Fund revenues. In 2011, gaming directly funded 68% of all General Fund revenues. The fact that this concentration has increase by 5% is a reflective of the decrease in sales and use tax revenues as a percentage of all General Fund revenues. This increase in concentration is concerning as in order to remain financially solvent, the City should have a more diversified revenue stream. Having so much of the General Fund's revenues related directly to gaming makes the City highly susceptible to changes within the often volatile gaming industry. Further, it is important to consider that a large portion of sales, use, lodging and property taxes are also derived either directly or indirectly from the gaming industry.

Device Fees: Because device fees are the City's most significant source of revenue, it is important to closely monitor them and understand how they change and affect the overall General Fund revenues. Device Fees are allocated between the General Fund (87%) and the Debt Service Fund (13%) in accordance with the City Municipal Code and bond documents. Fees allocated to the General Fund are used to fund a variety of governmental activities and fees allocated to the Debt Service Fund are used to pay bonded debt. Device Fees revenues totaled \$2,666,889 in the General Fund and accounted for 55% of all General Fund revenues; up from 51% in 2011.

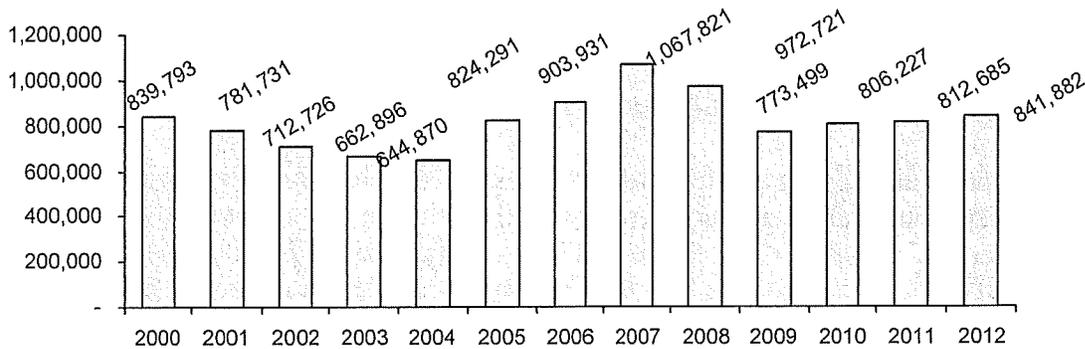
Across all governmental funds, device fees made up 51% of total revenues received and equaled \$3,066,871. In 2011 device fees accounted for 45% of overall governmental revenues and in 2010 they accounted for only 43%. This trend in increasing concentration in device fees revenues supports the above statements that the City's revenue stream is becoming less diversified rather than more. The graph on the following page illustrates the total amount of evice fee revenue collected for ALL governmental funds over the last eleven (12) years.

City of Central, Colorado
Management Discussion & Analysis
December 31, 2012

Annual Device Fee Revenues



Gaming Revenue: In direct relation to the number of devices that City businesses have and each individual business's success, is the City's second most important revenue source: state gaming taxes. The amount of state gaming tax received annually by each gaming community is based on a calculation involving each City's proportion of gaming taxes paid to the state. Central City received \$841,882 in 2012; \$29,197 more than was received in 2011. Below is a graph illustrating state gaming tax revenue for the past eleven (12) years.



General Fund Expenditures

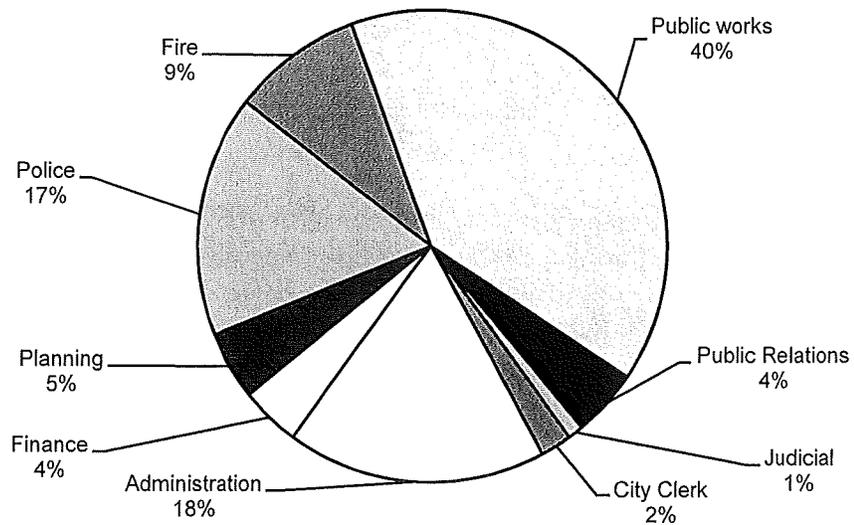
Expenditures for all departments within the General Fund equaled to \$4,548,717, which is \$40,430 under the final budgeted amount. Expenditures were \$418,216 more than in the previous year and this represents a year over year increase in expenditures of 10%. General Government expenditures, which include all departments except Police, Fire and Public Works, had expenditures that equaled \$1,568,692. This is \$75,434 under the final budget and \$19,867 (1%) less than prior year expenditures. Public Safety expenditures for the year amounted to \$1,167,786. These expenditures were under budget by \$31,991. Public Safety expenditures increased over prior year amounts by 44% due the addition of personnel and purchase of three (3) new vehicles within the Police Department and the purchase/upgrade of the radio system within the Fire Department in the amount of \$97,000. The Police Department's expenditures for the year were 66% higher than in 2011 with total increase of \$301,592. Public Works expenditures equaled \$1,812,239 in 2012. This is \$42,074 higher than in 2011 and represents an increase of approximately 2%. The Public Works expenditures were over the final budget allocation by \$66,995. Overall, General Fund expenditures were under the final budgeted allocation by \$40,430.

City of Central, Colorado
Management Discussion & Analysis
December 31, 2012

General Fund Balance

Revenues were higher than expenditures by \$288,291. This means that approximately 6% of all General Fund revenues received were put towards replenishing the Fund Balance. In 2011, 13% of all General Fund revenues received were put towards the Fund Balance. The General Fund's balance increased by \$441,280; this means that the fund balance increased by approximately 38% in 2012. This significant increase is due in large part to the excess of revenues over expenditures and the recognition of capital lease proceeds for the Public Works and Police Department vehicle leases during the year.

Below is a breakdown of the General Fund expenditures for the year:



Historical Preservation Fund Analysis

The Historical Preservation Fund's most significant source of revenue, historical preservation funding, is also derived from gaming. Like state gaming tax, historical preservation monies are allocated based on a calculation involving each City's proportionate share of gaming taxes paid to the state. The funds are to be used for the preservation and protection of historical building and properties within the City. In 2012, the City received \$438,032 in state grant revenue. This is an increase of \$7,845 or 2% over prior year. The City also earned approximately \$9,585 in sales from the Visitors Center in 2012.

In 2012, the Historic Preservation Fund had expenditures of \$960,726. Of that amount, \$489,773 was related to the Ennovate lease for energy efficiencies throughout the City. The remaining \$477,953 was used to fund the operation and staffing of the Visitors Center and 25% of the City Planner's salary costs. The City funded residential property grants in the amount of \$100,000 and did a number of small to mid size rehab projects on City owned properties such as repainting City Hall and sidewalk work. Also funded out of the Historic Preservation Fund were expenditures related to historic tourism and marketing with funding allocated to the Central City Opera, Gilpin County Historical Society and the BID for events.

City of Central, Colorado
Management Discussion & Analysis
December 31, 2012

The Historic Tourism expenditures were part of the City’s continued efforts in 2012 to support and encourage the non-profit, historical organizations within the City to be open on a more consistent basis. Total expenditures for the Fund were more than in the previous year by due primarily to the Ennovate lease project expenditures. The overall fund balance for the Historical Preservation Fund decreased by \$512,884 in 2012 due to the aforementioned Ennovate project and above expenditures. There was also a prior period adjustment made to the fund balance in the amount of \$19,452 to reflect the reversal of an accounts receivable item that was not reversed in 2011.

Long-Term Debt

During the course of 2012, the City entered into two (2) lease purchase agreements that are considered long-term debt. The lease purchase agreements and their principal amounts are as follows: two (2) Public Works trucks (\$91,238) and three (3) Police vehicles \$61,751. These lease purchase agreements total \$152,989 in new long-term debt issuances. Detailed information relative to these lease purchase agreements can be found in the Notes to the Financial Statements on pages D23-D26.

The City made principal payments in the amount of \$755,427 during 2012 and at the close of the year there was a *total* of \$2,295,384 in outstanding debt principal payments. All of these payments are for governmental activities. The Water Fund had had no long-term debt issued or outstanding. The following chart shows the City’s outstanding long-term debts.

<u>Debt</u>	<u>Principle Outstanding</u>	<u>Interest Outstanding</u>	<u>Total</u>
2010 Excise Tax Refunding	225,000	8,437	233,437
2010 G.O. Water Bonds-Series A	420,000	13,650	433,650
2010 G.O. Water Bonds-Series B	260,000	7,800	267,800
Capital Lease-Snow Plow	106,369	8,043	114,412
Capital Lease-Street Sweeper	80,871	5,989	86,860
Capital Lease-Ennovate Contract	447,717	71,601	519,318
Capital Lease-Public Works Trucks	91,238	11,047	102,285
Capital Lease-Police Vehicles	61,751	5,744	67,495
Total	1,692,946	132,311	1,825,257

City of Central, Colorado
Management Discussion & Analysis
December 31, 2012

2013 Budget

General Fund Revenues

The General Fund reflects an overall revenue increase of approximately 7% or \$293,302 over the 2012 budgeted amount. However, 2013 budgeted revenue is reflected 2% *less than* projected *actual* revenues for 2012. The taxes category of revenues reflects an increase of \$94,335 (6%) over the 2012 budgeted amount. This increase is the result of higher than anticipated sales and use tax revenues as well as a conservative increase to the City's annual gaming tax distribution. Special assessments, or device fees, are budgeted at an increase of 6% as well. This increase is the result of additional devices that have been placed in casinos during the second half of 2012. Charges for services show a 54% increase which is based upon billboard lease payments and an increase to the court costs line item.

General Fund Expenditures

Budgeted General Fund expenditures have increased by approximately 2% or \$93,054 from 2012 to 2013. As described above, this Budget allocates funding for small scale capital improvement and infrastructure projects. Additionally, some funding has been allocated for the purchase of equipment within the Public Works and Police Departments. All of funding allocations presented in the General Fund's budget are related primarily to continued services, operations and maintenance within all departments. The majority of the increase noted above is related to personnel costs that are discussed in the following section.

Personnel and Benefits

The 2013 proposed budget authorizes 24 full-time positions and 7 part-time positions. A chart detailing these positions follows the Budget Message. The most notable change with personnel is the addition of 1 Full-Time Police Officer and one Full-Time position that will be shared between the Public Works and Water Departments. A 2% cost-of-living increase as well as a possible 3% merit increase has been reflected for all employees. No changes have been made to the employee insurance plans; the City will continue to pay 90% of the insurance premiums for health, dental and vision. The City's continued retirement match of up to 4% is still active and reflected in this budget. Based upon CML salary survey information, the Pay Plan continues to reflect salaries and wages in the mid-range for most employees.

Historic Preservation Fund

Revenues within the Historic Preservation Fund are budgeted to be \$425,250, an increase of \$18,500 (5%). This increase is due to an increase in the amount of historical gaming funds that the City expects to receive in 2013. Expenditures budgeted within the Historic Preservation Fund are \$400,300, a decrease of 1% over 2012 budgeted amounts. The budget allocates funding for a number of projects that align with Council's goals and vision such as, marketing and event support for non-profits and the business community. Money is also allocated for sidewalk repairs, the construction of a monument sign at the north entrance to the City and the historic preservation grant program.

City of Central, Colorado
Management Discussion & Analysis
December 31, 2012

Water Fund

As has been discussed over the past two years, the Water Fund and its ability to support itself are a major concern for the City. Therefore, Council and Staff have taken a number of steps that have begun to address the situation. The City will have completed the residential meter installation system by the end of 2012. Based on this, the City will be implementing a new tiered rate billing structure for all residential water accounts in 2013. Commercial water accounts will also be charged using a new tiered rate system. The goal of implementing these tiered rate billing structures is two-fold; the new rate structure will begin to make the charges to each user group (residential, commercial and out-of-city) more equitable to those groups' actual water usage, and the Water Fund will become a self-supporting fund. It is important to note that because the City does not yet have accurate residential usage, the tiered structure may need to be adjusted at some point in the year. A detailed explanation of the new rate structures can be found in the Water Fund's introduction pages.

Due to the changes to rate structures discussed above, the Water Fund revenue is budgeted at \$829,026. This is an increase over 2012 revenues of \$358,774 (76%). Expenses within the Water Fund reflect an increase of \$58,376 (8%) over the 2012 allocation. The majority of this increase is related to the reallocation of personnel from the Public Works Department into the Water Department as well as the addition of the one Full-Time employee that will be shared by both departments. The budget also allocates funds to complete a small capital improvement project at Chase Gulch, funding for some other minor infrastructure upgrades and the purpose of a new truck for the department. Due to the increased revenues, the Water Fund is budgeted to have an operating income of \$92,985. This will be the first time in many years that the Water Fund has not operated at a loss. Any operating income gained will be reserved specifically for capital and infrastructure improvements to the system.

Request for Information:

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Central, Finance Department, PO Box 249, Central City, Colorado 80427-0249.

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City of Central, Colorado
Statement of Net Position
December 31, 2012

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Business Improvement District</u>
Assets:				
Cash & Investments-Unrestr.	1,046,495	-	1,046,495	67,791
Cash & Investments-Restr.	204,726	-	204,726	7
Receivables, net:				
Taxes	333,698	-	333,698	2,254,406
Accounts	116,808	5,962	122,770	26,274
Other	-	-	-	405
Deferred Charges	40,386	-	40,386	-
Prepaid Expenses	79,695	3,320	83,015	350
Capital Assets, not being depreciated	5,523,996	1,884,261	7,408,257	
Depreciable Capital Assets, net	32,132,909	8,817,814	40,950,723	-
Total Assets	<u>39,478,713</u>	<u>10,711,357</u>	<u>50,190,070</u>	<u>2,349,233</u>
Liabilities				
Accounts Payable	191,145	30,321	221,466	54,324
Accrued Salaries/Benefits	80,147	-	80,147	-
Unearned Revenue	145,655	106,671	252,326	-
Interfund Balances	(1,232,994)	1,232,994	-	-
Compensated Absences	90,720	17,326	108,046	-
Tax Prepayment Note payable	-	-	-	346,875
Accrued Interest	4,209	-	4,209	24,305,055
Bonded Debt Payable:				
Due within one year	905,000	-	905,000	10,000,000
Due in more than one year	-	-	-	35,200,000
Capital Lease Payable:				
Due within one year	179,976	-	179,976	-
Due in more than one year	607,970	-	607,970	-
Total Liabilities	<u>971,828</u>	<u>1,387,312</u>	<u>2,359,140</u>	<u>69,906,254</u>
Deferred Inflow of Resources				
Deferred Property Tax Revenue	333,698	-	333,698	2,254,406
Net Position:				
Net Investment in Capital Assets	35,963,959	10,702,075	46,666,034	(69,851,930)
Restricted for emergencies	204,726	-	204,726	6,000
Restricted for other purposes	689,793	-	689,793	68,643
Unrestricted	1,314,709	(1,378,030)	(63,321)	(34,140)
Total Net Position	<u>38,173,187</u>	<u>9,324,045</u>	<u>47,497,232</u>	<u>(69,811,427)</u>

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

**City of Central, Colorado
Governmental Funds
Balance Sheet
December 31, 2012**

	<u>General</u>	<u>Historic Preservation Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash & Investments-Unrestricted	282,031	477,773	21,444	265,247	1,046,495
Cash & Investments-Restricted	-	-	-	204,726	204,726
Accounts Receivable	84,948	30,725	1,135	-	116,808
Due (to) from other Funds	1,377,075	-	-	-	1,377,075
Property Tax Receivable	21,863	-	311,835	-	333,698
Prepaid Expenses	79,509	186	-	-	79,695
Total Assets	<u>1,845,426</u>	<u>508,684</u>	<u>334,414</u>	<u>469,973</u>	<u>3,158,497</u>
Liabilities, Deferred Inflows, Fund Balances					
Liabilities:					
Accounts/vouchers payable	151,489	39,056	600	-	191,145
Due to Other Fund	-	-	-	144,081	144,081
Unearned revenue	-	-	-	-	-
Accrued payroll & related liabilities	77,658	2,489	-	-	80,147
Total Liabilities	<u>229,147</u>	<u>41,545</u>	<u>600</u>	<u>144,081</u>	<u>415,373</u>
Deferred Inflows of Resources					
Deferred Property Tax Revenue	21,863	-	311,835	-	333,698
Fund Balances:					
<u>Non-Spendable:</u>					
Prepays	79,509	186	-	-	79,695
<u>Restricted:</u>					
Reserved for Emergencies	-	-	-	162,941	162,941
Debt Service	-	-	21,979	-	21,979
Conservation Trust	-	-	-	38,688	38,688
<u>Committed:</u>					
Historic Preservation	-	466,953	-	-	466,953
Public Property	-	-	-	226,559	226,559
Impact Fees	-	-	-	(144,081)	(144,081)
Tabor	-	-	-	41,785	41,785
<u>Unassigned:</u>	<u>1,514,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,514,907</u>
Total Fund Balances	<u>1,594,416</u>	<u>467,139</u>	<u>21,979</u>	<u>325,892</u>	<u>2,409,426</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>1,845,426</u>	<u>508,684</u>	<u>334,414</u>	<u>469,973</u>	

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

**City of Central, Colorado
Governmental Funds
Balance Sheet
December 31, 2012**

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.	37,656,905
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These included bonds payable (\$905,000), compensated absences (\$90,720), deferred charges of \$40,386, capital lease payable (\$787,946), accrued interest payable (\$4,209), and unearned fee revenue of (\$145,655).	<u>(1,893,144)</u>
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Net Position of Governmental Activities	<u><u>38,173,187</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Central, Colorado
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
December 31, 2012

	General	Historic Preservation Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	1,669,754	-	288,400	-	1,958,154
Licenses, permits and fees	29,328	-	-	-	29,328
Intergovernmental revenue	80,471	438,032	-	6,706	525,209
Charges for services	128,678	-	-	-	128,678
Fines and forfeitures	48,182	-	-	-	48,182
Special assessments	2,666,889	-	399,982	-	3,066,871
Investment income	209	225	536	1,205	2,175
Miscellaneous	213,497	9,585	-	-	223,082
Total Revenues	4,837,008	447,842	688,918	7,911	5,981,679
Expenditures:					
General Government	1,568,692	252,209	-	6,925	1,827,826
Public Safety	1,167,786	-	-	-	1,167,786
Public Works	1,812,239	708,517	-	-	2,520,756
Debt Service	-	-	635,000	-	635,000
Principal	-	-	54,164	-	54,164
Interest	-	-	6,910	-	6,910
Other	-	-	-	-	-
Total Expenditures	4,548,717	960,726	696,074	6,925	6,212,442
Excess (Deficiency) of Revenues Over Expenditures	288,291	(512,884)	(7,156)	986	(230,763)

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

City of Central, Colorado
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 December 31, 2012

Other Financing Sources (Uses):				
Proceeds of Capital Lease	152,989	-	-	152,989
Total Other Financing Sources (Uses)	<u>152,989</u>	<u>-</u>	<u>-</u>	<u>152,989</u>
Net Change in Fund Balances	441,280	(512,884)	(7,156)	986
Fund Balances- Beginning	<u>1,153,136</u>	<u>999,475</u>	<u>29,135</u>	<u>324,906</u>
Prior Period Adjustment	-	(19,452)	-	(19,452)
Fund Balances- Ending	<u><u>1,594,416</u></u>	<u><u>467,139</u></u>	<u><u>21,979</u></u>	<u><u>325,892</u></u>
				<u><u>2,409,426</u></u>

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

City of Central, Colorado
Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To The Statement of Activities
December 31, 2012

Amounts Reported for Governmental Activities in the Statement of Activities
are different because:

Net Changes in Fund Balances-Total Governmental Funds (77,774)

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 (\$2,384,817) exceeded capital
outlay \$1,066,494, and the loss on disposal of assets \$492. (1,317,831)

Capital Lease proceeds are reported as financing sources in the governmental funds
and increase fund balance. In the government-wide statements, however,
issuing debt increases long-term liabilities in the Statement of Net
Position and does not effect the Statement of Activities. (152,989)

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 payment of bonds \$635,000, payment
on capital leases \$120,427, changes in deferred charges (\$83,067)
change in compensated absences of \$9,791, and the change in
accrued interest payable of \$4,209. 686,360

Change in Net Position of Governmental Activities \$ (862,234)

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

**City of Central, Colorado
Proprietary Fund
Water Fund
Statement of Net Position
For the Year Ended
December 31, 2012**

Assets

Current Assets:

Cash & Investments	-
Accounts receivable, net of allowance for doubtful accounts	5,962
Prepaid Expenses	3,320
Total-Current Assets	<u>9,282</u>

Non-current Assets

Property, plant & equipment, net of accumulated depreciation	9,448,712
Water rights	1,253,363
Total-Non-current Assets	<u>10,702,075</u>

Total Assets	<u>10,711,357</u>
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Liabilities:

Current Liabilities

Due to other funds	143,789
Accounts payable and other liabilities	30,321
Unearned Revenue	21,333
Total-Current liabilities	<u>195,443</u>

Long-Term Liabilities

Unearned Revenue	85,338
Accrued compensated absences	17,326
Due to other funds	1,089,205
Total-Long-term liabilities	<u>1,191,869</u>

Total Liabilities	<u>1,387,312</u>
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Net Position:

Invested in capital assets, net of related debt	10,702,075
Unrestricted	<u>(1,378,030)</u>

Total Net Position	<u>9,324,045</u>
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The accompanying notes are an integral part of these financial statements.

City of Central, Colorado
Proprietary Fund
Water Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended
December 31, 2012

Operating Revenues:	
Charges for services	443,383
Miscellaneous	<u>168</u>
Total Operating Revenues	<u>443,551</u>
Operating Expenses:	
Salaries	173,068
Fringe Benefits and employment taxes	45,569
Repairs and maintenance	86,260
Supplies	78,154
Utilities	60,636
Professional Fees	174,604
Miscellaneous	2,590
Depreciation	<u>327,351</u>
Total Operating Expense	<u>948,232</u>
Change in Net Position	(504,681)
Net Position-Beginning	<u>9,828,726</u>
Net Position-Ending	<u><u>9,324,045</u></u>

The accompanying notes are an integral part of these financial statements

City of Central, Colorado
Statement of Cash Flows
Proprietary Fund Type-Water Fund
For the Year Ended December 31, 2012
 Increase (Decrease) in Cash and Cash Equivalents

Cash Flow From Operating Activities:	
Cash received from customers	431,763
Cash paid to Suppliers and Employees	(474,688)
Net Cash Provided (Used) by Operating Activities	<u>(42,925)</u>
 Cash Flows From Capital and Related Financing Activities:	
Purchase of Fixed Assets	(60,882)
Tap Fees	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(60,882)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(103,807)
Cash and Cash Equivalents-Beginning	<u>103,807</u>
Cash and Cash Equivalents-Ending	<u><u>-</u></u>
 Reconciliation of Operating (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Operating (Loss)	<u>(504,681)</u>
 Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities	
Depreciation Expense	327,351
Changes in Assets and Liabilities	
Accounts Receivable	588
Prepaid Expenses	(2,096)
Accounts Payable	3,437
Deferred Revenue	(21,333)
Accrued Expenses	10,020
Due to Other Funds	143,789
Total Adjustments	<u>461,756</u>
Net Cash (Used) by Operating Activities	<u><u>(42,925)</u></u>

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

City of Central, Colorado
Fiduciary Fund- Fireman's Pension Trust Fund
Statement of Fiduciary Net Assets
December 31, 2012

Assets:

Cash and Cash Equivalents	1,732
Investments	<u>463,720</u>
Total Assets	<u><u>465,452</u></u>

Net Assets:

Held in trust for pension benefits	<u>465,452</u>
Total Net Assets	<u><u>465,452</u></u>

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

City of Central, Colorado
Fiduciary Fund-Fireman's Pension Trust Fund
Statement of Changes in Fiduciary Net Assets
For the Year Ended December 31, 2012

Additions:	
City contributions	7,600
State of Colorado Contributions	6,414
Investment Earnings	<u>33,869</u>
Total Additions	<u>47,883</u>
Deductions:	
Pension payments	<u>4,425</u>
Total Deductions	<u>4,425</u>
Changes in Net Assets	43,458
Net Assets- Beginning	<u>421,994</u>
Net Assets- Ending	<u><u>465,452</u></u>

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

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City of Central, Colorado
Notes to the Financial Statements
December 31, 2012

I. Summary of Significant Accounting Policies

The City of Central, Colorado (“City”) was incorporated as a statutory town in 1886. In 1991, voters in the City approved adoption of the City’s “Home Rule” charter as provided for in Article XX of the Colorado State Constitution and the Municipal Home Rule Act of 1971. This granted the City the power of self-government and home rule as well as other municipal powers established by the Constitution and laws of the State of Colorado. The City is the lowest level of government having oversight responsibility and control over all activities within the geographical area organized as the City of Central, Colorado. The City is located in Gilpin County, Colorado and is governed by an elected Mayor and City council. This elected body is responsible for setting policy, appointing the City Manager and adopting an annual budget in accordance with the Home Rule Charter.

The City’s financial statements are prepared in accordance with the U.S. generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is the group responsible for establishing GAAP for state and local governments through its pronouncements (Statements & Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (“FASB”) issued through November 30, 1989, where applicable and when not in contradiction or conflict with GASB pronouncements. Although the City has the option to apply FASB pronouncements after that date to its business-type activities and enterprise funds, the City has chosen not to do so for consistency and simplicity. The more significant accounting policies established by GAAP and used by the City are discussed below:

A. Reporting Entity

The reporting entity for which financial statements have been prepared and presented include the City (primary government) and any component units for which the City is financially accountable. The City is considered financially accountable for legally separate organizations if any of the following are true: the City is able to appoint a voting majority of that organization’s governing body; if the City is able to impose its will on that organization; if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. Organizations that are fiscally dependant upon the City may also be considered a component unit if they are unable to adopt a budget, levy taxes or issue debt without the approval of the City. In addition to these criteria, any organization whose nature and/or significance is such that exclusion from the financial statements would be misleading or incomplete should also be considered a component unit and therefore, part of the reporting entity.

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B. Discretely Presented Component Unit-Central City Business Improvement District

As required by GAAP, the financial statements of the City include those of its component unit, the City of Central Business Improvement District (“BID”). The BID’s financial information is presented in a separate column as a discretely presented component unit to emphasize that the organization is a legally separate entity from the City.

The BID was formed in 1998 by voter approval within defined commercial areas of the City. Voter approval signaled the formation of the BID and allowed for the BID to issue future bonds to finance the construction of the Central City Parkway, known during construction as the Southern Access Road (“Road”). Construction of the Road would permit direct access into the City from U.S. Interstate 70.

The BID completed construction of the Road in 2004 and it was officially open and operational in November 2004. Also in 2004, the City assumed operational responsibility for the Road. While the construction warranty period expired in November 2006, certain issues delayed the BID’s transfer of the Road to the City until February 2007.

A complete copy of the BID’s financial statement can be obtained directly from their administrative office at:

Joe Behm
Central City Business Improvement District
9155 East Nichols Avenue, Suite 330
Centennial, CO 80112

C. Government-Wide & Fund Financial Statements

The City’s basic financial statements are composed of two separate yet related types of financial statements; government-wide statements (illustrates the City’s finances as a whole) and fund statements (illustrates the City’s major funds). Both types of financial statements categorize primary activities as either governmental related or business related. The City’s public safety, road maintenance, public works, administration, and culture & recreation are considered governmental activities. The following two (2) sections will discuss each type of statement and how the two are related more specifically.

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1. Government-wide Financial Statements

The government-wide financial statements focus is illustrating the sustainability of the City as an entity and the change in the City's net assets resulting from activities during the current year. The government-wide financial statements are composed of two (2) separate financial reports that illustrate different aspects of the overall government's financial position. The first of these is the *Statement of Net Position*. In the Statement of Net Position both the governmental and business-type (Water Fund) activities are presented together on a consolidated basis using the full accrual, economic resource basis. The full accrual, economic resources basis recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three (3) sections: invested in capital assets, net of related debt; restricted net assets and; unrestricted net assets. The Statement of Net Position is a snap shot of the entire reporting entity's assets on a certain date; that date being the end of the fiscal year (December 31, 2012).

The second financial report in the government-wide section is the Statement of Activities. Where the Statement of Net Position illustrates what the reporting entity's net assets are, the Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities, the revenues received that supported those functions, and how the difference in these affected net assets over the course of the year. Essentially, the Statement of Activities illustrates how the net assets total was reached over the course of the year.

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function or business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property and sales taxes, interest income, etc.)

2. Fund Financial Statements

Whereas the government-wide financial statements present a financial picture of the government as a whole, the fund financial statements present financial information for the specific parts of the government. This is done using *funds*. The financial transactions of the City are reported in individual funds that are established to separately account for different types of functions, activities, funding sources, etc. Each

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fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on *available* resources and budget compliance and is reported using the *modified accrual basis* of accounting. The fund focus and modified accrual basis of accounting is where fund financial reports differ from the government-wide reporting model (with the exception of the business-type activities).

The City reports the following major governmental funds:

General Fund-The General Fund is the City's primary operating fund. It is used to account for resources that are traditionally associated with governmental activities of the City, such as public safety, recreation, planning, legal services, administrative services, etc. which are not legally or by sound financial management required to be accounted for in another fund.

Historic Preservation Fund-The Historic Preservation Fund is a special revenue fund that accounts for gaming funds received from the State of Colorado that are to be used specifically for the purposes of historical preservation. The revenues are received on an annual basis and must be spent on activities and/or programs that the City Council has deemed to benefit and/or enhance the preservation of the City's historic nature.

Debt Service Fund-The Debt Service Fund accounts for the City's debt service payments for the 2010 Excise Tax Refunding bonds, 2010 General Obligation Water Refunding bonds (Series A) and the 2010 General Obligation bonds (Series B).

The City reports the following proprietary or business-type funds:

Water Fund-The Water Fund accounts for the provision of water services to the citizens and businesses of the City.

The City reports the following agency or trust funds:

Fireman's Pension Trust Fund-The Fireman's Pension Trust Fund was established to provide pension benefits to the City's volunteer firefighters. Contributions are received from both the City and the State of Colorado, and are held in trust for disbursements to participants upon leaving the pension plan or upon qualified retirement. The City does not budget for the Fireman's Pension Trust Fund.

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D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to whether financial statement measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statement. Financial statement presentation refers to the classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Resources Measurement Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial resources measurement focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Revenues susceptible to accrual include but are not limited to sales and use tax, lodging tax, and interest earnings. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

3. Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and special assessments.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal

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operating revenues of the City's enterprise fund are charges to customers for water service.

Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Financial Statement Accounts

1. Cash and Cash Equivalents

The City pools all deposits and the investments of all funds. Each fund's share of the overall pool is readily identified by the City's internal records. All investments are stated at market value. Cash and cash equivalents include demand deposits and local government investment pools. Certain proceeds of debt issues, as well as certain resources set aside for the repayment of said debt issues are classified on the balance sheet as restricted assets because their use is limited by applicable bond covenants. Restricted assets may also include certain deposits that have been limited as to usage pursuant to escrow and similar agreements.

2. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts receivable in the Water Fund was \$1,500 at December 31, 2012.

3. Prepaid Items

Payments to vendors for services that will benefit periods beyond December 31, 2012 are recorded as prepaid items. The costs of governmental type prepaid items are recorded as expenditures when consumed rather than when purchased.

4. Property Taxes

Property taxes in the State of Colorado are assessed in one year as a lien on the property, but are not collected by the governmental units until the subsequent year. In accordance with generally accepted accounting principles (GAAP), the assessed but uncollected property taxes have been recorded in the accompanying financial statements as a receivable and as deferred revenue. Property taxes and the related receivable and deferred revenue are collected and recorded in the General Fund and the Debt Service Fund.

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5. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles and infrastructure assets (only infrastructure acquired after January 1, 2002), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

The City defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as the projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities.

Infrastructure, buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10-30
Buildings and Improvements	30
Distribution Systems	50
Equipment and Vehicles	5-10

6. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave that is not expected to be liquidated with expendable available financial resources is reported as a liability on the government-wide and proprietary fund financial statements. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting, accumulated right to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is estimated will be paid at the termination of employment.

7. Unearned Revenues

The City reports unearned revenue on its combined governmental balance sheet. Unearned revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period.

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In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

8. Deferred Inflows & Outflows 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.

9. Long-term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type, or proprietary fund type Statement of Net Position.

10. Net Position

The government-wide financials statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets includes the City's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction and/or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant or granting agency) limitations on their use. The City typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The City Council; has the authority to revisit or alter this designation.

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11. Fund Balance

In the governmental fund financial statements fund balance, which is the fund's assets minus its liabilities, is reported. Governmental Accounting Standards Board Statement No. 54 (GASB 54) established criteria for classifying fund balance amounts into specifically defined categories that make the nature and the type of restrictions placed upon those funds more useful and easier to identify. The categories of fund balance form a hierarchy that is based upon the extent to which the City is bound to honor the restrictions that have been placed upon the funds. The categories of fund balance established under GASB No. 54 are on the following page:

Non-Spendable Fund Balance-Cannot be spent because the funds are either in a non-spendable form or are legally and/or contractually required to be maintained intact. An example would be inventories and prepaids.

Restricted Fund Balance-Funds that are restricted for a specific purpose based on constraints that have been externally imposed by creditors, grantors, contributors, laws, regulations of other governments or imposed by law through a constitutional provision or enabling legislation. An example would any portion of a fund balance that is required to be maintained for as part of a bond covenant.

Committed Fund Balance-Funds that are constrained for a specific purpose by a resolution or ordinance adopted by the City Council and can only be unconstrained through the same type of formal action that was originally used to establish the commitment. An example would be the Public Property Trust Fund.

Assigned Fund Balance-Funds that are reserved for a specific purpose internally by the City Manager or Finance Director and can be re-assigned without any formal action of Council.

Unassigned Fund Balance-Funds that are unconstrained in any way and are made up of the residual unclassified fund balance amounts.

12. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund or expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or

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expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

F. Other Policies

1. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2. Credit Risk

Receivables in the City's funds are primarily due from other governments. Management believes that the credit risk related to these receivables is minimal.

3. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources in the following order: committed resources, assigned resources and lastly, unassigned resources as they are available.

4. Subsequent Events

Management has evaluated events through August 27, 2013, the date that these financial statements were available for release, for any occurrences that could have a significant impact on these financial statements. Management does not feel that there have been any subsequent events to note.

5. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

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II. Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for the proprietary fund (Water Fund). Annual appropriations are adopted for all funds and expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

As required by Colorado State Statutes, the City followed the required timetable, as noted below, in preparing, approving and enacting the 2012 Budget.

- i. For the 2012 budget year, prior to August 25, 2011, the County Assessor sent the City an assessed valuation of all taxable property within the City's boundaries.
- ii. On or before October 15, 2011, the City Manager submitted to the City Council a recommended budget, which detailed the necessary property taxes needed along with other available revenues to meet the City's operating requirements.
- iii. Prior to December 15, 2011, a public hearing on the 2012 Budget was held. City Council adopted the 2012 Budget under Ordinance 10-14. Ordinance 10-14 legally appropriated expenditures for 2012 as well as adopted the required mill levy rate, approved Pay Plan and the 5 year Capital Improvement Plan.
- iv. Also prior to December 15, 2011, the Finance Director certified to the County Commissions the adopted levy rate that derived the necessary property taxes as reflected in the 2012 budget adopted by Council.
- v. After adoption of the budget resolution, the City may make the following changes to the adopted budget:
 1. Transfer appropriated money between funds;
 2. Approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget;
 3. Approve emergency appropriations, and
 4. Reduce appropriations for which originally estimated revenues are deemed insufficient.

Taxes levied in one year are collected in the following year. Thus, taxes certified in December of 2011 were collected in 2012 and taxes certified in December 2012 will be collected in 2013. Taxes are due on January 1st of the collection year. However, they may be paid in either one lump payment (no later than April 30th) or two equal installments (no later than February 28th and June 15th) without being assessed any interest or penalty. Taxes not paid within the prescribed time

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are assessed interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest on said amounts become delinquent on June 16th of each collections year.

During 2012, supplemental budget appropriations for five funds were necessary. Those funds with their original and supplemental appropriations are listed on the following page. The total supplemental appropriations were \$1,097,955. The budgetary comparison statements reflect both the original and final budget amounts adopted by the City.

<u>Fund</u>	<u>Original</u>	<u>Final</u>	<u>Increase</u>
General	\$ 4,113,648	\$ 4,589,147	\$ 475,499
Historic Preservation	\$ 406,625	\$ 916,625	\$ 510,000
Debt Service	\$ 700,875	\$ 705,875	\$ 5,000
Conservation Trust	\$ -	\$ 7,456	\$ 7,456
Water	\$ 677,665	\$ 777,665	\$ 100,000
Total Appropriation	\$ 5,898,813	\$ 6,996,768	\$ 1,097,955

A detail of the additional expenditures/expenses that comprised the above supplemental appropriations is shown on the following page.

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<i>General Fund</i>	Additional Legal Expenses	73,000
	BBC Parking Study (Reimbursed)	55,000
	JVA Parking Garage Work	51,500
	BID Marketing/Events (Reimbursed)	135,000
	PD PT/FT Officer	21,199
	PD Vehicle Maintenance	6,000
	PD Emergency Equipment	12,000
	CCP Crack Filling	11,301
	Fire Truck Maintenance	15,000
	<u>PD Vehicle Lease Recognition</u>	<u>95,499</u>
	Total	\$ 475,499
<i>Historic Preservation</i>	Ennovate Contract	489,773
	Sidewalk Work	7,000
	<u>Contingency for Outstanding Projects</u>	<u>13,227</u>
	Total	\$ 510,000
<i>Debt Service</i>	Treasurer's Fees	3,850
	<u>Interest on Short Term Loan</u>	<u>1,150</u>
	Total	\$ 5,000
<i>Conservation Trust</i>	Benches for Streetscape	2,540
	<u>Fish for Chase Gulch</u>	<u>4,916</u>
	Total	\$ 7,456
<i>Water</i>	Reclass of Employee from PW	43,000
	Additional Legal & Engineering	52,000
	<u>Chemicals</u>	<u>5,000</u>
	Total	\$ 100,000
	Total Requested Increase in Allocations	\$ 1,097,955

B. State Compliance

At December 31, 2012, the City's Historic Preservation Fund exceeded appropriations by \$44,101 due to unanticipated expenditures related to the completion of the Main Street Streetscape project. This may be a violation of state statutes.

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Notes to the Financial Statements
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C. TABOR Amendment

In November 1992, the Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly referred to as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires (with certain exceptions) advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of a tax set to expire or tax policy change that will directly cause a net tax revenue gain for any local government.

Effective January 1, 1993, the City's electorate approved the City's collections, retentions and expenditures of the full proceeds of the City's sales and use tax, device tax, State gaming tax and non-federal grants without regard to the limitations imposed by TABOR.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation. If adequate present cash reserves are pledged irrevocably and held for payments in future fiscal years voter approval is not required. TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. The City had reserved and restricted \$204,726 for TABOR emergency reserve purposes at December 31, 2012. This is above the required 3% balance of \$165,698 by \$39,028.

The City's management believes that the City is in compliance with the financial provisions of TABOR. However, it is important to note that TABOR is complex and is often subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, would require judicial interpretation.

City of Central, Colorado
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III. Detailed Notes on All Funds

A. Deposits and Investments

At December 31, 2012, the City held deposits and investments with the following balances:

	Carrying Amounts
<i>Deposits:</i>	
Petty Cash	\$ 550
Deposits	469,874
	470,424
<i>Investments:</i>	
Investment Pools	1,246,249
	\$ 1,716,673

Cash deposits and investments are reflected on December 31, 2012 balance sheets as follows:

Governmental Activities-Unrestricted	\$ 1,046,495
Governmental Activities-Restricted	204,726
Fiduciary-Restricted	465,452
	\$ 1,716,673

i. 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 indicated that all financial institutions holding deposits for the City 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 equal to at least 102% of the uninsured deposits.

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At December 31, 2012, the City had deposits with financial institutions with a carrying amount of \$469,874. The bank balances with the financial institutions were \$612,411. Of these balances, \$272,915 was covered by federal depository insurance and \$339,496 was covered by collateral held by authorized escrow agents in the names of the financial institutions (PDPA).

i. Investments

The City has invested \$782,529 in the Colorado Government Liquid Asset Trust (“Colotrust”), which is a 2a7-like investment pool established for local government entities in Colorado to pool surplus funds. They operate similarly to money market funds, whereby each share is equal to \$1.00. Investments of the trusts consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. The City has no regulatory oversight of the pool. Colotrust is rated AAAM by Standard and Poors.

The City also has \$463,720 invested with the Fire and Police Pension Association of Colorado (“FPPA”) on behalf of its volunteer firefighters. The City has no regulatory oversight for the unrated FPPA pool.

Interest Rate Risk: In accordance with the City’s investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than twenty four months. In the event that the City’s portfolio consists of callable securities, the final maturity date of the security is used as the maturity of the security in order to disclose the maximum liability in the City’s financial reports.

Credit Risk: State law and City policy limit investments to those authorized by State Statutes including U.S. Agencies and 2a7-like pools. The City’s investment policy is to apply the prudent-investor rule, which is as follows: A prudent investor shall exercise the judgment and care, under circumstances prevailing, which men of prudence, discretion and intelligence exercise in the management of the property of one another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of their capital.

Pursuant to the City’s Home Rule Charter, the City has adopted by resolution an investment policy that governs the types of institutions and investments with which funds may be deposited and business may be transacted. Under this policy, the City may invest in federally insured banks, debt obligations of the U.S. Government, its agencies and instrumentalities, governmental mutual funds and pools including 2a7-like pools and repurchase agreements subject to policy requirements.

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Concentration of Risk: The City diversifies its investments by security type, individual financial institutions and maturities. Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation (“FDIC”), the Federal Home Mortgage Association (“FHA”), the Federal Savings and Loan Insurance Corporation or Congressionally authorized mortgage lenders and investments that are federally guaranteed. A minimum of 50% of the investable assets of the City will be maintained in U.S. Treasury Obligations, Federal Instrumentality Securities, Repurchase Agreements and Local Government Investment Pools. Financial institutions holding City funds must provide the City with a statement of collateral in the form of a listing of securities pledged and a copy of the certificate from the Banking Authority that state that the institution is an eligible public depository.

B. Restricted Cash and Cash Equivalents

As required by TABOR, at December 31, 2012, the City had restricted cash and/or a cash equivalent account in the amount of \$204,726. The City also had restricted cash related to the FPPA employee benefit plan in the amount of \$1,732 and restricted investments with FPPA of \$463,720.

C. Component Unit-Deposits and Investments

- i. At December 31, 2012, cash and investments for the BID are classified as follows:

From Statement of Net Position:	
Cash and Investments	\$ 67,791
Cash and Investments-Restricted	<u>7</u>
Total	\$ 67,798

Cash and investments as of December 31, 2012 consisted of the following:

Deposits with Financial Institutions	\$67,765
Investments-Federated Tresury	
Obligations Fund	<u>33</u>
Total	\$67,798

- ii. Custodial Credit Risk-The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Governmental agency entities, certain money market funds, guaranteed investment contract, and local government investment pools.

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- iii. Custodial and Concentration-None of the District's investments are subject to custodial or concentration of credit risk.
- iv. Investments-As of December 31, 2012, the District has the following investments:

Investment	Maturity	Fair Value
Federated Treasury Obligations	Less than one year	\$ 33

During 2012, the District's funds that were included in the trust account at the UMB Bank were invested in the Federated Treasury Obligations Fund. This fund is a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in the U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 397 days or less. As of December 21, 2012, the District has \$33 invested in the fund, all of which was restricted for the repayment of bond principal and interest.

D. Accounts Receivable

Receivables at December 31, 2012 for the City, including applicable allowances for uncollectible accounts, were as follows:

	Total Governmental Funds	Enterprise (Water) Fund	Total
Property Taxes receivable	\$ 333,698	-	333,698
Sales, use and other taxes	116,808	-	116,808
Water Consumption	-	7,462	7,462
	450,506	7,462	457,968
Allowance for doubtful accounts	-	(1,500)	(1,500)
Receivables, net	\$ 450,506	5,962	456,468

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. This includes \$333,698 of deferred revenue for property taxes levied in 2012 but not available until 2013.

City of Central, Colorado
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E. Capital Assets

Capital asset activity for the year ended December 31, 2012 is shown below:

	Balance 1/1/12	Increases	Decreases	Balance 12/31/12
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land & Improvements	5,523,996	-	-	5,523,996
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	2,358,643	289,691	(5,116)	2,643,218
Infrastructure	46,347,840	236,582	-	46,584,422
Equipment and Vehicles	2,256,320	540,221	(348,056)	2,448,485
<i>Total Depreciable Assets</i>	<u>50,962,803</u>	<u>1,066,494</u>	<u>(353,172)</u>	<u>51,676,125</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(1,134,916)	(77,643)	5,116	(1,207,443)
Infrastructure	(14,593,998)	(2,135,700)	-	(16,729,698)
Equipment and Vehicles	(1,783,149)	(171,474)	348,548	(1,606,075)
Total accumulated depreciation	<u>(17,512,063)</u>	<u>(2,384,817)</u>	<u>353,664</u>	<u>(19,543,216)</u>
Total depreciable capital assets, net	33,450,740	(1,318,323)	492	32,132,909
Governmental activities capital assets, net	<u>\$ 38,974,736</u>	<u>(1,318,323)</u>	<u>492</u>	<u>37,656,905</u>

	Balance 1/1/12	Increases	Decreases	Balance 12/31/12
Business-type activities:				
<i>Capital Assets not being depreciated:</i>				
Land	630,898	-	-	630,898
Water rights	1,253,363	-	-	1,253,363
<i>Total non-depreciable capital assets</i>	<u>1,884,261</u>	<u>-</u>	<u>-</u>	<u>1,884,261</u>
<i>Capital Assets being depreciated:</i>				
Buildings and improvements	1,027,242	-	-	1,027,242
Equipment	356,532	55,820	-	412,352
Reservoir, plant and water lines	13,257,431	5,062	-	13,262,493
<i>Total depreciable assets</i>	<u>14,641,205</u>	<u>60,882</u>	<u>-</u>	<u>14,702,087</u>
Less accumulated depreciation for:				
Buildings and improvements	(704,244)	(34,242)	-	(738,486)
Equipment	(217,346)	(31,243)	-	(248,589)
Reservoir, plant and water lines	(4,635,332)	(261,866)	-	(4,897,198)
Total accumulated depreciation	<u>(5,556,922)</u>	<u>(327,351)</u>	<u>-</u>	<u>(5,884,273)</u>
Total depreciable capital assets, net	9,084,283	(266,469)	-	8,817,814
Business-type activities capital assets, net	<u>\$ 10,968,544</u>	<u>(266,469)</u>	<u>-</u>	<u>10,702,075</u>

City of Central, Colorado
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For 2012, the City incurred capital outlays and depreciation expense by functions as follows:

	Capital Outlay	Depreciation Expense
Governmental Activities:		
General Government	\$ 268,261	63,098
Public Safety	297,005	71,722
Public Works, including infrastructure	501,228	2,249,997
Total-Governmental Activities	1,066,494	2,384,817
Business-type Activities		
Water	60,882	327,351
Total Business-type Activities	\$ 60,882	327,351

F. Interfund Balances and Transfers

The City had the following interfund receivables or payables as of December 31, 2012; these balances are not expected to be paid within one year. The City had no transfers between funds during 2012.

Water Fund	General Fund	\$ 1,232,994
Impact Fees Fund	General Fund	\$ 144,081

City of Central, Colorado
Notes to the Financial Statements
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G. Long-Term Debt

The following schedule summarizes changes in the City's long-term debt during 2012:

	<u>Balance 1/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/12</u>	<u>Due in One Year</u>
Governmental Activities:					
Bonds Payable:					
Excise Tax Refunding Bonds					
-Series 2010	440,000	-	(215,000)	225,000	225,000
General Obligation Water					
-Refunding Bonds-Series A 2010	815,000	-	(395,000)	420,000	420,000
General Obligation Water					
-Refunding Bonds-Series B 2010	285,000	-	(25,000)	260,000	260,000
<i>Less:</i>					
Deferred Amounts-Refunding	(80,773)	-	40,387	(40,386)	-
Total-Bonds Payable	<u>1,459,227</u>	<u>-</u>	<u>(594,613)</u>	<u>864,614</u>	<u>905,000</u>
Leases Payable					
Snow Plow	155,786	-	(49,417)	106,369	51,887
Street Sweeper	109,825	-	(28,954)	80,871	25,994
Ennovate	489,773	-	(42,056)	447,717	43,462
Public Works Trucks	-	91,238	-	91,238	28,677
Police Vehicles	-	61,751	-	61,751	29,956
Total-Leases Payable	<u>755,384</u>	<u>152,989</u>	<u>(120,427)</u>	<u>787,946</u>	<u>179,976</u>
Compensated Absences	<u>100,511</u>	<u>-</u>	<u>(9,791)</u>	<u>90,720</u>	<u>-</u>
Governmental activities long-term liabilities	<u><u>\$ 2,315,122</u></u>	<u><u>152,989</u></u>	<u><u>(724,831)</u></u>	<u><u>1,743,280</u></u>	<u><u>1,084,976</u></u>
Business-Type Activities:					
Bonds Payable					
General Obligation Water Bonds					
-Series 1981	\$ -	-	-	-	-
Compensated Absences	<u>7,308</u>	<u>10,018</u>	<u>-</u>	<u>17,326</u>	<u>-</u>
Business-Type activities long-term liabilities	<u><u>\$ 7,308</u></u>	<u><u>10,018</u></u>	<u><u>-</u></u>	<u><u>17,326</u></u>	<u><u>-</u></u>

City of Central, Colorado
Notes to the Financial Statements
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i. Excise Tax Refunding Bonds-Series 2010

On October 26, 2010, the City issued \$650,000 in Excise Tax Refunding Bonds with an average interest rate ranging from 3.25% to 3.75%. The net proceeds of this offering along with \$305,000 of the City's funds were utilized to advance refund, on a current basis, \$890,000 of outstanding 2006 Series Excise Tax Refunding Bonds with interest rates ranging from 4.00% to 4.50%. The City chose to advance refund the 2006 bonds in order to reduce its total annual debt service payment on the excise tax bonds by extending the term of the bonds through 2013. Doing so reduced the City's annual debt service payment for 2010 by \$352,968. The advance refund of the 2006 bonds resulted in a present value economic loss of (\$40,849) but provided the City with needed increased cash flow by the reduced annual payment amount.

The 2010 Series bonds have bi-annual payments dates of June 1 and December 1, and are special revenue obligations of the City, payable from certain excise taxes and fees, net of collection costs. The excise revenues consist of a 4% sales and use tax, certain fees and taxes imposed on gaming devices by the City and certain gaming revenues distributed to the City by the State of Colorado. The bonds constitute an irrevocable first lien upon the Net Excise Revenue but not necessarily an exclusive lien. The bonds are not a general obligation debt of the City and are not subject to redemption prior to maturity.

Under the terms of the bond indenture, the City will maintain a balance in the Debt Service Fund equal to 10% of the original principal amount of the bonds. The required Debt Service Fund balance of \$65,000 was not met as of December 31, 2012. The Debt Service Fund Balance was \$21,979. Therefore, the required Fund Balance was deficient by \$43,021.

As of December 31, 2012, annual debt service requirements to maturity of the 2010 Series are as follows:

<u>Year(s) Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	225,000	8,437	233,437
Totals	\$ 225,000	8,437	233,437

City of Central, Colorado
Notes to the Financial Statements
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ii. General Obligation Water Refunding Bonds-Series 2010 A

On October 26, 2010, the City issued \$1,215,000 in General Obligation Water Refunding Bonds with an interest rate ranging from 3.00% to 3.375%. The net proceeds of this offering along with \$445,000 of the City's existing funds were utilized to advance refund, on a current basis, \$1,555,000 of outstanding 2006 Series General Obligation Water Refunding Bonds with an interest rate of 4.25%. The City chose to advance refund the 2006 bonds in order to reduce its total annual debt service payment on the general obligation bonds by extending the term of the bonds through 2013 and gaining a lower interest rate. Doing so reduced the City's annual debt service payment for 2010 by \$814,350. The advance refund of the 2006 bonds resulted in a present value economic loss of (\$86,669) but provided the City with needed increased cash flow by the reduced annual payment amount.

The 2010 Series A bonds have bi-annual payment dates of June 1 and December 1, are general obligations of the City and are payable from ad valorem property taxes. The bonds are not subject to redemption prior to maturity.

As of December 31, 2012, annual debt service requirements of the 2010 Series to maturity are as follows:

<u>Year(s) Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	420,000	13,650	433,650
Totals	\$ 420,000	13,650	433,650

iii. General Obligation Water Refunding Bonds-Series 2010 B

On October 26, 2010, the City issued \$310,000 in General Obligation Water Refunding Bonds, with an interest rate of 3.00%. The net proceeds of this offering were utilized to advance refund, on a current basis, \$308,000 of outstanding 1981 Series General Obligation Water Refunding Bonds with an interest rate of 5.00%. The City advance refunded the 1981 bonds in order to reduce its total annual debt service payment on general obligation bonds thereby increasing cash flow and to obtain a net economic gain of \$27,171.

City of Central, Colorado
Notes to the Financial Statements
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The 2010 Series B bonds have bi-annual payment dates of June 1 and December 1, are general obligations of the City and are payable from ad valorem property taxes. The bonds are not subject to redemption prior to maturity.

As of December 31, 2012, annual debt service requirements to maturity of the 2010 Series B are as follows:

<u>Year(s) Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>260,000</u>	<u>7,800</u>	<u>267,800</u>
Totals	<u>\$ 260,000</u>	<u>7,800</u>	<u>267,800</u>

iv. Defeased Debt

In addition to the above bond issues, other bonds previously issued by the City have been defeased by the issuance of refunding bonds. The defeased bonds outstanding at December 31, 2010 consist of the 2006 Excise Tax Refunding Bonds in the amount of \$890,000, the 2006 General Obligation Water Refunding Bonds in the amount of \$1,555,000.

The 1981 General Obligation Water Bonds in the amount of \$308,000 were defeased in 2010 upon the issuance of the General Obligation Water Refunding Series B bonds. In 2011, the escrow agent released to the City \$308,000 to extinguish the defeased 1981 bonds.

v. Capital Lease Payable-Snow Plow

In 2011, the City entered into a lease-purchase agreement to acquire a new truck and all equipment necessary to make the truck into a snow plow. The City entered into a four (4) year lease-purchase agreement that matures in 2014 and has an effective interest rate of 5% for a principal amount of \$155,876. The City used \$75,000 of general funds as a down payment. \$50,477 of the down payment was money received from the City's insurance company for the loss of the old snow plow. The lease-purchase is payable annually on April 5th in a blended payment.

The leased asset and its related obligation are reported as a fixed asset and long-term debt in the governmental activities on the government-wide financial statements. The snow plow has been included in the City's governmental activities fixed assets at the original financed cost of \$233,286.

City of Central, Colorado
Notes to the Financial Statements
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As of December 31, 2012, annual debt service requirements to maturity under the lease-purchase agreement are as follows:

<u>Year(s) Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	51,887	5,319	57,206
2014	54,482	2,724	57,206
Totals	\$ 106,369	8,043	114,412

vi. Capital Lease Payable-Street Sweeper

In 2011, the City entered into a capital lease-purchase agreement in order to obtain a new street sweeper. The lease-purchase agreement is for a term of (4) years, matures in 2015 and has an effective interest rate of 3.29% for a principal amount of \$109,825. The lease-purchase is payable annually on January 1st in a blended payment.

The leased asset and its related obligation are reported as a fixed asset and long-term debt in the governmental activities on the government-wide financial statements. The street sweeper has been included in the City's governmental activities fixed assets at the original financed cost of \$109,825.

As of December 31, 2012, annual debt service requirements to maturity under the lease-purchase agreement are as follows:

<u>Year(s) Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	25,994	2,959	28,953
2014	26,946	2,008	28,954
2015	27,931	1,022	28,953
Totals	80,871	5,989	86,860

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vii. Capital Lease Payable-Ennovate Energy Contract

In 2011, the City signed into an energy performance contract (EPC) with Ennovate Corporation. The purpose of the EPC was to install and/or upgrade a number of City facility systems with components that were more energy efficient. In doing so, the energy savings from the newly installed or upgraded equipment would defray a portion of the project's costs. In addition to the energy savings, the City would also realize savings from the deferred maintenance items that were being addressed during the project. The main upgrades or installations that were made under this EPC included new HVAC units for City Hall and the Visitors Center, retrofitting all of the Central City Parkway lights to ones that are more energy efficient, retrofitting the lighting in City Hall with energy efficient fixtures and weatherization of all buildings.

In order to fund the EPC project, the City entered into a lease-purchase agreement with Colorado Business Bank. The term of the lease-purchase agreement was ten (10) years with an effective interest rate of 3.3% for a principal amount of \$489,773. Payments of \$14,426 are due on a quarterly basis.

The leased asset and its related obligation are reported as a fixed asset and long-term debt in the governmental activities on the government-wide financial statements. have been included in the City's governmental activities fixed assets at the original financed cost of \$489,773.

As of December 31, 2012, annual debt service requirements to maturity under the lease-purchase agreement are as follows:

<u>Year(s) Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	43,463	14,240	57,703
2014	44,914	12,788	57,702
2015	46,415	11,287	57,702
2016	47,965	9,737	57,702
2017	49,567	8,135	57,702
2018	51,224	6,478	57,702
2019	52,935	4,767	57,702
2020	54,703	2,998	57,701
2021	56,531	1,171	57,702
Totals	<u>447,717</u>	<u>71,601</u>	<u>519,318</u>

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viii. Capital Lease Payable-Public Works Trucks

In 2012, the City entered into a lease-purchase agreement to acquire two (2) new Public Works vehicles and all necessary outfitting equipment.

The City entered into a four (4) year lease-purchase agreement that matures in 2015 and has an effective interest rate of 5.94% for a principal amount of \$125,333. The lease-purchase is payable annually on February 15th in a blended payment.

The leased asset and its related obligation are reported as a fixed asset and long-term debt in the governmental activities on the government-wide financial statements. The Public Works trucks have been included in the City's governmental activities fixed assets at the original financed cost of \$125,333.

As of December 31, 2012, annual debt service requirements to maturity under the lease-purchase agreement are as follows:

<u>Year(s) Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	28,676	5,420	34,095
2014	30,379	3,716	34,095
2015	32,183	1,912	34,095
Totals	91,238	11,047	102,285

ix. Capital Lease Payable-Police Vehicles

In 2012, the City entered into a lease-purchase agreement to acquire three (3) new Chevy Tahoes for the Police Department vehicles and some of the necessary outfitting equipment.

The City entered into a three (3) year lease-purchase agreement that matures in 2014 and has an effective interest rate of 6.14% for a principal amount of \$95,499. The lease-purchase is payable annually on July 26th in a blended payment.

The leased asset and its related obligation are reported as a fixed asset and long-term debt in the governmental activities on the government-wide financial statements. The Public Works trucks have been included in the City's governmental activities fixed assets at the original financed cost of \$95,499. Additional equipment to properly outfit the vehicles for duty that was purchased outright has also been included in the fixed assets at a cost of \$56,961.

City of Central, Colorado
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As of December 31, 2012, annual debt service requirements to maturity under the lease-purchase agreement are as follows:

<u>Year(s) Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	29,956	3,792	33,748
2014	31,795	1,952	33,748
Totals	61,751	5,744	67,495

x. Combined Debt Service for Governmental Activities

The following schedule illustrates the City's combined annual debt service requirements (items i. through ix. above) to maturity for governmental activities long-term debt as of December 31, 2012.

<u>Year(s) Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	1,084,976	61,615	1,146,591
2014	188,516	23,188	211,704
2015	106,529	14,222	120,751
2016	47,965	9,737	57,702
2017	49,567	8,135	57,702
2018	51,224	6,478	57,702
2019	52,935	4,767	57,702
2020	54,703	2,998	57,701
2021	56,531	1,171	57,702
Totals	\$ 1,692,946	132,311	1,825,257

xi. Short Term Loan Payable

In April of 2011 the City Council voted to purchase a town home located at 740 Louis Drive in the Prospectors Run development within the City of Central. The purchase price of the town home was \$166,253. While the City chose to pay cash up front for the purchase rather than financing, it was determined that in order to maintain healthy cash flow reserves prior to the receipt of annual gaming tax monies, the City would take out a short term loan through Evergreen National Bank. The principal amount of the short term loan was \$100,000 and the interest rate varies. The town home was used as collateral for this loan. Payments were to be made as follows: June-Dec 2011-Interest only payments with a rate of 6.5% per annum; Jan-April 2012 Principal and interest payments in the amount of \$3,069.41 with a rate of 6.5% per annum; and one large principal and interest payment in the amount of \$90,328.81 due on May 20, 2012.

The City paid off the balance of this loan in May of 2012 as set forth in the agreement and the obligation is no longer outstanding.

City of Central, Colorado
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xii. Compensated Absences

The City has adopted policies providing for employee accumulation of sick and vacation pay. Earned vacation pay accrued on a graduated scale from the date of employment and employees are allowed to accrue vacation leave to a maximum of 240 hours for employees who have been with the City less than 5 years and up to 312 hours for employees who have been with the City for 5 years or more. Sick hours are accumulated with no cap but only employees that have been employed with the City since prior to March of 2003 receive any payout (maximum of 80 hours) upon the end of employment. Accrued vacation hours vested are payable upon the end of employment up to the maximum accrued hours allowed and noted above. Accrued compensated absences are paid from resources accumulated in the General Fund, Historical Preservation Fund and Water Fund.

xiii. Conduit Debt-Central City, Colorado Variable Rate Demand Multifamily Housing Revenue Bonds (Gold Mountain Apartment Project) Series 1996 and 1997

These bonds were issued in 1996 and 1997 in an aggregate principal amount of \$12,440,000 to finance construction of multi-family housing projects within the City. The 1996 bond series matures April 1, 2029 and the 1997 bond series matures December 25, 2030. The bonds are solely payable from, and are secured by, a pledge of revenue from loan agreements between the City, Gold Mountain Village I Limited Partnership and Gold Mountain Village II Limited Partnership. The borrower's obligation is secured by Deeds of Trust, Security Agreements, Financing Statements and assignment of rents and leases. In 2006, the bond agreement was modified to terminate the existing credit facility and to secure the bonds only by the Deeds of Trust.

The bonds are a special limited obligation of the City, payable solely from the specified revenues of the projects and do not constitute debt or indebtedness of the City. As of December 31, 2012, the outstanding principal balance of the bonds was \$3,090,000.

H. Component Unit-Long-term Debt

i. Limited Tax General Obligation Bonds-Series 2003A

On June 17, 2003, the BID issued \$45,200,000 of Limited Tax General Obligation Bonds. The bonds are due on December 1, 2023 with an interest payable semi-annually on June 1 and December 1 of each year beginning December 1, 2003 with an interest rate of 9.75% annually.

City of Central, Colorado
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The bonds were issued for the purposes of (i) financing costs of the acquisition, construction and installation of the Central City Parkway, and (ii) paying certain costs and expenses in connection with the issuance of the bonds. The Bonds were issued in increments of \$100,000 and any integral multiples of \$5,000 in excess thereof. The bonds are subject to prior redemption of the District, as a whole or in integral multiples of \$5,000 on December 1, 2013, and on any date thereafter at a redemption price equal to the principal amount of the bonds plus accrued interest without redemption premium. The bonds were secured by the pledge of receipts from a levy by the BID of general ad valorem taxes. The initial mill levy assessed was 80 mills and may vary based upon the total assessed valuation of properties within the BID. However, the levy is subject to a maximum assessment of 80 mills.

During 2012, the BID underpaid its scheduled 2012 debt service interest payments by \$2,790,183. The total outstanding interest due as of December 31, 2012 was \$23,744,878 which includes interest on this unpaid interest as well as interest on the outstanding interest from 2006, 2007, 2008, 2009, 2010 and 2011. Additions to accrued interest include current interest, accrued interest and compounded interest. Outstanding interest compounds on each interest payment date at the interest rate borne by the bonds.

The transactions related to these debt service requirements as of December 31, 2012, are shown below:

	Balance 1-01-12	Additions	Deletions	Balance 12-31-12
Limited Tax GO				
Bonds-Series 2003A	45,200,000	-	-	45,200,000
Accrued Interest	19,178,505	6,290,611	1,724,238	23,744,878
Totals	64,378,505	6,290,611	1,724,238	68,944,878

On January 5, 2007, the BID approved the First supplemental to Indenture of Trust, which amends the original bond indenture by providing that on the first business day of any month, if the amount on deposit in the Debt Service Fund is at least \$50,000, the BID shall make a payment to the bondholders towards any past due debt service.

The ability of the BID to make the scheduled payments of principal and interest along with the unpaid interest from 2006, 2007, 2008, 2009, 2010, 2011 and 2012 with the anticipated revenues for 2013 is in doubt under the current structure. The District continues to negotiate a restructure of the bonds. The maximum that can be paid on District indebtedness, including the Series 2003A Bonds, is \$114,000,000.

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ii. Tax Prepayment Agreement

In 2005, the BID entered into a Tax Prepayment Agreement with Centaur Colorado, LLC. Under the terms of the agreement, Centaur remitted \$346,875 to the BID for deposit in the Debt Service Fund. The funds represent a credit which will be applied against the payment of taxes owed to the District by Centaur when and to the extent that the District's revenues exceed the amounts required for debt service. Centaur intends that its payment be recognized as a prepayment of taxes currently due or to become due in the next tax collection year. The District recognizes the credit as a tax prepayment for the benefit of Centaur. Centaur shall be able to apply the credit against any amounts owed to the District on the earlier or either immediately before refunding obligations are issued or when the District has available funds from revenues that are not obligated to the debt service payment.

The initial term of this agreement matured on December 31, 2005. The term can be extended upon appropriation of the credit in the subsequent year. If in the budget in the subsequent year, the District is unable to pay the full amount of debt service, the District is not obligated to recognize the credit in that year and the term is automatically extended from year to year.

iii. Changes in Long-term Debt-Component Unit-BID

The following is an analysis of changes in long-term debt for the period of December 31, 2012.

	<u>Balance 1/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/112</u>	<u>Due in One Year</u>
Limited Tax General Obligation Bond-Series 2003 A	\$ 45,200,000	-	-	45,200,000	10,000,000
Tax Prepayment Agreement	346,875	-	-	346,875	-
	<u>\$ 45,546,875</u>	<u>-</u>	<u>-</u>	<u>45,546,875</u>	<u>10,000,000</u>

I. Deferred Revenue

- i. The City entered into an agreement in 1998 with Albert Frei & Sons, Inc. ("Frei") to provide 20 acre feet of water annually from 1998 through 2017. In return, Frei performed wetlands mitigation work on behalf of the City along the banks of Clear Creek. In 2006, the agreement was

City of Central, Colorado
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amended to increase the water provided in 2006 and 2007 to 120 acre feet. During those years, the City recognized \$32,000 annually in the proprietary fund. The original agreement valued both the 20 acre feet of water from 1998 through 2017 and the wetland mitigation work at \$640,000. Therefore, the City recognizes \$21,333 annually in the proprietary fund through 2017.

The unearned revenue relating to water to be provided in future years is recorded as deferred revenue. At December 31, 2012, deferred revenue relating to this agreement totaled \$106,671.

- ii. In 2003, the City entered into an agreement with Andrew and Carolyn Goltra (the "Goltra's"), under which the Goltras transferred certain property rights to the City (for use in construction of the Central City Parkway). In return, the City agreed to waive future development fees incurred by the Goltras if and when the Goltras develop their property. The amount of such future development fees, which is reflected on the City's financial statements as deferred revenue, is to increase or decrease in proportion to the amount that City tap fees are increased or decreased on an annual basis. At December 31, 2012, deferred revenue relating to this agreement totaled \$145,655.

J. Benefits

All City employees, except police and volunteer firefighters, participated in the Federal Social Security system for which the City has no liability, except for amounts withheld and any related statutory amounts. The City has also established the following retirement plans for eligible employees.

i. General Employees Retirement Plan-Section 401 (a) Plan

For all permanent City employees, other than sworn police officers, the City offers a defined contribution money purchase pension plan (the "Retirement Plan"). The Retirement Plan, which is administered by ICMA Retirement Corporation ("ICMA"), offers employees with 180 days of eligible service the opportunity to build retirement savings by pre-tax contributions of salary. The City matches these contributions up to 4%. Employees may also make voluntary contributions to the Retirement Plan, but may not contribute in excess of the annual federally allowed limit.

Retirement Plan investment purchases are determined by the individual participants and therefore, the Retirement Plan's investment concentration varies between participants.

For 2012, the City contributed \$26,418 to the Retirement Plan on behalf of participating employees.

City of Central, Colorado
Notes to the Financial Statements
December 31, 2012

While the City is the trustee of the Retirement Plan, it has no liability for losses under the Retirement Plan. Accordingly, the Retirement Plan is not in the City's financial statements.

ii. Police Department Money Purchase Plan

The contributions to the statewide money purchase retirement plan ("Money Purchase Plan") on behalf of all sworn police officers. The Money Purchase Plan, which is administered by the Colorado Fire and Police Pension Association ("FPPA"), is a defined contribution plan. Therefore, the City has no liability or requirements to fund the retirement of its police officers over and above the contributions to the Money Purchase Plan. The Money Purchase Plan requires that the City contribute 8% of each participating employee's annual compensation. Each participant is required to contribute an equal amount. All contributions to the Money Purchase Plan vest immediately to the participant.

Money Purchase Plan investment purchases are determined by the individual participants. Therefore the Money Purchase Plan's investment concentration varies between participants.

For 2012, the City contributed \$25,042 to the Money Purchase Plan on behalf of participating employees. This represents the required 8% contribution based on the 2012 covered payroll of \$313,025.

The City is not the trustee for the Money Purchase Plan and has no liability for losses under the Retirement Plan. Accordingly, the Money Purchase Plan is not part of the City's financial statements.

iii. Fire Department Pension Plan

The City and all full-time, paid firefighters employed by the City, participate in the Statewide Defined Benefit Plan; a cost-sharing multiple-employer defined pension plan. The Plan is administered by FPPA.

The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries, together with death and disability coverage provided through the Statewide Death and Disability Plan (also administered by FPPA). Title 31, Article 30 of the Colorado Revised Statutes ("C.R.S."), as amended, assigns the authority to establish benefit provisions under the Statewide Defined Benefit Plan to the Colorado state legislature. FPPA issues a publicly available annual financial report that includes the financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. The report may be obtained by writing to or calling:

City of Central, Colorado
Notes to the Financial Statements
December 31, 2012

FPPA of Colorado
5290 DTC Parkway, Suite 100
Englewood, CO 80111
(303) 770-3773

As required by state statute, both the City and City employees participating in the Statewide Defined Benefit Plan each contribute 8% of eligible compensation. During 2012, the City and City employees each made contributions to the Plan of \$5,414 based on covered payroll for 2012 of \$67,675.

iv. Volunteer Fire Department Pension Plan

The City offers its volunteer firefighters a defined benefit pension plan (“Fire Pension Plan”) which is also administered by FPPA. Assets of the Fire Pension Plan are commingled for investment purposed in the Fire and Police Members’ Benefit Fund; a multi-employer defined benefit pension plan administered by FPPA. The Fire Pension Plan provides retirement benefits for members and beneficiaries according to the provisions as enacted and governed by the Board of Directors of the Fire Pension Plan,

Title 31, Article 30 of C.R.S., as amended, established basic benefit provisions under the Fire Pension Plan. The FPPA issues a publicly available annual financial report that includes the financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. That report may be obtained by writing to or calling:

FPPA of Colorado
5290 DTC Parkway, Suite 100
Englewood, CO 80111
(303) 770-3772

BASIS OF ACCOUNTING: The financial statements of the Fire Pension Plan are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fire Pension Plan. Investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

FUNDING POLICY: During 2012, the City contributed \$7,600 and the State of Colorado contributed \$6,417 for total contributions of \$14,017 made to the Fire Pension Plan.

City of Central, Colorado
Notes to the Financial Statements
December 31, 2012

ANNUAL PENSION COSTS: For the year ended December 31, 2012, annual pension costs were \$4,425. Eligible firefighters currently receive \$500 per month in pension benefits.

ACTUARIAL INFORMATION: An Actuary determined the Annual required Contribution (“ARC”) as of January 1, 2011 (the last available study) using the “entry age actuarial cost method”. The significant actuarial assumptions used in the valuations as of January 1, 2011 (and changes from the previous study) were as follows:

- Source of life expectancies: 1994 Group Annuity Mortality Table, 50% multiplier for off-duty mortality;
- Retirement: retirement age of 50, with 20 years of service;
- Separation: Graduated rates based on age, for all withdrawals;
- Monthly pension benefits: \$500 per month;
- Inflation rate: 3.5% per annum;
- Investment return: 8% per annum, net of operating expenses, compounded annually;
- Amortization method: Level dollar-open; and
- Asset valuation method: Actuarial valuation using 3-year smoothed fair market value

Required disclosures for the most recent actuarial valuations and the two preceding studies are as follows:

	Actuarial Valuation Dates		
	(Last Available Studies)		
	<u>Jan. 1, 2011</u>	<u>Jan. 1, 2009</u>	<u>Jan. 1, 2007</u>
<i>Net Assets available for benefits</i>	\$ 419,048	351,421	335,668
<i>Actuarial accrued liability</i>	<u>446,499</u>	<u>364,730</u>	<u>148,472</u>
<i>Funding excess/ (Unfunded actuarial liability)</i>	<u>\$ (27,451)</u>	<u>(13,309)</u>	<u>187,196</u>
<i>Funded Ratio</i>	94%	96%	226%

v. Deferred Compensation Plan-Section 457 Plan

All City employees are eligible to participate in a deferred compensation plan created in accordance with Internal Revenue Code section 457 (“Deferred Compensation Plan”). The Deferred Compensation Plan, which is administered by ICMA, allows all City employees the opportunity to defer a portion of their salary until future years. All compensation deferred under the Deferred Compensation Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are to be held in trust for the exclusive benefit of the participants and their beneficiaries. Amounts contributed to the Deferred Compensation Plan are not available to employees until termination, retirement, death or unforeseeable

City of Central, Colorado
Notes to the Financial Statements
December 31, 2012

emergency. Participants may elect to defer any percentage of their annual compensation, provided that the total annual contributions do not exceed the annual limit as established by the Internal Revenue Service. The City matched up to 4% of employee contributions in 2012. The City's match on this deferred compensation Plan is reduced for any match received under the Retirement Plan.

Deferred Compensation Plan investment purchases are determined by the individual participants. Therefore, the Deferred Compensation Plan's investment concentration varies between participants.

For 2012, the City contributed \$10,339 to the Deferred Compensation Plan on behalf of participating employees.

While the City is the trustee for the Deferred Compensation Plan, it has no liability for losses under the Deferred Compensation Plan. Accordingly, the Deferred Compensation Plan is not part of the City's financial statements.

vi. Volunteer Firefighter Length of Award Service Plan

In 2007, the City adopted the Volunteer Firefighter Length of Service Award Plan (LOSA) under Resolution 09-07 in order to compensate the City's volunteer firefighters in accordance with Section 457 of the Internal Revenue Code. The Plan replaced the former system of pay-per-call response by volunteers. The Length of Service Award Plan is acceptable under Internal Revenue Code Section 457 and allows the firefighters to keep their volunteer status and therefore, their FPPA benefits.

The Plan awards each volunteer who has met established requirements with regards to training hours and responding to at least 15% of all calls during the year. The amount of the service award given is based upon years of service with the Department as shown below. Annual service awards are accrued and paid out upon separation from service with the Fire Department. The cumulative total amount of all annual rewards earned is recorded as a liability in the City's General Fund and reflected as such in the financial statements. At December 31, 2011, the City awarded \$13,213 in service awards. Total liability for this Plan at the close of 2011 was \$60,428.

City of Central, Colorado
Notes to the Financial Statements
December 31, 2012

Years of Service as of 12/31/2008	Award Amount
1	\$600
2-5	\$700
6-10	\$1,000
11-15	\$1,500
16-20	\$2,000
21+	\$3,000

K. Employee Health Benefits

The City provides basic, major medical, optional dental, vision and long-term disability to all full-time employees and their eligible dependants. The plan is funded 90% by city contributions and 10% by employee contributions. Benefits are provided through third-party insurance providers.

L. Post-Employment Health Care Benefits

All City employees covered by COBRA may continue their health insurance for up to 18 months after a reduction in work hours or termination of employment for reasons other than “gross misconduct”. Eligible dependants may continue coverage for up to 36 months. The City recognizes no cost for such coverage, since its participants must reimburse the City for 100% of premium costs during the extended coverage period.

M. Risk Management

The City is exposed to various risks of loss related to workers’ compensation and general liability unemployment. The City has acquired commercial coverage for these risks and any settled claims are not expected to exceed the commercial insurance coverage.

The City is also exposed to the risks of loss related to torts, theft, damage and/or destruction of assets and errors and omissions. To address such risks, the City is a participant in a public entity risk pool administered by Colorado Intergovernmental Risk Sharing Agency (“CIRSA”). CIRSA’s operations are funded by contributions from member governments. Coverage is provided in the amount of \$250,000 per claim or occurrence for property, \$1,000,000 per claim or occurrence for liability and \$150,000 per claim or occurrence for crime. CIRSA has also acquired additional excess coverage from outside sources. While the City may be liable for any losses in excess of this coverage, the City does not anticipate such losses at December 31, 2012.

Surpluses or deficits realized by CIRSA for any given year are subject to change for such reasons as interest earnings or invested amounts for those years and funds, re-estimation of losses for those years and funds and/or credits or distributions from surplus for those years or funds.

City of Central, Colorado
Notes to the Financial Statements
December 31, 2012

The City's share of CIRSA's assets, liabilities and fund equity as of December 31, 2012 is as shown on the following page:

	<u>Equity Ratio</u>	<u>Share of Surplus</u>
Property and Casualty Pool:		
Operating Fund	0.024%	\$ 11,386
Loss Funds (2001-2012)	0.509%	\$ 54,961
Pooled Excess Fund	0.052%	\$ 2,067
Reserve Fund	0.401%	\$ 35,141
 Workers' Compensation Pool:		
Operating Fund	0.902%	\$ 9,469
Loss Funds (1995-2012)	0.838%	\$ 29,101
Excess Liability Fund	-2.262%	\$ 7,542
Reserve Fund	0.532%	\$ 20,876

CIRSA's combined financial information for the year ended December 31, 2012 is summarized as follows:

Assets:

Cash and Investments	\$ 70,697,069
Other Assets	6,777,669
Total Assets	\$ 77,474,738

Liabilities and Net Assets

Total Liabilities	\$ 40,063,159
Net Assets	37,411,579
Total Liabilities and Net Assets	\$ 77,474,738

Total Revenues	\$ 22,214,452
Total Expenses	17,275,363
Income (Loss) before Distributions	\$ 4,939,089

City of Central, Colorado
Notes to the Financial Statements
December 31, 2012

Commitments and Contingencies

i. Claims

During the normal course of business the City incurs claims and assertions from various agencies and individuals. The City and its legal counsel are currently working on pending legal actions against the City which could result in judgments against the City. In the opinion of legal counsel and the City's management, such claims would not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2012.

ii. Federal and State Grants and Financial Sources

The City receives financial assistance from federal and state governmental agencies in the form of grants and other funding agreements. Disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the underlying agreements and are subject to audit by the grantor agencies. Disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The City received a Water Quality grant from the Colorado Department of Public Health and Environment as well as a grant from the Department of Local Affairs for the planning and design of a new Public Works facility. The City is complying with all applicable rules and regulations specified in the grant awards. Further, due to the relatively small nature of the grant awards, management does not feel that there are any compliance issues that may have an effect on the overall financial position of the City at December 31, 2012.

iii. Pools

The City is a member of a public entity risk pool, as discussed in Note N above. The public entity risk pool has a legal obligation for claims against its members to the extent that funds are available in their annually established loss funds and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contribution in the year such excess occurs, although they are not legally required to do so. The ultimate liability to the City arising from claims not covered by this public entity risk pool is not determinable at this time. However, City management feels that the outcome of any such claims will not have a material adverse effect on the City's financial statements at December 31, 2012.

City of Central, Colorado
Notes to the Financial Statements
December 31, 2012

iv. Rebate of Device Fees

In 2004, the City entered into an agreement with Tollgate Venture, LLC (“the Developer”). Under the terms of this agreement, the developer agreed to provide public parking in a parking structure constructed by the developer. In return, the City agreed to rebate 70% of all device fees paid to the City by the developer for a period not to exceed ten years or 60% of the actual construction costs of building the parking garage, whichever occurs first.

At December 31, 2012, the City had rebated \$2,595,039 since 2006 of device fees related to this agreement. Based on the fact that the amount of the rebate is directly related to the number of devices in the casino, the City anticipates that the Agreement will terminate during the 3rd quarter of 2016 when the ten year period has been satisfied.

N. Concentrations

The City is extremely dependent upon gaming device fees and the State of Colorado’s annual gaming revenue disbursement as major sources of revenue. These revenue sources totaled approximately \$3,907,871 in 2012 and represent 65% of the City’s total governmental revenues for the year. This is an increase in concentration of 7% from 2011. The general fund is especially dependent upon gaming device fees and the annual gaming revenue disbursement as these revenues totaled \$3,507,889 and almost 73% of General Fund’s total 2011 revenues. In 2010 the percentage of gaming revenues total in the General Fund was almost 68% of revenues. The increase in concentration can be attributed to an overall decrease in sales and use tax collection from prior year as well as an increase in the annual gaming tax distribution of approximately 4%. As noted in the notes to the 2011 Financial Statements, the prior year increase in sales and use tax was almost exclusively connected to the sale and subsequent renovation of a gaming property and were therefore one-time revenues. As such, the increase was not reflective of the overall economy.

This illustrates an issue important to note; much of the City’s sales, use and lodging taxes are derived from the gaming industry and are therefore dependant on gaming as well. The City’s management and elected officials are aware of this heavy concentration and are looking at ways to diversify the City’s sources of revenue.

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City of Central, Colorado
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual with a Reconciliation to GAAP Basis
December 31, 2012

	2012			Final Budget Variance Positive (Negative)	2011
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Taxes	1,550,945	1,550,945	1,669,754	118,809	1,865,082
Special Assessments	2,581,581	2,581,581	2,666,889	85,308	2,438,660
Licenses and Permits	33,500	33,500	29,328	(4,172)	55,138
Intergovernmental	65,050	65,050	80,471	15,421	69,192
Charges for Services	59,050	59,050	128,678	69,628	94,394
Fines and Forfeitures	45,000	45,000	48,182	3,182	51,643
Investment income	200	200	209	9	(102)
Other	38,000	38,000	213,497	175,497	173,250
Total Revenues	4,373,326	4,373,326	4,837,008	463,682	4,747,257
Expenditures:					
General Government:					
Judicial	53,050	53,050	48,637	4,413	44,382
Clerk's Office	113,296	113,296	98,574	14,722	106,814
Administrative	795,338	868,338	812,733	55,605	976,065
Finance	185,726	185,726	187,901	(2,175)	186,011
Community Development	129,595	236,095	213,293	22,802	199,560
Marketing	52,621	187,621	207,554	(19,933)	35,993
Total- General Government	1,329,626	1,644,126	1,568,692	75,434	1,548,825
Public Safety					
Police Department	590,630	725,328	755,747	(30,419)	454,155
Fire Department	276,449	291,449	229,039	62,410	144,356
Dispatch Contract	30,000	30,000	30,000	-	60,000
Ambulance Contract	153,000	153,000	153,000	-	153,000
Total- Public Safety	1,050,079	1,199,777	1,167,786	31,991	811,511
Public Works					
Public Works Department	1,261,043	1,272,344	1,320,160	(47,816)	1,283,208
Fleet Maintenance	472,900	472,900	492,079	(19,179)	486,957
Total- Public Works	1,733,943	1,745,244	1,812,239	(66,995)	1,770,165
Total Expenditures	4,113,648	4,589,147	4,548,717	40,430	4,130,501
Excess of Revenues Over Expenditures	259,678	(215,821)	288,291	504,112	616,756

(continued)

See the accompanying Independent Auditor's Report.

City of Central, Colorado
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual with a Reconciliation to GAAP Basis
December 31, 2012

	2012			Final Budget Variance Positive (Negative)	2011
	Original Budget	Final Budget	Actual		Actual
Other Financing Sources (Uses):					
Proceeds of Capital Lease	-	-	152,989	152,989	265,611
Operating transfers in	-	-	-	-	66,720
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>152,989</u>	<u>152,989</u>	<u>332,331</u>
Net Changes in Fund Balances					
-Budget (Non-GAAP) Basis	259,678	(215,821)	441,280	657,101	949,087
Net Change in Fund Balances-			441,280		949,087
GAAP Basis					
Fund Balance- Beginning	<u>932,772</u>	<u>1,153,136</u>	<u>1,153,136</u>	<u>-</u>	<u>204,049</u>
Fund Balances- Ending	<u><u>1,192,450</u></u>	<u><u>937,315</u></u>	<u><u>1,594,416</u></u>	<u><u>657,101</u></u>	<u><u>1,153,136</u></u>

See the accompanying Independent Auditor's Report.

City of Central, Colorado
Special Revenue Fund- Historical Preservation Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
December 31, 2012

	2012			Final Budget Variance Positive (Negative)	2011
	Original Budget	Final Budget	Actual		Actual
Revenues:					
State grant revenue	400,000	400,000	438,032	38,032	430,187
Investment income	250	250	225	(25)	219
Miscellaneous	6,500	6,500	9,585	3,085	263,263
Total Revenues	<u>406,750</u>	<u>406,750</u>	<u>447,842</u>	<u>41,092</u>	<u>693,669</u>
Expenditures:					
General Government	254,125	254,125	252,209	1,916	207,662
Public Works	152,500	662,500	708,517	(46,017)	368,690
Other	-	-	-	-	7,500
Total Expenditures	<u>406,625</u>	<u>916,625</u>	<u>960,726</u>	<u>(44,101)</u>	<u>583,852</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>125</u>	<u>(509,875)</u>	<u>(512,884)</u>	<u>(3,009)</u>	<u>109,817</u>
Other Financing Sources (Uses):					
Proceeds of Capital Lease	-	-	-	-	489,773
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,773</u>
Net Changes in Fund Balances	125	(509,875)	(512,884)	(3,009)	599,590
Fund Balance- Beginning	<u>243,497</u>	<u>999,475</u>	<u>999,475</u>	<u>-</u>	<u>399,885</u>
Prior Period Adjustment	-	-	(19,452)	(19,452)	-
Fund Balance- Ending	<u><u>243,622</u></u>	<u><u>489,600</u></u>	<u><u>467,139</u></u>	<u><u>(22,461)</u></u>	<u><u>999,475</u></u>

See the accompanying Independent Auditor's Report.

City of Central, Colorado
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
December 31, 2012

	<u>2012</u>			Final Budget Variance Positive (Negative)	<u>2011</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Taxes	329,500	329,500	288,400	(41,100)	383,443
Special Assessments	387,187	387,187	399,982	12,795	365,750
Investment Income	100	100	536	436	145
Total Revenues	<u>716,787</u>	<u>716,787</u>	<u>688,918</u>	<u>(27,869)</u>	<u>749,338</u>
Expenditures:					
Debt Service					
Principal Payments	635,000	635,000	635,000	-	635,000
Interest Payments	54,875	77,550	54,164	23,386	76,617
Other	11,000	14,850	6,910	7,940	8,586
Total Expenditures	<u>700,875</u>	<u>727,400</u>	<u>696,074</u>	<u>31,326</u>	<u>720,203</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>15,912</u>	<u>(10,613)</u>	<u>(7,156)</u>	<u>3,457</u>	<u>29,135</u>
Net Changes in Fund Balances	15,912	(10,613)	(7,156)	3,457	29,135
Fund Balance- Beginning	<u>-</u>	<u>15,912</u>	<u>29,135</u>	<u>13,223</u>	<u>-</u>
Fund Balance- Ending	<u><u>15,912</u></u>	<u><u>5,299</u></u>	<u><u>21,979</u></u>	<u><u>16,680</u></u>	<u><u>29,135</u></u>

See the accompanying Independent Auditor's Report.

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City of Central, Colorado
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2012

	Special Revenue Funds			Total Non-Major Governmental Funds	
	TABOR Reserve Fund	Conservation Trust Fund	Impact Fee Fund		Public Property Trust Fund
Assets:					
Cash and cash equivalents	-	38,688	-	226,559	265,247
Cash and cash equivalents-restricted	204,726	-	-	-	204,726
Total Assets	<u>204,726</u>	<u>38,688</u>	<u>-</u>	<u>226,559</u>	<u>469,973</u>
Liabilities:					
Due from (to) other funds	-	-	144,081	-	144,081
Total Liabilities	<u>-</u>	<u>-</u>	<u>144,081</u>	<u>-</u>	<u>144,081</u>
Fund Balances:					
<u>Restricted:</u>					
Reserved for Emergencies	162,941	-	-	-	162,941
Conservation Trust	-	38,688	-	-	38,688
<u>Committed:</u>					
Public Property	-	-	-	226,559	226,559
Impact Fees	-	-	(144,081)	-	(144,081)
Tabor	41,785	-	-	-	41,785
Total Fund Balances	<u>204,726</u>	<u>38,688</u>	<u>(144,081)</u>	<u>226,559</u>	<u>325,892</u>
Total Liabilities and Fund Balances	<u>204,726</u>	<u>38,688</u>	<u>-</u>	<u>226,559</u>	<u>469,973</u>

See the accompanying Independent Auditor's Report.

City of Central, Colorado
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended December 31, 2012

	Special Revenue Funds			Public Property Trust Fund	Total Non-Major Governmental Funds
	TABOR Reserve Fund	Conservation Trust Fund	Impact Fee Fund		
Revenues:					
Intergovernmental revenue	-	6,706	-	-	6,706
Investment Income	478	96	-	631	1,205
Miscellaneous	-	-	-	-	-
Total Revenues	<u>478</u>	<u>6,802</u>	<u>-</u>	<u>631</u>	<u>7,911</u>
Expenditures:					
General Government	-	6,925	-	-	6,925
Total Expenditures	<u>-</u>	<u>6,925</u>	<u>-</u>	<u>-</u>	<u>6,925</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>478</u>	<u>(123)</u>	<u>-</u>	<u>631</u>	<u>986</u>
Net Changes in Fund Balances	478	(123)	-	631	986
Fund Balances (Deficit)- Beginning	<u>204,248</u>	<u>38,811</u>	<u>(144,081)</u>	<u>225,928</u>	<u>324,906</u>
Fund Balances (Deficit)- Ending	<u><u>204,726</u></u>	<u><u>38,688</u></u>	<u><u>(144,081)</u></u>	<u><u>226,559</u></u>	<u><u>325,892</u></u>

See the accompanying Independent Auditor's Report.

City of Central, Colorado
Special Revenue Fund- TABOR Reserve Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
December 31, 2012

	2012		Final Budget Variance Positive (Negative)	2011
	Original and Final Budget	Actual		Actual
Revenues:				
Investment income	120	478	358	118
Total Revenues	<u>120</u>	<u>478</u>	<u>358</u>	<u>118</u>
Expenditures:				
General Government	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	120	478	358	118
Fund Balance- Beginning	<u>204,374</u>	<u>204,248</u>	<u>(126)</u>	<u>204,130</u>
Fund Balance- Ending	<u><u>204,494</u></u>	<u><u>204,726</u></u>	<u><u>232</u></u>	<u><u>204,248</u></u>

See the accompanying Independent Auditor's Report.

City of Central, Colorado
Special Revenue Fund- Conservation Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
December 31, 2012

	<u>2012</u>			<u>Final Budget</u>	<u>2011</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:					
Lottery Income	5,000	5,000	6,706	1,706	5,785
Investment income	10	10	96	86	21
Total Revenues	<u>5,010</u>	<u>5,010</u>	<u>6,802</u>	<u>1,792</u>	<u>5,806</u>
Expenditures:					
Culture & Recreation	-	7,456	6,925	531	-
Total Expenditures	<u>-</u>	<u>7,456</u>	<u>6,925</u>	<u>531</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,010</u>	<u>(2,446)</u>	<u>(123)</u>	<u>2,323</u>	<u>5,806</u>
Net Changes in Fund Balances	5,010	(2,446)	(123)	2,323	5,806
Fund Balance- Beginning	<u>13,015</u>	<u>38,811</u>	<u>38,811</u>	<u>-</u>	<u>33,005</u>
Fund Balance- Ending	<u><u>18,025</u></u>	<u><u>36,365</u></u>	<u><u>38,688</u></u>	<u><u>2,323</u></u>	<u><u>38,811</u></u>

See the accompanying Independent Auditor's Report.

City of Central, Colorado
Special Revenue Fund- Impact Fees Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
December 31, 2012

	2012		Final Budget	2011
	Original and Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Impact Fees	-	-	-	12,664
Investment income	-	-	-	-
Total Revenues	-	-	-	12,664
Expenditures:				
General Government	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	12,664
Other Financing Sources (Uses):				
Operating transfer (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Changes in Fund Balances	-	-	-	12,664
Fund Balance- Beginning	(151,329)	(144,081)	7,248	(156,745)
Fund Balance- Ending	(151,329)	(144,081)	7,248	(144,081)

See the accompanying Independent Auditor's Report.

City of Central, Colorado
Special Revenue Fund-Public Property Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
December 31, 2012

	2012		Final Budget Variance Positive (Negative)	2011
	Original and Final Budget	Actual		Actual
Revenues:				
Investment income	200	631	431	737
Sale of City-Owned Real Property	-	-	-	-
Total Revenues	200	631	431	737
Expenditures:				
Public Property Purchase or Improvements	-	-	-	700,000
Total Expenditures	-	-	-	700,000
Excess (Deficiency) of Revenues Over Expenditures	200	631	431	(699,263)
Net Changes in Fund Balances	200	631	431	(699,263)
Fund Balance- Beginning	225,991	225,928	(63)	925,191
Fund Balance- Ending	226,191	226,559	368	225,928

See the accompanying Independent Auditor's Report.

City of Central, Colorado
Proprietary Fund-Water Fund
Schedule of Revenues and Expenditures
Budget (Non-GAAP) and Actual with a Reconciliation to GAAP Basis
For the Year Ended December 31, 2012

	2012			Final Budget Variance Positive (Negative)	2011
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Charges for Services	440,400	440,400	443,383	2,983	385,285
Tap Fees	-	-	-	-	85,640
Miscellaneous	27,100	27,100	168	(26,932)	644
Total Revenues	<u>467,500</u>	<u>467,500</u>	<u>443,551</u>	<u>(23,949)</u>	<u>471,569</u>
Expenditures:					
Salaries	105,600	135,600	173,068	(37,468)	97,475
Fringe Benefits and employment taxes	30,941	43,941	45,569	(1,628)	25,542
Repairs and maintenance	84,000	84,000	86,260	(2,260)	59,266
Supplies	48,785	53,785	78,154	(24,369)	111,716
Utilities and access fees	84,989	84,989	60,636	24,353	68,896
Professional Fees	217,500	269,500	174,604	94,896	54,002
Miscellaneous	2,100	2,100	2,590	(490)	4,117
Capital Outlay	103,750	103,750	60,882	42,868	310,729
Total Expenditures	<u>677,665</u>	<u>777,665</u>	<u>681,763</u>	<u>95,902</u>	<u>731,743</u>
Operating Income (Loss)	<u>(210,165)</u>	<u>(310,165)</u>	<u>(238,212)</u>	<u>71,953</u>	<u>(260,174)</u>
Excess (Deficiency) of Revenues Over Expenditures- Budget (Non-GAAP) Basis	<u>(210,165)</u>	<u>(310,165)</u>	<u>(238,212)</u>	<u>71,953</u>	<u>(260,174)</u>
Reconciliation to GAAP Basis:					
Capital Outlay, Net			60,882		310,729
Depreciation			(327,351)		(325,307)
Net Income (Loss)- GAAP Basis			<u>(504,681)</u>		<u>(274,752)</u>

See the accompanying Independent Auditor's Report.

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

LOCAL HIGHWAY FINANCE REPORT	City or County: CITY OF CENTRAL
	YEAR ENDING : December 2012
This Information From The Records Of (example - City of _ or County of _)	Prepared By: Shannon Flowers Phone: 720-279-7333

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)	199,276
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	130,187
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	5,216
2. General fund appropriations	456,847	b. Snow and ice removal	328,983
3. Other local imposts (from page 2)	26,909	c. Other	
4. Miscellaneous local receipts (from page 2)	330,236	d. Total (a. through c.)	334,199
5. Transfers from toll facilities		4. General administration & miscellaneous	16,701
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	182,909
a. Bonds - Original Issues		6. Total (1 through 5)	863,271
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)	813,992	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government		2. Notes:	
(from page 2)	49,279	a. Interest	
D. Receipts from Federal Government		b. Redemption	
(from page 2)	0	c. Total (a. + b.)	0
E. Total receipts (A.7 + B + C + D)	863,272	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)	863,271

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
		863,272	863,271		0

Notes and Comments:

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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	12,580	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	48,182
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	88,478
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	14,329	g. Other Misc. Receipts	
6. Total (1. through 5.)	14,329	h. Other	193,577
c. Total (a. + b.)	26,909	i. Total (a. through h.)	330,236
	(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	49,279	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		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.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	49,279	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	896	46,631	47,527
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		11,101	11,101
(4). System Enhancement & Operation	18,379		18,379
(5). Total Construction (1) + (2) + (3) + (4)	18,379	11,101	29,480
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	19,274	57,733	77,007
			(Carry forward to page 1)

Notes and Comments: