



Town of Wellington, Colorado

Financial Statements and Supplementary Information

For the Year Ended December 31, 2012



Town of Wellington

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wellington, Colorado (the "Town"), as of and for the year then ended, December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wellington, Colorado as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Emphasis of Matters

As discussed in Note 2 to the basic financial statements, the Town incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the basic financial statements the Town has changed its method for accounting and reporting certain items previously reported as assets or liabilities during 2012, due to the early adoption of Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities." The adoption of this standard required retrospective application resulting in a \$25,794 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

Other Matters

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

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

Anton Collins Mitchell LLP

Greeley, Colorado
June 11, 2013

Town of Wellington, Colorado Management's Discussion and Analysis For the Year Ended December 31, 2012

As management of the Town of Wellington (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2012.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities at the close of 2012 by \$42,883,170 (net position). Of this amount, \$10,521,638 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's total net position increased by \$1,964,971 from December 31, 2011, capital assets, net of accumulated depreciation, decreased by \$410,798 from the prior year. Non-capital assets increased by \$2,143,501. Much of the decrease in capital assets can be attributed to depreciation coupled with the economic realities of the times necessitating the scaling back of new major capital acquisitions. The situation with the non-capital type assets involves the excess of revenues over expenditures in the governmental funds and earnings of the business-type funds.

At the end of calendar year 2012, unassigned fund balance for the general fund was \$1,463,578, about 96.6 percent of total general fund expenditures of \$1,515,148.

The Town retired \$333,868 of its debt (7.5%) during the fiscal year. The key factor in this decrease was the annual principal payments made on the Town's outstanding debts shown in Footnote 7, pages 40 and 41 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, community development, culture, parks, and recreation. The business-type activities of the Town include water, sewer and storm drainage operations.

Town of Wellington, Colorado Management's Discussion and Analysis For the Year Ended December 31, 2012

The government-wide financial statements include only the Town itself (known as the *primary government*), these statements can be found on pages 15 to 17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations and the basic services it provides. These statements help one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation on pages 19 and 21.

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, sewer and storm drainage operations, which are considered to be major funds of the Town.

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

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

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information concerning the Town's budget comparison statements for all of the funds of the Town. This information can be found on pages 44 to 50 of this report.

**Town of Wellington, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$42,883,170 at the close of 2012.

By far the largest portion of the Town's net position (72.9%) reflects its net investment in capital assets (e.g., land, buildings machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. The Town is providing condensed financial information for fiscal year 2012 compared with 2011 totals.

Condensed Statement of Net Position

	2012			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	<u>2011 Totals</u> (Restated)
<u>ASSETS</u>				
Current assets	\$ 5,538,220	\$ 8,079,410	\$13,617,630	\$11,474,129
Capital assets, net	<u>13,710,985</u>	<u>21,869,438</u>	<u>35,580,423</u>	<u>35,991,221</u>
<u>Total assets</u>	<u>19,249,205</u>	<u>29,948,848</u>	<u>49,198,053</u>	<u>47,465,350</u>
<u>LIABILITIES</u>				
Current liabilities	363,151	491,687	854,838	1,071,930
Long-term liabilities	<u>54,587</u>	<u>4,334,231</u>	<u>4,388,818</u>	<u>4,412,063</u>
<u>Total liabilities</u>	<u>417,738</u>	<u>4,825,918</u>	<u>5,243,656</u>	<u>5,483,856</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned revenue - property taxes	<u>983,510</u>	<u>87,717</u>	<u>1,071,227</u>	<u>1,063,295</u>
<u>NET POSITION</u>				
Net investment in capital assets	13,710,985	17,535,207	31,246,192	31,305,933
Restricted	387,974	727,366	1,115,340	799,324
Unrestricted	<u>3,748,998</u>	<u>6,772,640</u>	<u>10,521,638</u>	<u>8,812,942</u>
<u>Total net position</u>	<u>\$17,847,957</u>	<u>\$25,035,213</u>	<u>\$42,883,170</u>	<u>\$40,918,199</u>

The restricted portion of net position (2.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, unrestricted net position (\$10,521,638) may be used to meet the Town's ongoing obligations to citizens and creditors.

**Town of Wellington, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

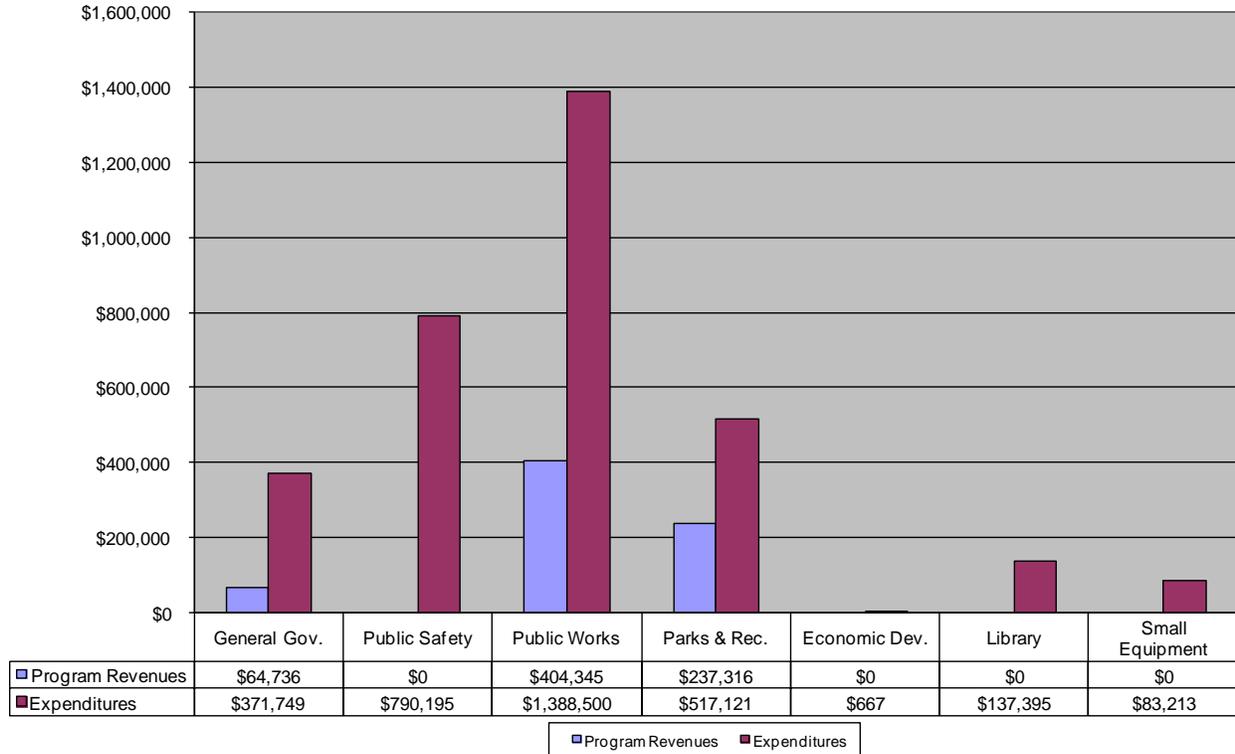
The next analysis focuses on changes in net position of the Town's governmental and business-type *activities*.

Condensed Statement of Activities

	2012			<u>2011 Totals</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>	
Revenues				
Program revenues				
Charges for services	\$ 149,882	\$ 2,056,494	\$ 2,206,376	\$ 2,009,288
Operating grants and contributions	63,170	-	63,170	51,745
Capital grants and contributions	493,345	1,770,020	2,263,365	313,622
General revenues				
Property taxes	598,128	87,547	685,675	761,872
Open space taxes	155,336	-	155,336	-
Sales and use taxes	625,160	-	625,160	840,267
Franchise fees	137,571	-	137,571	-
Highway users tax	193,631	-	193,631	-
Other taxes	781,833	-	781,833	774,002
Impact fees	104,560	25,057	129,617	94,294
Licenses and permits	175,630	-	175,630	84,339
Fines and forfeitures	11,541	-	11,541	8,636
Grants, undesignated	3,849	-	3,849	4,350
Earnings on investments	14,186	9,499	23,685	6,763
Other	17,725	-	17,725	25,735
Transfers	5,950	-	5,950	1,445
<u>Total revenues & transfers</u>	<u>3,531,497</u>	<u>3,948,617</u>	<u>7,480,114</u>	<u>4,976,358</u>
Expenses				
General government	371,749	-	371,749	386,008
Public safety	790,195	-	790,195	721,196
Public works	1,388,500	-	1,388,500	1,326,662
Parks and recreation	517,121	-	517,121	511,751
Economic development	667	-	667	543
Library	137,395	-	137,395	137,069
Small equipment	83,213	-	83,213	39,764
Water	-	1,273,189	1,273,189	1,269,262
Sewer	-	822,554	822,554	822,903
Storm drainage	-	104,766	104,766	314,875
<u>Total expenses</u>	<u>3,288,840</u>	<u>2,200,509</u>	<u>5,489,349</u>	<u>5,530,033</u>
Change in net position	242,657	1,748,108	1,990,765	(553,675)
Net position at beginning of year	17,605,300	23,312,899	40,918,199	41,471,873
Cumulative effect of a change in accounting principle	-	(25,794)	(25,794)	-
Net position at end of year	<u>\$ 17,847,957</u>	<u>\$ 25,035,213</u>	<u>\$ 42,883,170</u>	<u>\$ 40,918,198</u>

Town of Wellington, Colorado Management's Discussion and Analysis For the Year Ended December 31, 2012

PROGRAM REVENUES & EXPENDITURES - GOVERNMENTAL ACTIVITIES

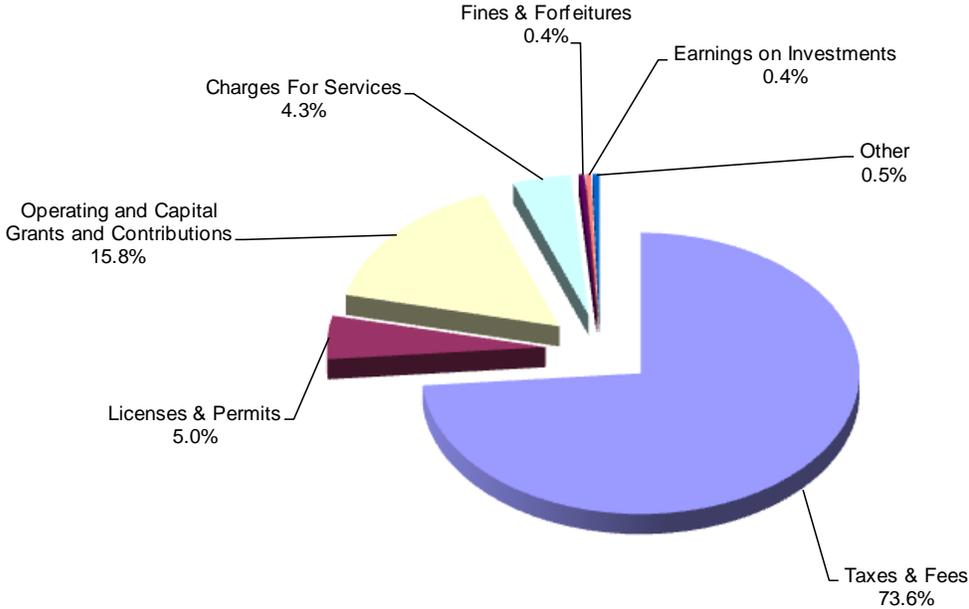


Revenue percentages have changed from those seen in the last few years. In the last several years, the “heavy hitters” are Sales & Use Taxes and Property Taxes. This is in contrast with the years from the late 1990’s through 2007 where the largest impact was from Use Taxes on building materials, derived from the sale of building permits. Revenues from use taxes on building materials showed surprising strength in 2012, surpassing all years since 2007.

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

**Town of Wellington, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

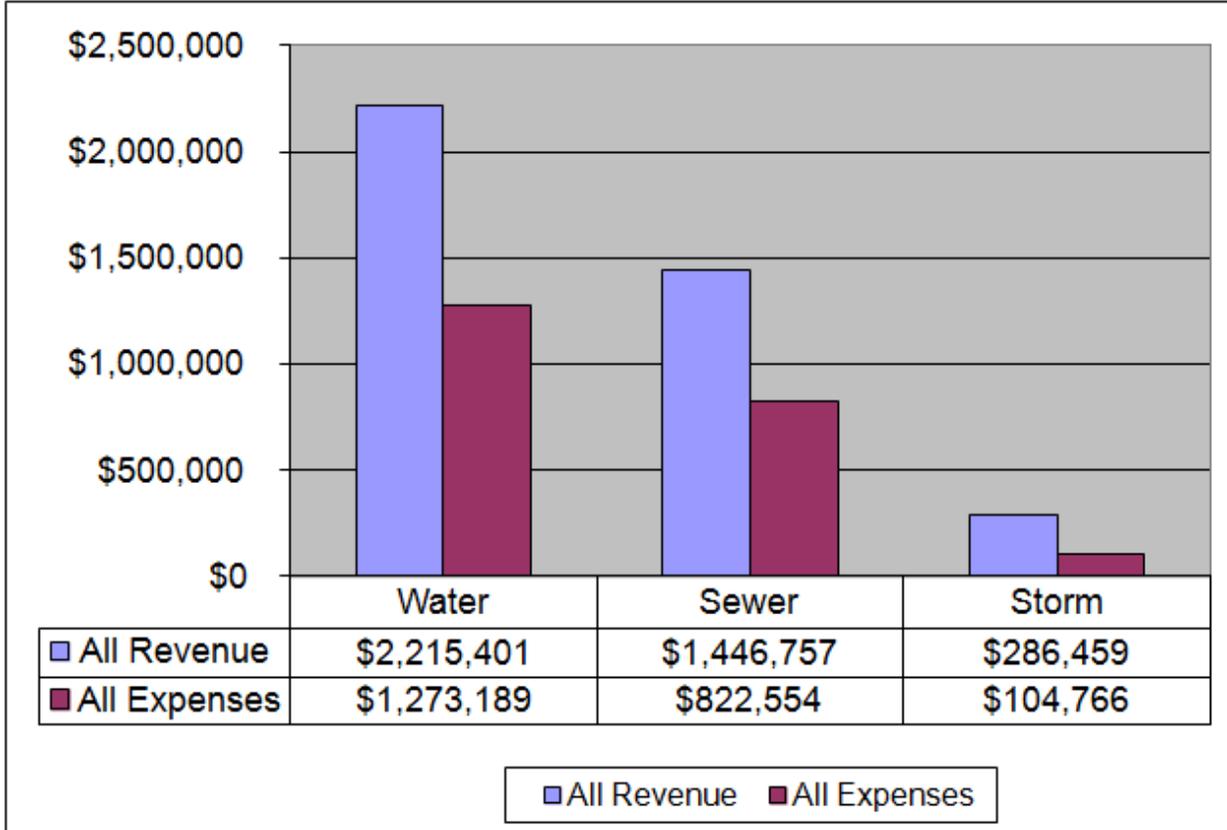
Revenues by Source - Governmental Activities



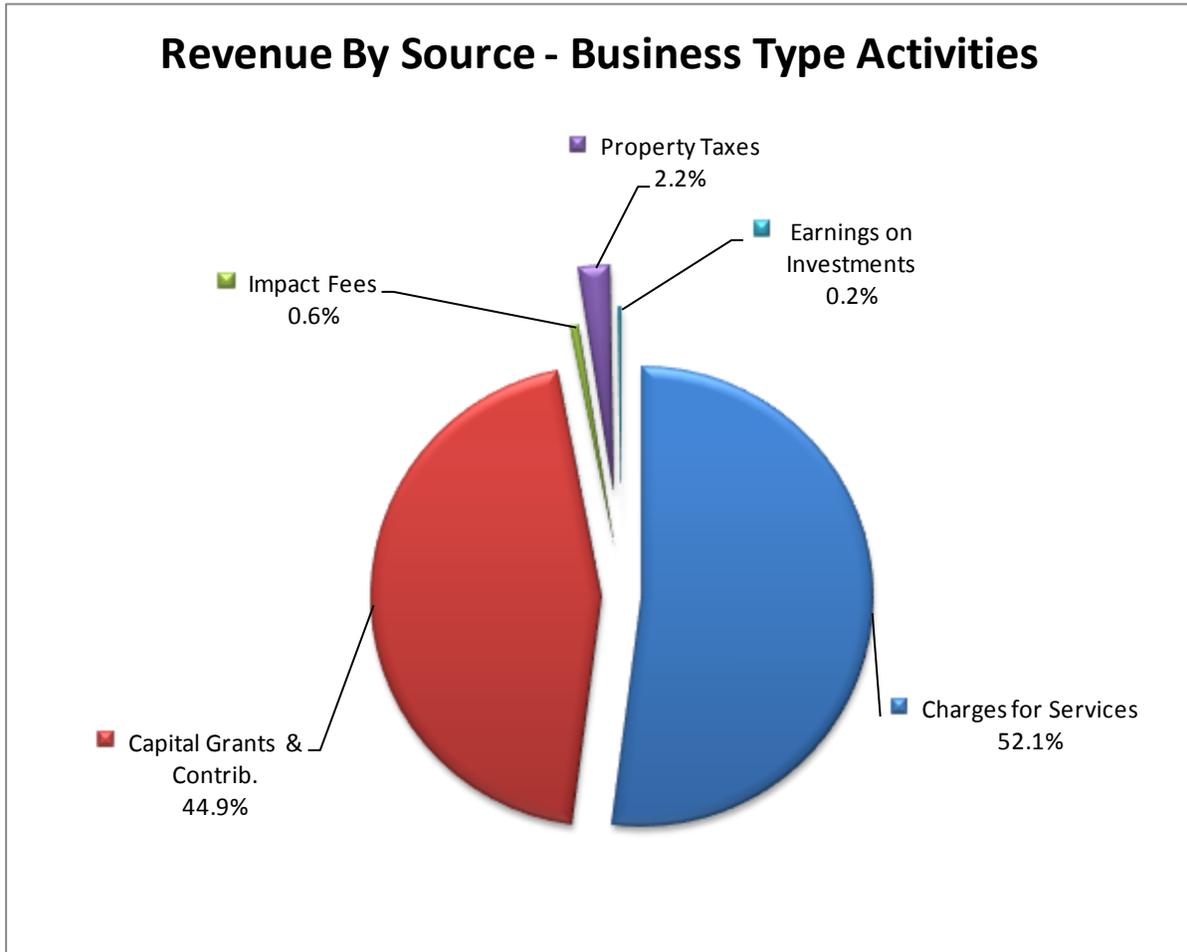
**Town of Wellington, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

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

Program Revenues & Expenses - Business-type Activities



**Town of Wellington, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2012**



Financial Analysis of the Town's Funds

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

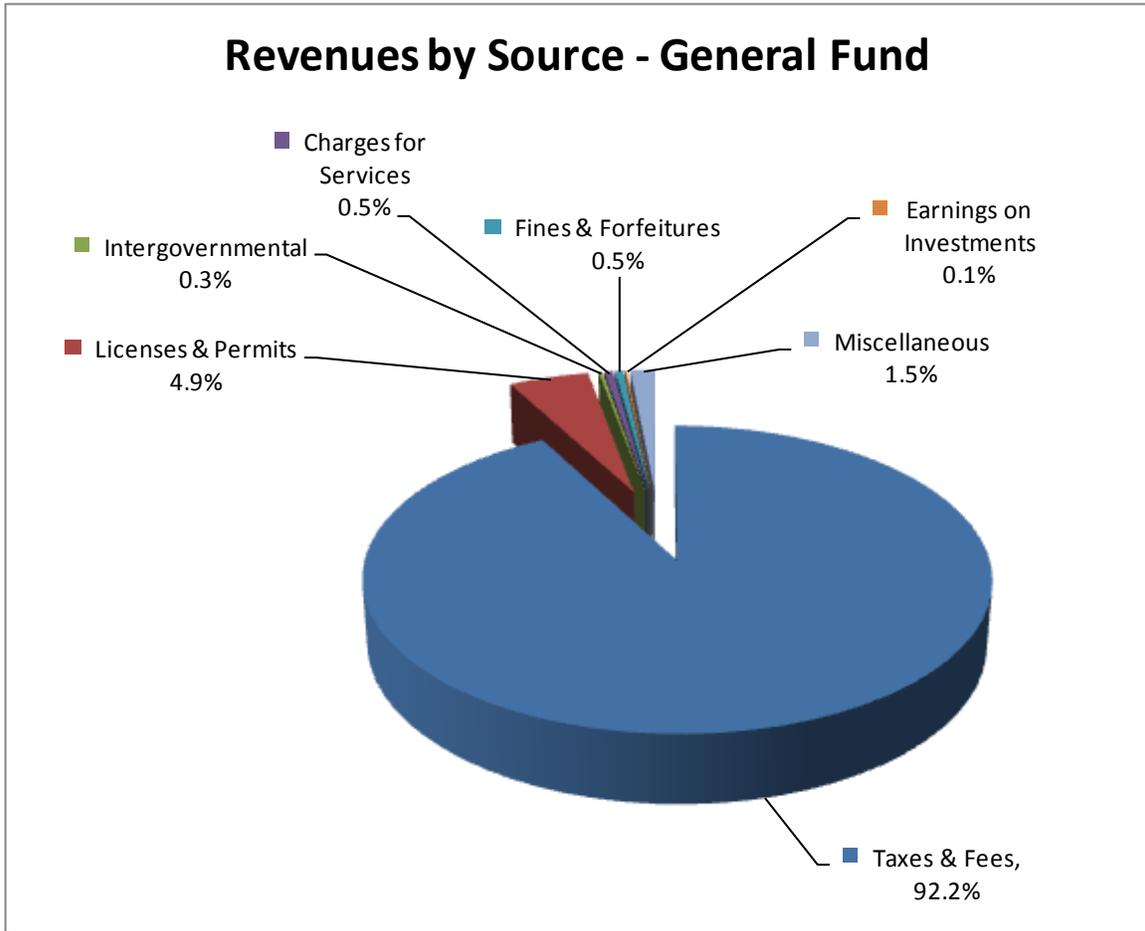
Governmental funds The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,191,559. Approximately 34.9% of this total amount (\$1,463,578) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is otherwise classified to indicate that it is not available for new spending because it has already been restricted, committed or assigned as follows:

Restricted: Emergencies	\$89,068
Restricted: Parks & Open Space	\$298,906
Committed: Cemetery Operations	\$49,835
Assigned: Subsequent Year's Expenditures	\$101,174
Assigned: Capital Projects	2,188,998
Unassigned	<u>1,463,578</u>
TOTAL	<u>\$4,191,559</u>

**Town of Wellington, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

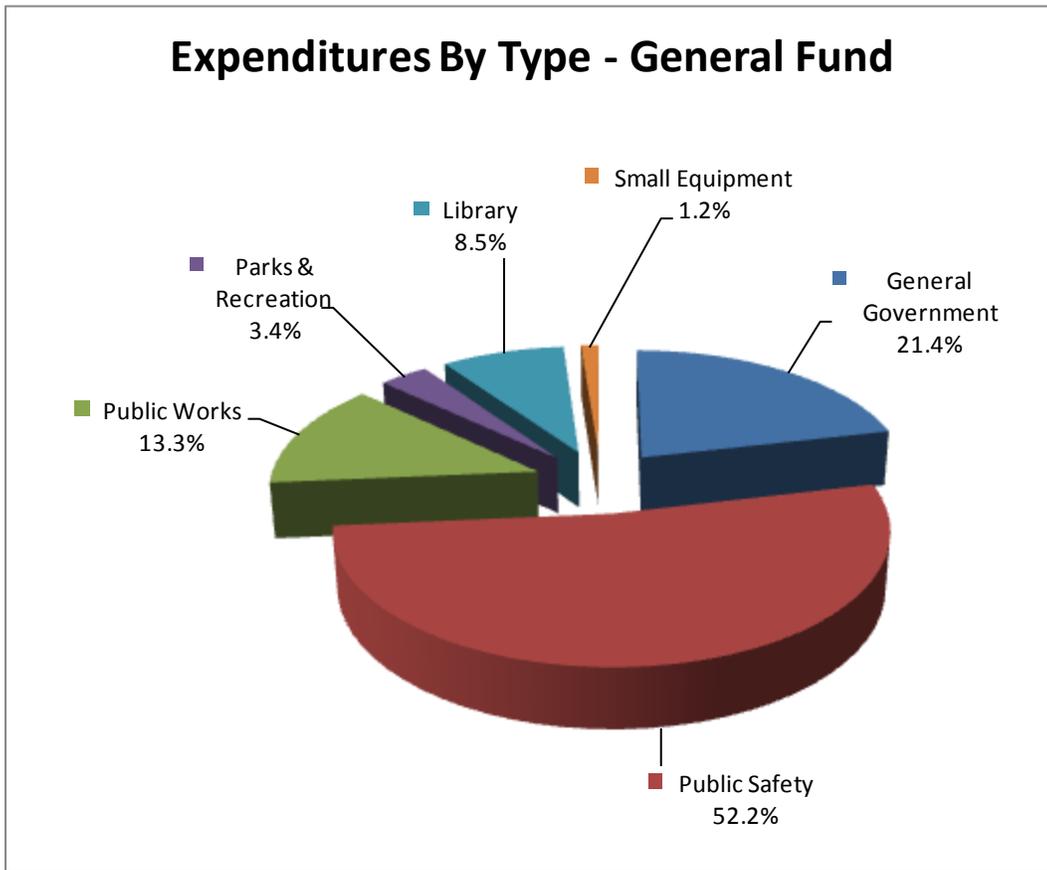
General Fund Budgetary Highlights

The General Fund accounts for all of the general services provided by the Town. At the end of 2012, the fund balance of the General Fund totaled \$1,703,655.



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

**Town of Wellington, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2012**



During 2012, the Town Board did not amend the General Fund budget.

For the General Fund, the original budgeted revenues and transfers-in were \$1,469,046, compared to the actual amount of \$1,915,922. The General Fund's original budgeted expenditures and transfers were \$1,591,489, compared to the actual amount of \$1,515,148.

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

The **unrestricted** net position of the Water, Sewer, and Storm Drain operations at the end of the year were \$4,829,925, \$1,631,597 and \$311,118 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets The Town's net investment in *capital assets* for its governmental and business-type activities as of December 31, 2012, amounts to \$35,580,423. Capital assets include land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. At December 31, 2011, this figure was \$35,991,221 or a decrease of just over 1%. This situation is brought about by the economy. The Town is not adding capital assets at the rates experienced during the construction boom. The construction boom may have ended emphatically, but depreciation calculations continue on.

The major capital asset expenditures occurring in 2012 were as follows: Street Fund: Washington Avenue RR Crossing (\$9,989). Water Fund: The new water line running across Cleveland at Third Street (\$131,379). Park Fund: Ball field improvements (\$7,400), a new mower (\$11,775), and the disc golf course (\$15,144).

**Town of Wellington, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

Town's Capital Assets at Year End
(Net of depreciation)

	Governmental		Business-Type		TOTAL	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 107,684	\$ 18,000	\$ 130,283	\$ 130,283	\$ 237,967	\$ 148,283
Water Rights	160,380	160,380	-	-	160,380	160,380
Water Delivery Rights	0	0	268,486	265,785	268,486	265,785
Buildings & Improvements	405,307	441,503	-	-	405,307	441,503
Improvements Other Than Buildings	4,390,471	4,566,288	-	-	4,390,471	4,566,288
Streets & Improvements	8,248,748	8,476,786	-	-	8,248,748	8,476,786
Machinery & Equipment	229,145	251,413	514,423	537,330	743,568	788,748
Utility Systems	-	-	20,956,246	20,988,460	20,956,246	20,988,460
Construction in Progress	<u>169,250</u>	<u>154,993</u>	<u>-</u>	<u>-</u>	<u>169,250</u>	<u>154,993</u>
TOTAL	\$ <u>13,710,985</u>	\$ <u>14,069,363</u>	\$ <u>21,869,438</u>	\$ <u>21,921,858</u>	\$ <u>35,580,423</u>	\$ <u>35,991,221</u>

Additional information on the Town's capital assets can be found in footnote 6 of this report.

Long-term debt. At the end of 2012, the Town had total debt outstanding of \$4,103,464. Of this amount, \$244,000 comprises debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents bonds and loans secured solely by specified revenue sources.

Town's Outstanding Debt at Year End

	Governmental		Business-Type		TOTAL	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds:	-	-	\$ 244,000	\$ 260,000	\$ 244,000	\$ 260,000
Notes & Contracts:	<u>-</u>	<u>-</u>	<u>\$ 3,859,463</u>	<u>\$ 4,177,331</u>	<u>\$ 3,859,463</u>	<u>\$ 4,177,331</u>
TOTAL	<u>-</u>	<u>-</u>	<u>\$4,103,463</u>	<u>\$4,437,331</u>	<u>\$4,103,463</u>	<u>\$4,437,331</u>

This debt payable does not include compensated absences of \$54,587 for the year 2012, or the premium/discount on long-term debt, in the business-type activities, (\$96,312).

Additional information on the Town's long-term debt can be found in footnote 7, pages 40- 41 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The Town Board approved the 2013 Budget on December 11, 2012, appropriating \$23,326,256 for expenditures. The 2013 appropriation reflects a 5.6% increase from the 2012 Budget.

**Town of Wellington, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

The Town noted significant improvement in numbers of new home building permits in 2012. New home building permits were at their highest level since 2007. This trend is expected to continue into 2013. These sentiments were incorporated into the 2013 budget. Even with this improved set of short to medium term prospects for economic growth, no additional staff FTE's were added in 2012 nor budgeted for in 2013. The administrative staff FTE's are virtually unchanged from as long as five to seven years ago, primarily due to the Town's progressive stance regarding technology (computer equipment & software) with respect to the administrative function. The potential for growth experienced over the period encompassing the late 1990's and ending in about 2007 may be a thing of the past, but optimism is now in order for the near term as building activity has unquestionably strengthened and become more aggressive as compared to the previous 5 years of relative inactivity. It is hoped that a more reasonable and sustainable growth pattern may be on the horizon. Perhaps the town will experience growth that is fundamentally based, and more reasonable.

The primary issues the Town will need to deal with in the 2013 calendar year and beyond include many challenges associated with the increasing desires noted in the community for parks and recreational facilities. The issue of paying for and then maintaining such facilities will likely take some creative financing approaches and may well involve asking the constituency for increases in property and/or sales tax rates. While Town revenues remained consistent during the recession with the notable exception of use taxes from building permits, the magnitude of some of the parks and recreational facilities being considered will probably require funding sources above and beyond those currently available. Noting the positive developments in new home building permits in 2012, with a respectable start to 2013 on track, a note of continued caution may be in order. Recognizing that there is reason for optimism, it may be premature at this juncture to presume that a strong and continued rebound in the housing market is on the longer term horizon. It will remain critically important to carefully weigh particularly capital-type expenditures, as well as personnel related expenditures. In addition to parks and recreational facility considerations, customer service improvements (primarily utility billing as well as water quality issues), will see the beginning of some important improvements in 2013. Specifically, the first phase of implementation of a radio read water meter system will come to fruition in 2013.

An important issue in 2013 and extending to the 2014 and possibly 2015 time frame involves the Waste Water Treatment facility. The situation concerns capacity issues at this facility. Ever more demanding EPA guidelines and the resulting State requirements have caused a sense of some urgency in this regard. Sewer rates necessary to satisfy the lending agency holding the debt instrument for the Town's waste water facility will also come under continued scrutiny for the foreseeable future.

Contacting the Town's Financial Management

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

Basic Financial Statements

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**Town of Wellington
Statement of Net Position**

December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,639,451	\$ 3,611,471	\$ 7,250,922
Equity in pooled cash and cash equivalents	531,974	3,063,167	3,595,141
Certificates of deposit	508,251	-	508,251
Receivables	1,119,461	367,265	1,486,726
Internal balances	(260,917)	260,917	-
Inventory	-	49,224	49,224
Restricted cash and cash equivalents	-	727,366	727,366
Capital assets, net of accumulated depreciation	13,710,985	21,869,438	35,580,423
Total assets	19,249,205	29,948,848	49,198,053
Liabilities			
Accounts payable	202,643	417,604	620,247
Accrued interest payable	-	54,125	54,125
Accrued wages payable	28,142	19,958	48,100
Developer deposit	132,366	-	132,366
Noncurrent liabilities:			
Accrued compensated absences	54,587	-	54,587
Due within one year	-	343,701	343,701
Due in more than one year	-	3,856,074	3,856,074
Payable to developer	-	134,456	134,456
Total liabilities	417,738	4,825,918	5,243,656
Deferred inflows of resources			
Unearned revenue - property taxes	983,510	87,717	1,071,227
Total deferred inflows of resources	983,510	87,717	1,071,227
Net position			
Net investment in capital assets	13,710,985	17,535,207	31,246,192
Restricted for:			
Emergencies	89,068	-	89,068
Other purposes	298,906	727,366	1,026,272
Unrestricted	3,748,998	6,772,640	10,521,638
Total net position	\$ 17,847,957	\$ 25,035,213	\$ 42,883,170

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

Town of Wellington
Statement of Activities

Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 371,749	\$ 64,736	\$ -	\$ -
Public safety	790,195	-	-	-
Public works	1,388,500	-	-	404,345
Parks and recreation	517,121	85,146	63,170	89,000
Economic development	667	-	-	-
Library	137,395	-	-	-
Small equipment	83,213	-	-	-
Total governmental activities	3,288,840	149,882	63,170	493,345
Business-type activities:				
Water	1,273,189	1,195,675	-	927,192
Sewer	822,554	738,902	-	703,343
Storm drainage	104,766	121,917	-	139,485
Total business-type activities	2,200,509	2,056,494	-	1,770,020
Total primary government	\$ 5,489,349	\$ 2,206,376	\$ 63,170	\$ 2,263,365

General revenues

Taxes:

Property taxes levied for general purposes

Property taxes levied for debt service

Open space tax

Sales and use tax

Franchise fees

Highway users tax

Other taxes

Impact fees

Licenses and permits

Fines and forfeitures

Grants and contributions not restricted to specific programs

Earnings on investments

Other revenues

Gain on sale of capital assets

Subtotal of general revenues

Transfers

Total general revenues and transfers

Changes in net position

Net position at beginning of year

Cumulative effect of a change in accounting principle

Net position at end of year

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (307,013)	\$ -	\$ (307,013)
(790,195)	-	(790,195)
(984,155)	-	(984,155)
(279,805)	-	(279,805)
(667)	-	(667)
(137,395)	-	(137,395)
(83,213)	-	(83,213)
(2,582,443)	-	(2,582,443)
-	849,678	849,678
-	619,691	619,691
-	156,636	156,636
-	1,626,005	1,626,005
(2,582,443)	1,626,005	(956,438)
598,128	-	598,128
-	87,547	87,547
155,336	-	155,336
625,160	-	625,160
137,571	-	137,571
193,631	-	193,631
781,833	-	781,833
104,560	25,057	129,617
175,630	-	175,630
11,541	-	11,541
3,849	-	3,849
14,186	9,499	23,685
17,625	-	17,625
100	-	100
2,819,150	122,103	2,941,253
5,950	-	5,950
2,825,100	122,103	2,947,203
242,657	1,748,108	1,990,765
17,605,300	23,312,899	40,918,199
-	(25,794)	(25,794)
\$ 17,847,957	\$ 25,035,213	\$ 42,883,170

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

**Town of Wellington
Balance Sheet
Governmental Funds
December 31, 2012**

	General	Street	Park	Conservation Trust (Nonmajor)	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,459,879	\$ 1,165,540	\$ 533,888	\$ 474,384	\$ 3,633,691
Equity in pooled cash and cash equivalents	-	531,974	-	-	531,974
Cash with fiscal agent	-	5,760	-	-	5,760
Certificates of deposit	508,251	-	-	-	508,251
Receivables	677,541	384,389	57,531	-	1,119,461
Totals assets	\$ 2,645,671	\$ 2,087,663	\$ 591,419	\$ 474,384	\$ 5,799,137
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Due to other funds	\$ -	\$ -	\$ 85,439	\$ 175,478	\$ 260,917
Accounts payable	182,099	16,053	4,491	-	202,643
Accrued wages payable	14,474	4,114	9,554	-	28,142
Developer deposit	132,366	-	-	-	132,366
Total liabilities	328,939	20,167	99,484	175,478	624,068
Deferred inflows of resources					
Unearned revenue - property taxes	613,077	370,433	-	-	983,510
Total deferred inflows of resources	613,077	370,433	-	-	983,510
Fund balances					
Restricted	89,068	-	-	298,906	387,974
Committed	49,835	-	-	-	49,835
Assigned	101,174	1,697,063	491,935	-	2,290,172
Unassigned	1,463,578	-	-	-	1,463,578
Total fund balances	1,703,655	1,697,063	491,935	298,906	4,191,559
Total liabilities, deferred inflows of resources and fund balances	\$ 2,645,671	\$ 2,087,663	\$ 591,419	\$ 474,384	\$ 5,799,137

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

Town of Wellington
Reconciliation of the Governmental Funds Balance Sheet
with the Government-wide Statement of Net Position
December 31, 2012

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

Total fund balance - governmental funds	\$ 4,191,559
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Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental fund financial statements.

Capital assets	\$ 23,649,334	
Accumulated depreciation	<u>(9,938,349)</u>	13,710,985

Accrued compensated absences are not due and payable in the current period, and therefore, are not reported as liabilities in the fund financial statements.	(54,587)
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Total net position - governmental activities	\$ 17,847,957
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The accompanying notes are an integral part of these financial statements.

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2012

	General	Street	Park	Conservation Trust Fund (Nonmajor)	Total Governmental Funds
Revenues					
Taxes and fees	\$1,631,447	\$ 308,248	\$ 656,524	\$ -	\$ 2,596,219
Licenses and permits	175,405	225	-	-	175,630
Intergovernmental	3,849	-	-	63,170	67,019
Charges for services	64,736	-	85,146	-	149,882
Fines and forfeitures	11,541	-	-	-	11,541
Earnings on investments	10,000	3,102	863	221	14,186
Contributions and grants	-	404,345	89,000	-	493,345
Miscellaneous	12,994	34	4,597	-	17,625
Total revenues	1,909,972	715,954	836,130	63,391	3,525,447
Expenditures					
Current:					
General government	323,502	-	-	-	323,502
Public safety	790,195	-	-	-	790,195
Public works	201,467	488,533	-	-	690,000
Parks and recreation	51,790	-	388,848	-	440,638
Economic development	667	-	-	-	667
Library	129,148	-	-	-	129,148
Small equipment	18,379	60,762	4,072	-	83,213
Capital outlay	-	355,752	124,002	-	479,754
Total expenditures	1,515,148	905,047	516,922	-	2,937,117
Excess (deficiency) of revenues over expenditures	394,824	(189,093)	319,208	63,391	588,330
Other financing sources					
Proceeds from sale of capital assets	-	700	-	-	700
Transfers in	5,950	-	-	-	5,950
Total other financing sources	5,950	700	-	-	6,650
Net change in fund balances	400,774	(188,393)	319,208	63,391	594,980
Fund balances at beginning of year	1,302,881	1,885,456	172,727	235,515	3,596,579
Fund balances at end of year	\$1,703,655	\$ 1,697,063	\$ 491,935	\$ 298,906	\$ 4,191,559

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

Town of Wellington
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances with the Government-wide Statement of Activities
Year Ended December 31, 2012

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

Total net change in fund balance - governmental funds. \$ 594,980

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

Capital outlay	\$ 479,754	
Depreciation expense	<u>(837,532)</u>	(357,778)

Proceeds from sale of capital assets are treated as an other financing source in the governmental fund financial statements, but are reduced by the book value of the capital asset sold and reflected as a gain on sale of capital assets on the government-wide financial statements. (600)

Decrease in accrued compensated absences liability reflected against expense on the statement of activities and not reflected as an expenditure on the governmental fund statement of revenues, expenditures and changes in fund balances. 6,055

Change in net position of governmental activities \$ 242,657

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

Town of Wellington
Statement of Net Position
Proprietary Funds
December 31, 2012

	Water	Sewer Sewer	Storm Drainage	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 2,024,722	\$ 1,586,749	\$ -	\$ 3,611,471
Equity in pooled cash and cash equivalents	2,555,382	-	507,785	3,063,167
Receivables	196,817	116,501	53,947	367,265
Due from other funds	263,435	-	-	263,435
Inventory	37,813	11,411	-	49,224
Total current assets	5,078,169	1,714,661	561,732	7,354,562
Noncurrent assets				
Restricted cash and cash equivalents	253,707	473,659	-	727,366
Capital assets:				
Land	36,130	83,103	-	119,233
Water rights	279,536	-	-	279,536
Utilities systems	16,584,880	12,157,324	256,823	28,999,027
Equipment	344,172	424,184	-	768,356
Less accumulated depreciation	(5,412,605)	(2,871,644)	(12,465)	(8,296,714)
Total capital assets - net	11,832,113	9,792,967	244,358	21,869,438
Total noncurrent assets	12,085,820	10,266,626	244,358	22,596,804
Total assets	17,163,989	11,981,287	806,090	29,951,366
Liabilities				
Current liabilities				
Due to other funds	-	2,518	-	2,518
Accounts payable	144,034	24,601	248,969	417,604
Accrued interest payable	6,539	47,586	-	54,125
Accrued wages payable	9,954	8,359	1,645	19,958
Current portion of long-term debt	105,366	238,335	-	343,701
Total current liabilities	265,893	321,399	250,614	837,906
Noncurrent liabilities				
Payable to developer	134,456	-	-	134,456
Long-term debt	1,215,772	2,640,302	-	3,856,074
Total noncurrent liabilities	1,350,228	2,640,302	-	3,990,530
Total liabilities	1,616,121	2,961,701	250,614	4,828,436
Deferred inflows of resources				
Unearned revenue - property taxes	87,717	-	-	87,717
Total deferred inflows of resources	87,717	-	-	87,717
Net position				
Net investment in capital assets	10,376,519	6,914,330	244,358	17,535,207
Restricted for rate stabilization	-	350,000	-	350,000
Restricted for maintenance	253,707	123,659	-	377,366
Unrestricted	4,829,925	1,631,597	311,118	6,772,640
Total net position	\$ 15,460,151	\$ 9,019,586	\$ 555,476	\$ 25,035,213

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

Town of Wellington
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2012

	Water	Sewer	Storm Drainage	Totals
Operating revenues				
Charges for services	\$ 1,193,843	\$ 738,902	\$ 121,917	\$ 2,054,662
Miscellaneous	1,832	-	-	1,832
Total operating revenues	1,195,675	738,902	121,917	2,056,494
Operating expenses				
Administrative	153,328	117,696	28,250	299,274
Operating	610,867	310,298	45,860	967,025
Small equipment	15,795	4,335	25,550	45,680
Depreciation	433,990	281,579	5,106	720,675
Total operating expenses	1,213,980	713,908	104,766	2,032,654
Operating income (loss)	(18,305)	24,994	17,151	23,840
Non-operating revenues (expenses)				
Property taxes and impact fees	87,547	-	25,057	112,604
Earnings on investments	4,987	4,512	-	9,499
Interest expense	(59,209)	(108,646)	-	(167,855)
Total non-operating revenues (expenses)	33,325	(104,134)	25,057	(45,752)
Income (loss) before contributions	15,020	(79,140)	42,208	(21,912)
Capital contributions	927,192	703,343	139,485	1,770,020
Changes in net position	942,212	624,203	181,693	1,748,108
Net position at beginning of year	14,524,686	8,414,430	373,783	23,312,899
Cumulative effect of a change in accounting principle	(6,747)	(19,047)	-	(25,794)
Net position at end of year	\$ 15,460,151	\$ 9,019,586	\$ 555,476	\$ 25,035,213

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

Town of Wellington
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2012

	Water	Sewer	Storm Drainage	Total
Cash flows from operating activities				
Cash received from customers	\$ 1,199,106	\$ 721,454	\$ 126,407	\$ 2,046,967
Cash payments to suppliers	(447,728)	(238,094)	(23,760)	(709,582)
Cash payments to employees	(256,522)	(195,472)	(48,999)	(500,993)
Net cash flows from operating activities	494,856	287,888	53,648	836,392
Cash flows from non-capital financing activities				
Property taxes	87,547	-	8,561	96,108
Impact fees	-	-	16,496	16,496
Change in interfund balances due	190,509	(451,426)	-	(260,917)
Net cash flows from non-capital financing activities	278,056	(451,426)	25,057	(148,313)
Cash flows from capital and related financing activities				
Capital contributions	751,195	529,925	-	1,281,120
Acquisitions of capital assets	(162,728)	(5,425)	(11,202)	(179,355)
Principal paid on long-term debt	(100,950)	(232,918)	-	(333,868)
Interest paid on long-term debt	(58,969)	(128,043)	-	(187,012)
Net cash flows from capital and related financing activities	428,548	163,539	(11,202)	580,885
Cash flows from investing activities				
Earnings on investments	4,987	4,512	-	9,499
Change in restricted cash and cash equivalents	(9,428)	5,765	-	(3,663)
Net cash flows from investing activities	(4,441)	10,277	-	5,836
Net change in cash and cash equivalents	1,197,019	10,278	67,503	1,274,800
Cash and cash equivalents at beginning of year	3,383,085	1,576,471	440,282	5,399,838
Cash and cash equivalents at end of year	\$ 4,580,104	\$ 1,586,749	\$ 507,785	\$ 6,674,638
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (18,305)	\$ 24,994	\$ 17,151	\$ 23,840
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	433,990	281,579	5,106	720,675
(Increase) decrease in:				
Receivables	3,431	(17,448)	4,490	(9,527)
Inventory	(18,146)	(3,641)	-	(21,787)
Increase (decrease) in:				
Accounts payable	94,174	2,285	27,412	123,871
Accrued wages payable	(288)	119	(511)	(680)
Net cash flows from operating activities	\$ 494,856	\$ 287,888	\$ 53,648	\$ 836,392
Noncash investing, capital and financing activities:				
Contributed capital assets	\$ 175,997	\$ 173,418	\$ 139,485	\$ 488,900

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

Town of Wellington
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2012

	Library Trust
Assets	
Restricted cash and cash equivalents	\$ 118,947
Equity in pooled cash and cash equivalents, restricted	53,649
Total assets	172,596
Net position	\$ 172,596

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

Town of Wellington
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended December 31, 2012

	Library Trust
Additions	
Library impact fees	\$ 17,500
Grants	173
Total additions	17,673
Deductions	
Transfer out	5,950
Change in net position	11,723
Net position at beginning of year	160,873
Net position at end of year	\$ 172,596

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

Town of Wellington

Notes to Financial Statements

December 31, 2012

1. Summary of Significant Accounting Policies

Form of Organization

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

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

Reporting Entity

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

1. Appointment of a voting majority of the component unit's board, and either, a) the ability to impose its will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government

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

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

Town of Wellington

Notes to Financial Statements

December 31, 2012

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Property taxes, intergovernmental grants, and earnings on investments associated with the current fiscal period are all considered to be susceptible to accrual, and so, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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

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

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

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

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

Town of Wellington

Notes to Financial Statements

December 31, 2012

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

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

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

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

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

Budgets

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

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

**Town of Wellington
Notes to Financial Statements**

December 31, 2012

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

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

	Original Budget	Total Revisions	Final Budget
Governmental funds:			
General fund	\$ 1,591,489	\$ -	\$ 1,591,489
Special revenue funds:			
Street fund	522,481	-	522,481
Park fund	4,316,177	-	4,316,177
Conservation trust fund	-	-	-
Business type funds:			
Water fund	7,743,503	-	7,743,503
Sewer fund	2,580,751	-	2,580,751
Storm drainage fund	1,471,598	-	1,471,598
Fiduciary fund type:			
Library trust fund	1,775	-	1,775
Total funds	\$ 18,227,774	\$ -	\$ 18,227,774

Cash and Cash Equivalents

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

Restricted Cash

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

Certificates of Deposit

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

Town of Wellington

Notes to Financial Statements

December 31, 2012

Revenue Recognition/Property Taxes

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

In the fund financial statements, property taxes are recognized in the year for which levied provided they become available and measurable.

Short-Term Interfund Receivables/Payables

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

Inventories

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

Bond Premium and Debt Issuance Costs

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., streets and roads, bridges, water lines, storm-water drainage, traffic signals, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

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

**Town of Wellington
Notes to Financial Statements**

December 31, 2012

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

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

Compensated Absences

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

Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. The Town has recorded a liability of \$54,587 at December 31, 2012.

On the governmental fund financial statements, where applicable, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. At December 31, 2012, there is no accrual in the fund financial statements.

Accrued Liabilities and Long-Term Obligations

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

Fund Balance and Net Position

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

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

Town of Wellington

Notes to Financial Statements

December 31, 2012

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

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

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

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

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

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

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

Unassigned - all other spendable amounts.

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

**Town of Wellington
Notes to Financial Statements**

December 31, 2012

As of December 31, 2012, fund balances are composed of the following:

	General Fund	Street Fund	Park Fund	Conservation Trust Fund	Total Governmental
Restricted:					
Emergencies	\$ 89,068	\$ -	\$ -	\$ -	\$ 89,068
Parks and open space	-	-	-	298,906	298,906
Committed:					
Cemetery operations	49,835	-	-	-	49,835
Assigned:					
Capital projects	-	1,697,063	491,935	-	2,188,998
Subsequent year's expenditures	101,174	-	-	-	101,174
Unassigned	1,463,578	-	-	-	1,463,578
Total fund balances	\$ 1,703,655	\$ 1,697,063	\$ 491,935	\$ 298,906	\$ 4,191,559

Interfund Transactions

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

Estimates

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

2. New Accounting Pronouncements

During 2012, The Town implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure, which do not conflict with or contradict GASB Pronouncements. This statement had no impact to the Town's financial statements.

During 2012, the Town implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, "Elements of Financial Statements" into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position

Town of Wellington

Notes to Financial Statements

December 31, 2012

format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

During 2012, the Town early implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the implementation of this statement debt issuance costs should be recognized as an expense in the period incurred. In addition, the deferred revenue for property taxes is now classified as a deferred inflow of resources instead of a liability. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at the beginning of the year by \$25,794 in the business-type activities, \$6,747 in the Water Fund and \$19,047 in the Sewer Fund, which is the amount of unamortized bond issuance costs in the prior year.

3. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes ("CRS") require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2012, all of the Town's cash and cash equivalents were either insured by FDIC or collateralized under PDPA.

Investments

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

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

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

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the Town would not be able to recover the value of its investments or collateral securities that are in the possession

**Town of Wellington
Notes to Financial Statements**

December 31, 2012

of an outside party. The Town does not have a specific policy for custodial credit risk. As of December 31, 2012, the Town had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust (the "Trust"), discussed below.

Interest Rate Risk

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

Local Government Investment Pools

At December 31, 2012, the Town had invested \$6,994,798 in the Trust, a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities, and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

At December 31, 2012, the Town had cash and cash equivalent balances, including restricted cash, as follows:

Cash on hand	\$ 290
Cash with county treasurer and clerk	23,412
Cash deposits	4,727,525
Local government investment pool	6,994,798
Total	\$ 11,746,025

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

Statement of net position:	
Cash and cash equivalents	\$ 7,250,922
Equity in pooled cash and cash equivalents	3,595,141
Restricted cash and cash equivalents	727,366
Statement of fiduciary net position:	
Restricted cash and cash equivalents	118,947
Equity in pooled cash and cash equivalents, restricted	53,649
Total	\$ 11,746,025

Town of Wellington
Notes to Financial Statements

December 31, 2012

4. Receivables

Receivables at December 31, 2012, consisted of the following:

Types	Governmental Activities	Business-Type Activities	Total
Taxes	\$ 605,577	\$ 87,717	\$ 693,294
Trade accounts	-	279,548	279,548
Intergovernmental	52,957	-	52,957
Developers	370,376	-	370,376
Other	90,551	-	90,551
Total	\$ 1,119,461	\$ 367,265	\$ 1,486,726

5. Interfund Receivables/Payables and Transfers

The Town's interfund receivables and payables at December 31, 2012 (at the fund level) are shown below. These amounts represent short-term receivables and payables. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Receivable Fund	Payable Fund	Amount
Water	Sewer	2,518
Water	Park	85,439
Water	Conservation Trust	175,478
Total - fund financial statements		263,435
Less: fund eliminations		(2,518)
Total internal balances - government-wide statement of net position		\$ 260,917

Interfund Transfers

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

The only transfer made during the year was \$5,950 from the Library Trust Fund to the General Fund for the portion of impact fees which are allowed to be used for operating costs of the library.

Town of Wellington
Notes to Financial Statements

December 31, 2012

6. Capital Assets

A summary of changes in governmental-activities capital assets for the year ended December 31, 2012, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land and water rights	\$ 178,380	\$ 89,684	\$ -	\$ 268,064
Construction in progress	154,993	14,257	-	169,250
Total capital assets, not being depreciated	333,373	103,941	-	437,314
Capital assets, being depreciated:				
Buildings and improvements	948,040	-	-	948,040
Improvements other than buildings	6,553,525	7,400	-	6,560,925
Streets and improvements	14,263,628	341,494	-	14,605,122
Machinery and equipment	1,077,014	26,919	(6,000)	1,097,933
Total capital assets, being depreciated	22,842,207	375,813	(6,000)	23,212,020
Less accumulated depreciation for:				
Buildings and improvements	(506,537)	(36,196)	-	(542,733)
Improvements other than buildings	(1,987,237)	(183,217)	-	(2,170,454)
Streets and improvements	(5,786,842)	(569,532)	-	(6,356,374)
Machinery and equipment	(825,601)	(48,587)	5,400	(868,788)
Total accumulated depreciated	(9,106,217)	(837,532)	5,400	(9,938,349)
Total capital assets, being depreciated, net	13,735,990	(461,719)	(600)	13,273,671
Governmental activities capital assets, net	\$ 14,069,363	\$ (357,778)	\$ (600)	\$ 13,710,985

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

Governmental Activities:	
General government	\$ 54,302
Public works	698,500
Parks and recreation	76,483
Library	8,247
Total depreciation expense - governmental activities	\$ 837,532

Town of Wellington
Notes to Financial Statements

December 31, 2012

A summary of changes in business-type activities capital assets for the year ended December 31, 2012, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Land and water rights	\$ 396,068	\$ 2,701	\$ -	\$ 398,769
Total capital assets, not being depreciated	396,068	2,701	-	398,769
Capital assets, being depreciated:				
Utilities systems	28,354,344	644,683	-	28,999,027
Equipment	747,485	20,871	-	768,356
Total capital assets, being depreciated	29,101,829	665,554	-	29,767,383
Less accumulated depreciation	(7,576,039)	(720,675)	-	(8,296,714)
Total capital assets, being depreciated, net	21,525,790	(55,121)	-	21,470,669
Total business-type activities capital assets, net	\$ 21,921,858	\$ (52,420)	\$ -	\$ 21,869,438

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

Business-type Activities:	
Water	\$ 433,990
Sewer	281,579
Storm drainage	5,106
Total depreciation expense - business-type activities	\$ 720,675

Town of Wellington
Notes to Financial Statements

December 31, 2012

7. Long-Term Debt

Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. The Town has recorded a liability of \$54,587 at December 31, 2012.

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
\$500,000 January 13, 1984, general obligation water bond due in installments of \$15,000 in 2012; this bond matures December 1, 2023; interest at 5%.	\$ 260,000	\$ -	\$ (16,000)	\$ 244,000	\$ 17,000
December 1, 1982, Colorado Water Conservation Board note requiring annual payments of \$57,593 principal and interest at 4.0% through December 1, 2023. Revenues of the Town are pledged in an amount sufficient to pay the annual amounts due under the loan contract.	540,528	-	(35,975)	504,553	37,413
2001 Colorado Water Resource and Power Development Authority 20 year note requiring semi-annual payments of \$36,747 principal and interest, at 4.0% through May 1, 2022. The loan is a special revenue obligation of the Water Fund payable from water rates, fees, standby charges, and charges from the use and operation of the system and from such other funds legally available after the payment of operation and maintenance expenses of the system.	625,117	-	(48,975)	576,142	50,953

Town of Wellington
Notes to Financial Statements

December 31, 2012

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

	3,011,686	-	(232,918)	2,778,768	238,335
	\$4,437,331	\$	-	\$ (333,868)	4,103,463
					\$ 343,701

Current portion of long-term debt	(343,701)
Discount on long-term debt	(3,557)
Premium on long-term debt	99,869
Non-current portion of long-term debt	\$3,856,074

The following table represents future debt service requirements on the business-type activity debt as of December 31, 2012:

Year	Principal	Interest
2013	\$ 343,701	\$ 177,548
2014	353,673	167,726
2015	369,204	152,295
2016	379,468	142,082
2017	395,302	126,247
2018-2022	2,178,736	395,124
2023	83,379	3,615
	\$ 4,103,463	\$ 1,164,637

Developer Obligation

The Town received from a developer a cash payment in lieu of a line of credit to insure improvements were made to the developer's property. The deposit has been held by the Town in an interest bearing account and has a balance of \$134,456 at December 31, 2012. The developer has since gone out of business and the improvements to the property have never been made. A final determination of this liability has not been made as of December 31, 2012.

Town of Wellington
Notes to Financial Statements

December 31, 2012

8. Rate Maintenance - Sewer Fund

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

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

Operating revenues	\$	738,902	
Connection fees		529,925	
Subtotal		1,268,827	
Operation and maintenance expenses		432,329	
<hr/>			
Net revenue as defined in loan agreement			\$ 836,498
2012 principal due	\$	232,918	
2012 interest due		128,043	
		360,961	
		x110%	397,057
<hr/>			
Amount the current year revenues were in excesss of the requirements of the CWRPDA loan agreement.			\$ 439,441

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

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

The CWRPDA loans in the Water and Sewer Funds require the Town to maintain an operations and maintenance reserve in an amount equal to three months of operations and maintenance expenses, excluding depreciation of the system, as set forth in the annual budget for the current fiscal year. The Town has restricted \$253,707 in the Water Fund and \$123,659 in the Sewer Fund to comply with the terms of these agreements.

9. Risk Management

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

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

Town of Wellington

Notes to Financial Statements

December 31, 2012

10. Taxes, Spending and Debt Limitations

In November 1992, Colorado voters passed an amendment (the “Amendment” or “TABOR”) to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and “fiscal year spending” include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserve (balance). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the “spending limit” must be refunded or approved to be retained by the Town under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. An emergency, as defined by the Amendment, excludes economic conditions, revenue shortfalls, or salary of fringe benefit increase. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The Town has reserved \$89,068 for this purpose.

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

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

11. Commitments

On November 27, 2012 the Town Board of Trustees approved \$125,000 for the purchase of in the Town during 2013. This land purchase was in conjunction with an agreement with the Boys and Girls Club.

12. Violation of State Statutes

During the year ended December 31, 2012, expenditures exceeded budget appropriations by \$4,175 in the Library Trust Fund and \$382,566 in the Street Fund, which may be in violation of state statutes.

13. Subsequent Events

Management of the Town has evaluated subsequent events through June 11, 2013, the date that the financial statements were available to be issued. During 2013 the Town Board of Trustees approved contracts totaling approximately \$244,000 for equipment purchases, engineering services for the regional trail design and a sidewalk extension and street widening project. There were no other material subsequent events that required recognition or additional disclosure, except as described in Note 11.

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Required Supplementary Information

Town of Wellington
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - General Fund
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,227,616	\$ 1,227,616	\$ 1,493,876	\$ 266,260
Franchise fees	124,000	124,000	137,571	13,571
Licenses and permits	77,100	77,100	175,405	98,305
Intergovernmental	-	-	3,849	3,849
Charges for services	14,525	14,525	64,736	50,211
Fines and forfeitures	8,000	8,000	11,541	3,541
Earnings on investments	3,200	3,200	10,000	6,800
Miscellaneous	13,500	13,500	12,994	(506)
Total revenues	1,467,941	1,467,941	1,909,972	442,031
Expenditures				
Current:				
General government:				
Legislative	109,050	109,050	124,758	(15,708)
Judicial	22,600	22,600	21,835	765
Administrative	158,783	158,783	137,479	21,304
Planning and zoning	93,000	93,000	39,430	53,570
Public safety:				
Police	610,250	610,250	610,015	235
Protective inspections	116,249	116,249	180,180	(63,931)
Public works:				
Sanitation	24,500	24,500	33,699	(9,199)
Operating	88,426	88,426	59,057	29,369
Cemetery	3,200	3,200	2,086	1,114
General use buildings	67,900	67,900	106,625	(38,725)
Park and recreation:				
Community activities	58,434	58,434	51,790	6,644
Economic development	2,000	2,000	667	1,333
Library	150,847	150,847	129,148	21,699
Small equipment	35,750	35,750	18,379	17,371
Capital outlay	12,500	12,500	-	12,500
Reservation of fund balance	30,000	30,000	-	30,000
Total expenditures	1,583,489	1,583,489	1,515,148	68,341
Excess (deficiency) of revenues over expenditures	(115,548)	(115,548)	394,824	510,372
Other financing sources (uses)				
Transfers in	1,105	1,105	5,950	4,845
Transfers out	(8,000)	(8,000)	-	8,000
Total other financing sources (uses)	(6,895)	(6,895)	5,950	12,845
Net change in fund balance	(122,443)	(122,443)	400,774	523,217
Fund balance at beginning of year			1,302,881	
Fund balance at end of year			\$ 1,703,655	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Street and Park Funds
Year Ended December 31, 2012

	Street Fund				Park Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Taxes	\$ 239,250	\$ 239,250	\$ 270,678	\$ 31,428	\$ 418,334	\$ 418,334	\$ 589,534	\$ 171,200
Impact fees	6,000	6,000	37,570	31,570	12,000	12,000	66,990	54,990
Licenses and permits	916	916	225	(691)	-	-	-	-
Charges for services	-	-	-	-	70,370	70,370	85,146	14,776
Earnings on investments	950	950	3,102	2,152	1,100	1,100	863	(237)
Contributions and grants	3,705,417	3,705,417	404,345	(3,301,072)	3,774,589	3,774,589	89,000	(3,685,589)
Miscellaneous	100	100	34	(66)	4,100	4,100	4,597	497
Total revenues	3,952,633	3,952,633	715,954	(3,236,679)	4,280,493	4,280,493	836,130	(3,444,363)
Expenditures								
Current:								
Public works/Parks and recreation:								
Administrative	54,947	54,947	47,667	7,280	59,475	59,475	60,821	(1,346)
Operating	355,759	355,759	440,866	(85,107)	179,308	179,308	145,065	34,243
Recreation	-	-	-	-	211,555	211,555	182,962	28,593
Small equipment and other	111,775	111,775	60,762	51,013	21,500	21,500	4,072	17,428
Capital outlay	-	-	355,752	(355,752)	3,844,339	3,844,339	124,002	3,720,337
Total expenditures	522,481	522,481	905,047	(382,566)	4,316,177	4,316,177	516,922	3,799,255
Excess (deficiency) of revenues over expenditures	3,430,152	3,430,152	(189,093)	(3,619,245)	(35,684)	(35,684)	319,208	354,892
Other financing sources:								
Proceeds from sale of capital assets	-	-	700	700	-	-	-	-
Total other financing sources	-	-	700	700	-	-	-	-
Net change in fund balances	\$ 3,430,152	\$ 3,430,152	(188,393)	\$ (3,618,545)	\$ (35,684)	\$ (35,684)	319,208	\$ 354,892
Fund balances at beginning of year			1,885,456				172,727	
Fund balances at end of year			\$ 1,697,063				\$ 491,935	

See accompanying Independent Auditor's Report.

Other Supplementary Information

Town of Wellington
Schedule of Revenues, Expenditures and
Changes in Fund Balance (Budget and Actual)
Conservation Trust Fund

Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 48,000	\$ 48,000	\$ 63,170	\$ 15,170
Earnings on investments	325	325	221	(104)
Total revenues	48,325	48,325	63,391	15,066
Expenditures				
	-	-	-	-
Net change in fund balance	\$ 48,325	\$ 48,325	63,391	\$ 15,066
Fund balance at beginning of year			235,515	
Fund balance at end of year			<u>\$ 298,906</u>	

See accompanying Independent Auditor's Report.

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

Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 962,500	\$ 962,500	\$ 1,193,843	\$ 231,343
Miscellaneous	5,000	5,000	1,832	(3,168)
Total operating revenues	967,500	967,500	1,195,675	228,175
Operating expenses				
Administrative	208,818	208,818	153,328	55,490
Operating	738,801	738,801	610,867	127,934
Small equipment	67,208	67,208	15,795	51,413
Total operating expenses	1,014,827	1,014,827	779,990	234,837
Operating income (loss)	(47,327)	(47,327)	415,685	463,012
Non-operating revenues (expenses)				
Property taxes	87,562	87,562	87,547	(15)
Capital contributions	4,455,361	4,455,361	927,192	(3,528,169)
Earnings on investments	2,250	2,250	4,987	2,737
Miscellaneous	3,500	3,500	-	(3,500)
Interest expense	(59,716)	(59,716)	(59,209)	507
Principal paid	(100,950)	(100,950)	(100,950)	-
Capital outlay	(6,546,360)	(6,546,360)	(338,725)	6,207,635
Reserve	(21,650)	(21,650)	-	21,650
Total non-operating revenues (expenses)	(2,180,003)	(2,180,003)	520,842	2,700,845
Change in net position - budgetary basis	\$ (2,227,330)	\$ (2,227,330)	936,527	\$ 3,163,857
Reconciliation to GAAP Basis				
Depreciation			(433,990)	
Principal paid			100,950	
Capital outlay			338,725	
Change in net position - GAAP basis			942,212	
Net position at beginning of year			14,524,686	
Cumulative effect of a change in accounting principle			(6,747)	
Net position at end of year			\$ 15,460,151	

See accompanying Independent Auditor's Report.

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

Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 751,700	\$ 751,700	\$ 738,902	\$ (12,798)
Total operating revenues	751,700	751,700	738,902	(12,798)
Operating expenses				
Administrative	144,174	144,174	117,696	26,478
Operating	337,062	337,062	310,298	26,764
Small equipment	13,401	13,401	4,335	9,066
Total operating expenses	494,637	494,637	432,329	62,308
Operating income	257,063	257,063	306,573	49,510
Non-operating revenues (expenses)				
Capital contributions	1,625,341	1,625,341	703,343	(921,998)
Earnings on investments	1,250	1,250	4,512	3,262
Other nonoperating revenue	5,000	5,000	-	(5,000)
Interest expense	(141,880)	(141,880)	(108,646)	33,234
Principal paid	(216,668)	(216,668)	(232,918)	(16,250)
Capital outlay	(1,604,841)	(1,604,841)	(178,843)	1,425,998
Loan reserve	(122,725)	(122,725)	-	122,725
Total non-operating revenues (expenses)	(454,523)	(454,523)	187,448	641,971
Change in net position - budgetary basis	\$ (197,460)	\$ (197,460)	494,021	\$ 691,481
Reconciliation to GAAP basis				
Depreciation			(281,579)	
Principal paid			232,918	
Capital outlay			178,843	
Change in net position - GAAP basis			624,203	
Net position at beginning of year			8,414,430	
Cumulative effect of a change in accounting principle			(19,047)	
Net position at end of year			\$ 9,019,586	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Storm Drainage Fund
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 321,000	\$ 321,000	\$ 121,917	\$ (199,083)
Total operating revenues	321,000	321,000	121,917	(199,083)
Operating expenses				
Administrative	245,346	245,346	28,250	217,096
Operational	50,652	50,652	45,860	4,792
Non-depreciable expenditures	8,508	8,508	25,550	(17,042)
Reserves	3,000	3,000	-	3,000
Total operating expenses	307,506	307,506	99,660	207,846
Operating income	13,494	13,494	22,257	8,763
Non-operating revenues (expenses)				
Taxes	8,000	8,000	8,561	561
Capital contributions	1,164,092	1,164,092	139,485	(1,024,607)
Impact fees	9,000	9,000	16,496	7,496
Capital outlay	(1,164,092)	(1,164,092)	(150,687)	1,013,405
Total non-operating revenues (expenses)	17,000	17,000	13,855	(3,145)
Change in net position - budgetary basis	\$ 30,494	\$ 30,494	36,112	\$ 5,618
Reconciliation to GAAP basis				
Depreciation			(5,106)	
Capital outlay			150,687	
Change in net position - GAAP basis			181,693	
Net position at beginning of year			373,783	
Net position at end of year			\$ 555,476	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Changes in Fiduciary Net Position (Budget and Actual)
Library Trust Fund
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Additions				
Library impact fees	\$ 3,750	\$ 3,750	\$ 17,500	\$ 13,750
Larimer county grant	500	500	173	(327)
Total additions	4,250	4,250	17,673	13,423
Deductions				
Library expenditures	500	500	-	500
Transfer out	1,275	1,275	5,950	(4,675)
Total deductions	1,775	1,775	5,950	(4,175)
Change in net position	\$ 2,475	\$ 2,475	11,723	\$ 9,248
Net position at beginning of year			<u>160,873</u>	
Net position at end of year			<u>\$ 172,596</u>	

See accompanying Independent Auditor's Report.

State Compliance

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

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

This Information From The Records Of: Town of Wellington	Prepared By: Mike Cummins Phone: 970-568-3381
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I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	186,916
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	328,968
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	
3. Other local imposts (from page 2)	94,297	c. Other	
4. Miscellaneous local receipts (from page 2)	66,910	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	47,665
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	563,549
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)	161,207	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	213,951	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	375,158	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	563,549

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	1,885,456	375,158	563,549		1,697,065

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2012

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	3,102
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	37,570	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	700
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	56,727	g. Other Misc. Receipts	257
6. Total (1. through 5.)	94,297	h. Other	62,851
c. Total (a. + b.)	94,297	i. Total (a. through h.)	66,910
	(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	193,631	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	20,320	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	20,320	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	213,951	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		14,257	14,257
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		172,659	172,659
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	172,659	172,659
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	186,916	186,916
			(Carry forward to page 1)

Notes and Comments:

County Road & Bridge Tax:	14,080	Street Cut Permits:	225
Specific Ownership Tax:	42,647	Misc. Revenue:	32
	<u>56,727</u>		<u>257</u>
		Electrical Undergrounding Developer Contribution:	<u>62,851</u>