

**TOWN OF NEDERLAND, COLORADO**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2012**

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## FINANCIAL SECTION



## JOHN CUTLER & ASSOCIATES

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

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nederland, as of and for the year 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

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### Opinions

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

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements, and the schedule of expenditures of federal awards, as required by the *Office of Management and Budget Circular A-133, audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2013 on our consideration of the Town of Nederland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Nederland's internal control over financial reporting and compliance.

*John Luthr & Associates, LLC*

May 15, 2013



**Town of Nederland, Colorado**  
**Management's Discussion and Analysis**  
Fiscal Year Ending December 31, 2012

This Management's Discussion and Analysis (MD&A) of the Town of Nederland's 2012 financial statements is offered to provide an objective and easy-to-read analysis of the government's financial activities based on currently known facts, decisions and conditions. The MD&A should be read in conjunction with the Town's basic financial statements.

The Town of Nederland is a Statutory Municipality incorporated in 1874. The Town has seven elected officials who are responsible for all policy decisions that affect the government's financial condition. The appointed Town Administrator is responsible for preparing the annual budget which is adopted by the Board of Trustees every December. The Town Administrator and appointed Town Treasurer are responsible for financial reporting to the Town's Board of Trustees and to the public at large. The Town maintains four separate funds, which are as follows:

- A) General Fund
- B) Community Center Fund
- C) Water Fund
- D) Sewer Fund

Additionally, the Town maintains a Downtown Development Authority (DDA) Fund which acts as a component unit and is reflected as a non major fund in Town's financial statements.

**Overview of the Financial Statements**

There are two sets of financial statements included in this report: government-wide financial statements, and fund financial statements. A description of these different statements is provided below. In addition to the financial statements, supplementary information in the form of budgetary comparison schedules is also provided near the end of the audit report.

**Government-wide Financial Statements:**

The government-wide financial statements, which consist of the Statement of Net Assets and the Statement of Activities, give readers a broad overview of the entire Town's financial position and changes in financial position in a manner similar to a private-sector business. These statements report information about the Town as a whole and include all assets and liabilities using the accrual basis of accounting, which reports all of the current year's revenues and expenses regardless of when the cash is received or paid.

The *statement of net assets* presents the Town of Nederland's assets and liabilities, with the difference between the two reported as net assets. The net assets are summarized as follows: 1) invested in capital assets, 2) unrestricted or available for any current use, 3) restricted for specific use only. Over a period of time increases or decreases in the Town's net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other non-financial factors, however, such as changes in the Town's property tax base, are needed to assess the overall financial condition of the Town.

The *statement of activities* presents data showing how the Town's net assets changed as a result of the operations of the Town government during the most recent fiscal year. All changes in net assets are reported when an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (accrual basis of accounting). Thus, some revenues and expenses reported in this statement will result in cash flows in future periods.

The government-wide financial statements distinguish the different functions of the Town that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from the other functions that are intended to recover all or a significant portion of their costs through user fees or charges for services (*Business Type Activities*). The Governmental Activities of the Town of Nederland include general government, administration and finance, municipal court, public safety, public works, and parks and recreation. The Business Type Activities include water and wastewater.

### **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's funds can be divided into two categories: Governmental Fund and Proprietary Fund.

**Governmental Funds** - The activity of the Town's General, Community Center, Downtown Development Authority, and Special Revenue (Conservation Trust) funds are reported as governmental funds, which are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the short-term flow of money into and out of these funds. These statements use the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed view of the Town's general governmental and special revenue operations and the services that are provided. Governmental fund statements help to determine the financial resources that are available to finance the Town's operations and programs in the near future.

**Proprietary (Business Like) Fund** - The Town of Nederland maintains two proprietary (enterprise) funds, which reports the same functions as the business-type activities in the government-wide financial statements. The Town uses the proprietary funds to account for the activities associated with its water and sewer utilities that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs, including depreciation, of providing goods or services to the public be financed or recovered primarily through user fees or charges.



## **Financial Highlights**

### **Governmental Activities**

- As of December 31, 2012 the governmental funds held \$480,709 in assets that were readily convertible to cash and \$110,595 in current liabilities.
- As of December 31, 2012 the Town's governmental activities fund held \$4,166,400 in depreciated capital assets, a 4.10% *decrease*; and \$1,130,143 in capital asset liabilities, a 22% *decrease*.
- 2012 Nederland sales tax revenue was up 6.1% compared to fiscal year 2011.
- 2012 general property tax revenue increased by 3% compared to fiscal year 2011.
- 2012 building permit revenue *decreased* by 32% or \$9,741 compared to fiscal year 2011. 2012 use tax revenue *decreased* by 47% or \$12,262 compared to fiscal year 2011.
- 2012 salary and benefits expense increased by 1.2% or \$8,175 compared to fiscal year 2011.
- Total governmental activities net assets *decreased* by 0.4% or \$17,817 during the 2012 fiscal year.

### **Business-type Activities**

- As of December 31, 2012 total assets were \$10,394,293, an increase of \$605,077. Cash, investments and receivables *decreased* by \$33,438 while restricted cash *decreased* by \$2,638,815 as the Town drew down on its loan from the Colorado Water Resources & Power Development Authority to construct the Town's new wastewater treatment plant. Capital assets increased by \$2,937,238.
- Total enterprise liabilities increased by .6% or \$36,462 during 2012.
- 2012 service revenue from the water and wastewater services increased by \$20,127 or 2.77% compared to fiscal year 2011 due to inflationary increases in user rates for water and sewer.
- 2012 Total Revenues from the water and wastewater increased \$307,970 or 28.8% compared to fiscal year 2011 primarily due to capital grants received for the construction of the wastewater treatment plant.
- 2012 Total Expenses from the water and wastewater increased \$78,422 or 10.7% compared to fiscal year 2011 primarily due to increased costs for maintenance and operator expense due to changes in personnel.
- 2012 salary and benefits expense increased by 3.1% or \$6,194 compared to fiscal year 2011.

## Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to the prior fiscal year.

	Government Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$858,204	\$1,207,043	\$3,136,036	\$5,468,197	\$3,994,240	\$6,675,240
Capital assets	\$4,905,169	\$5,037,527	\$7,258,257	\$4,321,019	\$12,163,426	\$9,358,546
<b>Total assets</b>	<b>\$5,763,373</b>	<b>\$6,244,570</b>	<b>\$10,394,293</b>	<b>\$9,789,216</b>	<b>\$16,157,666</b>	<b>\$16,033,786</b>
Long-term debt outstanding	\$1,033,407	\$1,323,361	\$5,766,212	\$6,037,886	\$6,799,619	\$7,361,247
Other liabilities	\$724,185	\$897,611	\$700,249	\$392,113	\$1,424,434	\$1,289,724
<b>Total liabilities</b>	<b>\$1,757,592</b>	<b>\$2,220,972</b>	<b>\$6,466,461</b>	<b>\$6,429,999</b>	<b>\$8,224,053</b>	<b>\$8,650,971</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	\$3,775,024	\$3,577,104	\$1,518,008	\$(1,667,917)	\$5,293,032	\$1,909,187
Restricted	\$191,036	\$137,335	\$-	\$-	\$191,036	\$137,335
Unrestricted	\$39,721	\$309,159	\$2,409,824	\$5,027,134	\$2,449,545	\$5,336,293
<b>Total net assets</b>	<b>\$4,005,781</b>	<b>\$4,023,598</b>	<b>\$3,927,832</b>	<b>\$3,359,217</b>	<b>\$7,933,613</b>	<b>\$7,382,815</b>

### Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation:

**Net Results of Activities** – will impact (increase/decrease) current assets and unrestricted net assets.

**Borrowing for Capital** – will increase current assets and long-term debt.

**Spending Borrowed Proceeds on New Capital** – will reduce current assets and increase capital assets. A second impact results in an increase in capital assets and an increase in related net debt which will not change the invested in capital assets, net of related debt.

**Spending of Non-borrowed Current Assets on New Capital** – will (1) reduce current assets and increase capital assets and (2) will reduce restricted and or unrestricted net assets and increase invested in capital assets, net of debt.

**Principal Payment on Debt** – will (1) reduce current assets and reduce long-term debt and (2) reduce unrestricted net assets and increase invested in capital assets, net of debt.

**Reduction of Capital Assets Through Depreciation** – will reduce capital assets and invested in capital assets, net of debt.

The Town's total net assets for fiscal year 2012 increased by 7.5% or \$550,798. The Town's assets exceed liabilities by \$7,933,613 (net assets) as of December 31, 2012. Funds invested in Capital assets (e.g. land, buildings, equipment, etc.) make up 67% of net assets. The Town uses these capital assets to provide services to citizens; therefore these assets are not available for future spending. Although the Town of Nederland's investments in capital assets are 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 retire these liabilities.

The restricted portion (2.4%) of net assets represents resources that are subject to various debt provisions, contracts and agreements on how they may be used. The remaining balance \$2,449,545 is unrestricted and can be used to meet the Town's ongoing obligations to its citizens and creditors, although it should be noted that \$1.4M of these funds will be used for the construction of the wastewater plant.

## STATEMENT OF ACTIVITIES

The Statement of Activities takes into consideration the Town as a whole and reflects the change in net assets for fiscal year 2012.

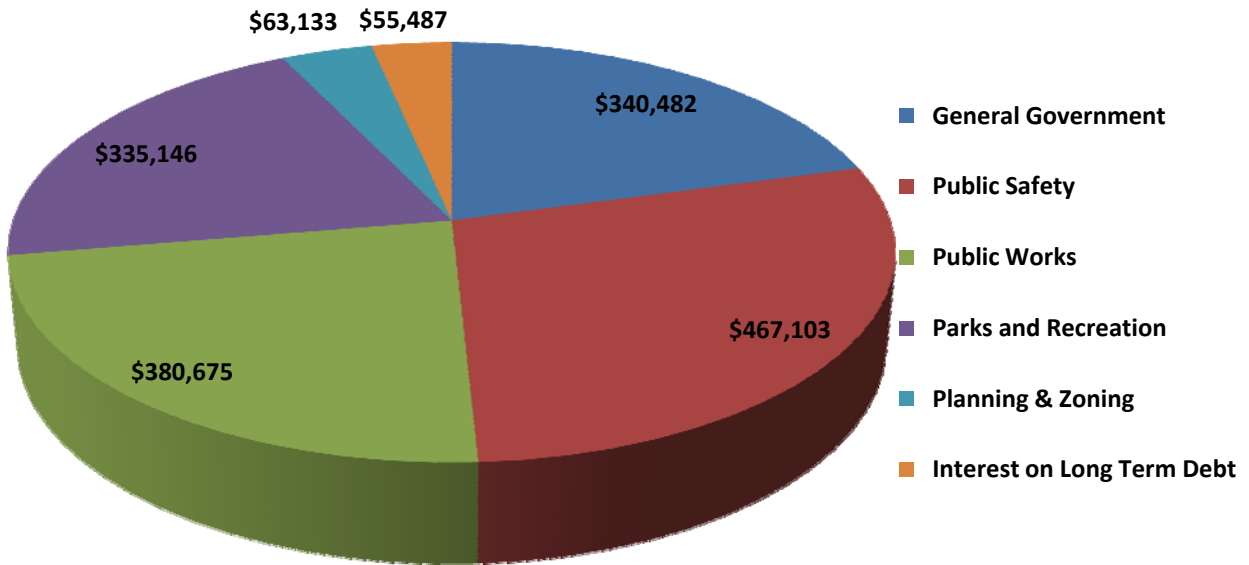
	Government Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Program Revenue</b>						
Charges for Services	\$238,813	\$224,841	\$747,671	\$727,544	\$986,484	\$952,385
Operating Grants & Contributions	\$73,042	\$100,458			\$73,042	\$100,458
Capital Grants & Contributions	\$48,484	\$48,786	\$408,302	\$135,283	\$456,786	\$184,069
<b>Total Program Revenue</b>	<b>\$360,339</b>	<b>\$374,085</b>	<b>\$1,155,973</b>	<b>\$862,827</b>	<b>\$1,516,312</b>	<b>\$1,236,912</b>
<b>General Revenues:</b>						
Property Taxes	\$479,966	\$471,804			\$479,966	\$471,804
Specific Ownership Taxes	\$18,735	\$17,291			\$18,735	\$17,291
Sales and Use Taxes	\$666,361	\$629,196	\$215,106	\$202,825	\$881,467	\$832,021
Franchise Taxes	\$50,884	\$47,989			\$50,884	\$47,989
Investment Income	\$982	\$1,739	\$7,068	\$5,933	\$8,050	\$7,672
Other Revenues	\$46,942	\$37,460		(\$1,408)	\$46,942	\$36,052
<b>Total General Revenues</b>	<b>\$1,263,870</b>	<b>\$1,205,479</b>	<b>\$222,174</b>	<b>\$207,350</b>	<b>\$1,486,044</b>	<b>\$1,412,829</b>
<b>TOTAL REVENUES</b>	<b>\$1,624,209</b>	<b>\$1,579,564</b>	<b>\$1,378,147</b>	<b>\$1,070,177</b>	<b>\$3,002,356</b>	<b>\$2,649,741</b>
<b>Program Expenses:</b>						
General Government	\$403,615	\$435,416			\$403,615	\$435,416
Public Safety	\$467,103	\$437,326			\$467,103	\$437,326
Public Works	\$380,675	\$333,055			\$380,675	\$333,055
Parks and Recreation	\$335,146	\$341,114			\$335,146	\$341,114
Interest on Long Term Debt	\$55,487	\$59,175	\$95,400	\$44,199	\$150,887	\$103,374
Water and Wastewater			\$714,132	\$686,911	\$714,132	\$686,911
<b>TOTAL EXPENSES</b>	<b>\$1,642,026</b>	<b>\$1,606,086</b>	<b>\$809,532</b>	<b>\$731,110</b>	<b>\$2,451,558</b>	<b>\$2,337,196</b>
<i>Special Item: Loss of Capital Asset</i>				(\$372,404)	\$0	(\$372,404)
<b>Change in Net Assets</b>	<b>(\$17,817)</b>	<b>(\$26,522)</b>	<b>\$568,615</b>	<b>(\$33,337)</b>	<b>\$550,798</b>	<b>(\$59,859)</b>

**Governmental Activities**

Taxes comprise the largest source of operating revenue for the Town’s governmental activities, 2012 tax source revenue was \$1,215,946, which is 74.88% of total revenues from governmental activities. Property taxes of \$479,966 represent 39.47% of total tax revenue. Charges for services equaled \$238,813, representing 14.7% of total revenues.

The cost of governmental activities in 2012 was \$1,642,026 compared to \$1,606,086 in 2011, a 2.24% increase.

**Expenses by Type – Governmental Activities**



General Government includes Town Board of Trustees, Town Administrator, Town Clerk, Finance, and General Administration. Public Safety includes both Law Enforcement and Municipal Court. Parks & Recreation include expenses associated with the Town’s Community Center and general park maintenance. Public Works accounts for streets and building maintenance. Planning & zoning accounts for costs associated with building permit and plan review activity.

Year-to-year changes by type of activity:

	<b>2012</b>	<b>2011</b>	<b>% Change</b>
General Government	\$340,482	\$368,494	-7.60%
Public Safety	467,103	437,326	6.81%
Public Works	380,675	333,055	14.30%
Parks and Recreation	335,146	341,114	-1.75%
Planning & Zoning	63,133	66,922	-5.66%
Interest on Long Term Debt	55,487	59,175	-6.23%
<b>Total</b>	<b>\$1,642,026</b>	<b>\$1,606,086</b>	<b>2.24%</b>

## **Business-type Activities**

Total 2012 service revenue from the Town's business-type activities increased by \$20,127, compared to 2011 while total revenues increased \$307,970, or 28.78%, due primarily to a capital grant used for the construction of the wastewater treatment plant; operating expenses for 2012 increased by 10.73% or \$78,422 compared to 2011.

## **Fund Balance**

At the end of 2012, the Town's governmental funds reported a combined fund balance of \$599,134. This is an increase of \$219,317 compared to the prior year's ending balance. Of this total balance **\$156,480** is unreserved and available to finance the Town's future operation and programs; \$239,705 is reserved for the Downtown Development Authority; \$9,949 is reserved for Community Center Use; \$110,000 is in the form of a sellable asset; and \$83,000 is reserved for emergencies.

At year-end, the business-type activities reported total net assets of \$3,927,832, an increase of \$568,615.

## **Budgetary Highlights**

Town Board of Trustees approved one supplement to the 2012 General Fund budget. The original appropriation of \$1,274,344 was increased by \$78,000, or 6%, to \$1,352,344. This increase was primarily needed to account for capital lease proceeds for the transportation equipment purchased for public works and the police department. The Community Center Fund appropriations was increased by \$9,233 to account for a new marquee sign for the Community Center to advertise events and some other minor improvements made in the Community Center financed by higher than budgeted sales tax revenue. The Downtown Development Authority (DDA) Fund appropriations was increased by \$221,689 to account for debt payments and capital outlays-related projects undertaken by the DDA. The initial budget for the DDA only provided for funding through April 2012, as additional funding was subject to a vote authorization in April 2012, which passed.

For the General Fund, revenue compared to budget was down \$17,680, or 1.4%, due to the timing of grant revenue for the GOCO Grant related to the Parks and Recreation Master Plan. Expenses for the General Fund compared to budget were less by \$92,896, or 6.9%, due to the timing of expenses related to the Parks and Recreation Master Plan, as well as Highway and Streets running under budget due to unfilled headcount.

The DDA Fund actual revenue and expense compared to budget was better by \$20,295, primarily due to the timing of NEDPEDs expenses; the capital project the DDA is undertaken.

The Sewer Fund revenues are better than budget by \$136,323, or 17.3%, due to the higher sales tax allocation from the ballot initiative in April 2012 that changed the allocation between water and sewer funds, as well as higher than budgeted grant revenue for the construction of the wastewater treatment plant. Sewer Fund expenditures are better than budget by \$1,233,201, or 26.9%, due to the timing of construction of the wastewater treatment plant. The plant finished the year at 75% complete, whereas it was anticipated to be 90% complete by the end of 2012. The delay is primarily due to delays from the state while dewatering the site.

The Water Fund revenues are less than budget by \$52,673, or 10.4%, due to the ballot initiative in April 2012 that changed the allocation between the water and sewer funds. Expenditures are less than budget by \$142,809, or 17.7%, due to capital outlays, depreciation, and debt payments being less than anticipated.

### **Capital Assets and Debt Administration**

At year-end, the Town had \$12,163,426 invested in a broad range of capital assets including land and improvements, buildings, parks and equipment, vehicles, equipment, and water and sewer plants and distribution and collection systems. This increase of \$2,804,881, or 30%, from the 2011 year-end amount is primarily due to the construction of the Town's new wastewater treatment plant, offset by depreciation.

#### **Capital Assets at Year-End**

	<b>Government Activities</b>		<b>Business Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Land	\$692,805	\$692,805	\$11,436	\$11,436	\$704,241	\$704,241
Water Rights			\$35,000	\$35,000	\$35,000	\$35,000
Plant, Land & Bldg. Improvements	\$5,531,048	\$5,531,048	\$6,007,066	\$6,007,064	\$11,538,114	\$11,538,112
Equipment	\$499,417	\$499,417	\$622,531	\$163,595	\$1,121,948	\$663,012
Transportation Equipment	\$318,001	\$307,489	\$229,145	\$182,669	\$547,146	\$490,158
Construction in Process	\$45,964	\$000,000	\$3,428,291	\$778,595	\$3,474,255	\$778,595
<i>Less Acc Depreciation</i>	<u>\$(2,182,066)</u>	<u>\$(1,993,232)</u>	<u>\$(3,075,212)</u>	<u>\$(2,857,340)</u>	<u>\$(5,257,278)</u>	<u>\$(4,850,572)</u>
<b>Total Capital Assets</b>	<b><u>\$4,905,169</u></b>	<b><u>\$5,037,527</u></b>	<b><u>\$7,258,257</u></b>	<b><u>\$4,321,018</u></b>	<b><u>\$12,163,426</u></b>	<b><u>\$9,358,545</u></b>

During 2012, the Town completed 75% of the new wastewater treatment plant. It is anticipated that the plant will be complete by June 30, 2013. In addition to the wastewater treatment plant, the Town added new transportation equipment including a new front loader and police vehicle. The new transportation equipment was paid for with lease financing.

#### **Significant 2012 Capital Asset Additions**

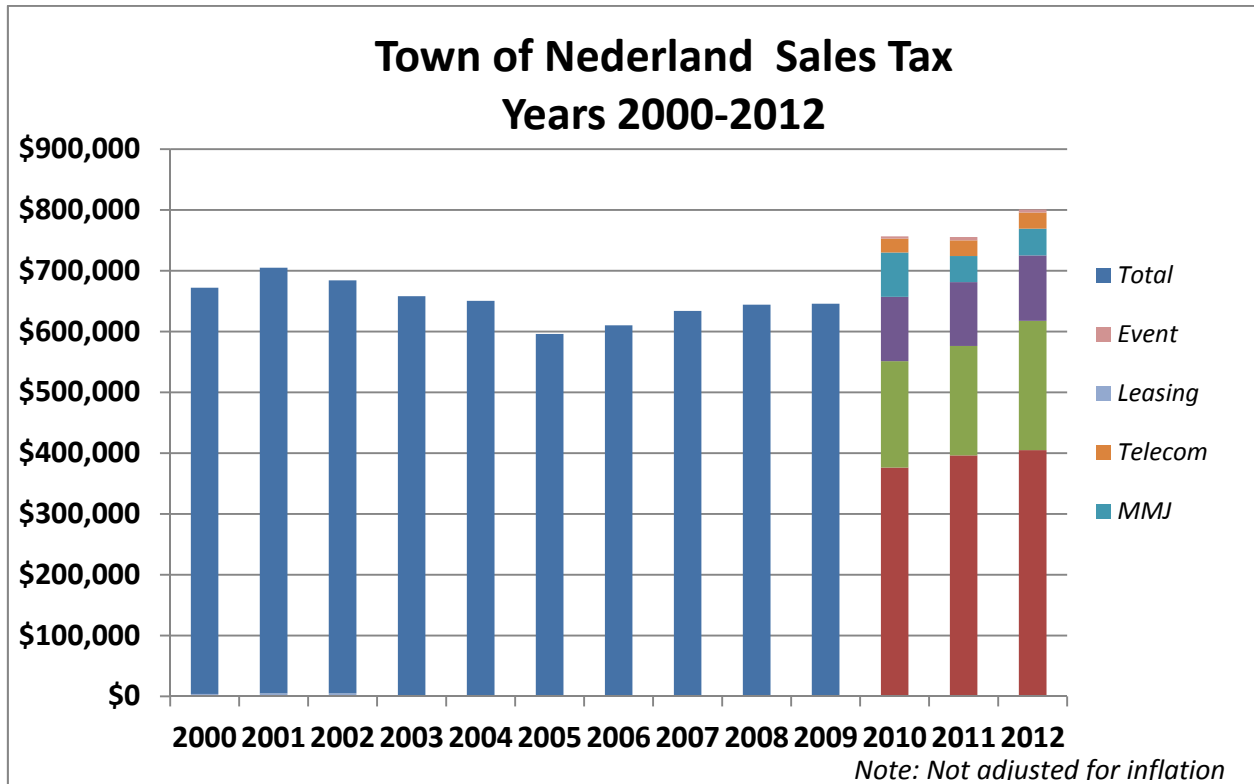
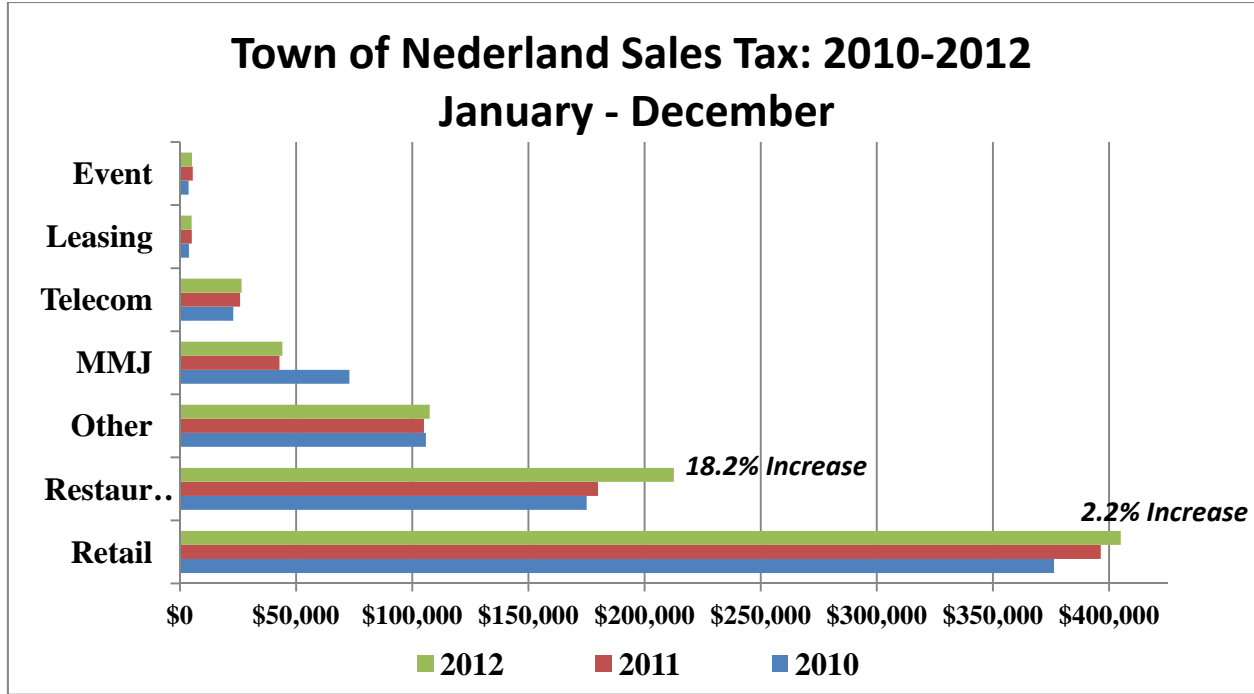
Water Plant Expansion Project	\$3,019,385
Front Loader for Public Works	\$77,808
Police Vehicle for Police Department	\$31,333
NEDPEDs Project	<u>\$45,964</u>
	<b>\$3,174,490</b>

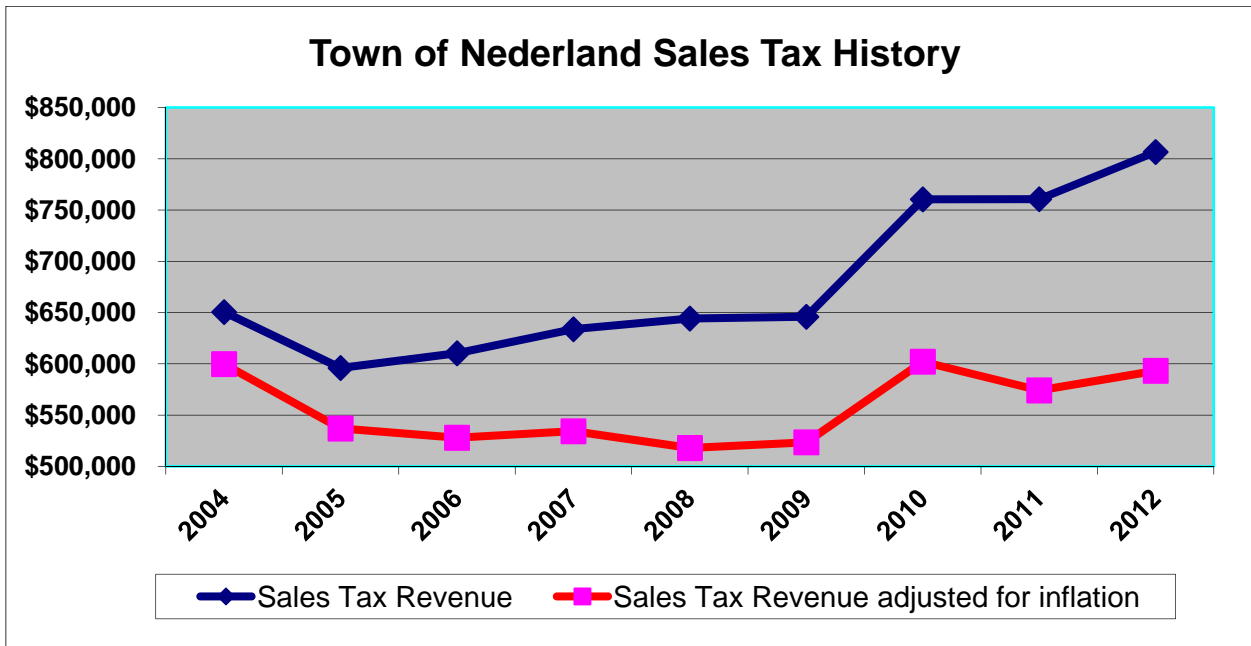
#### **Town of Nederland's Outstanding Debt**

	<b>Government Activities</b>		<b>Business Activities</b>		<b>Total Government</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
'03 Com Center GO Bond	\$960,000	\$1,035,000			\$960,000	\$1,035,000
'00 Land Purchase	\$100,366	\$109,776			\$100,366	\$109,776
Bank Loan- DDA		\$260,344			\$-	\$260,344
Capital Leases	\$69,777	\$37,909	\$37,129	\$15,919	\$106,906	\$53,828
Compensated Absences	\$27,246	\$17,394	\$7,660	\$10,040	\$34,906	\$27,434
CSRPDA Loan - Water			\$2,156,569	\$2,255,861	\$2,156,569	\$2,255,861
CSRPDA Loan - Sewer			\$3,829,134	\$3,961,090	\$3,829,134	\$3,961,090
<b>Total Long Term Debt</b>	<b><u>\$1,157,389</u></b>	<b><u>\$1,460,423</u></b>	<b><u>\$6,030,492</u></b>	<b><u>\$6,242,910</u></b>	<b><u>\$7,187,881</u></b>	<b><u>\$7,703,333</u></b>

**Economic and Other Factors**

The Town of Nederland’s financial trends continue to be bright. For 2012, the Town of Nederland ended the year up 6.1% over the same period in 2011, with large increases in the category of restaurants and retail. In 2012, a new coffee/retail establishment opened and sales from this new business contributed to the Town’s sales tax increases.





In addition to the new café, the Town is seeing other inquiries for commercial building activity that would add professional office and retail space. The Town's assessed valuation remained flat for 2013, however, the county assessor reevaluates property values every two years, so it is anticipated property values will increase for 2014 due to brisk property sales and the tightening rental market, which should put more pressure on home sales and prices.

### **Financial Contact**

The Town's financial statements are designed to present users (citizens, customers, investors and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about this report or need additional financial information, contact the Town's Finance Department at: PO Box 396, Nederland, Colorado 80466; or telephone (303) 258-3266.



## **BASIC FINANCIAL STATEMENTS**

TOWN OF NEDERLAND, COLORADO

STATEMENT OF NET POSITION

As of December 31, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
			2012	2011
<b>ASSETS</b>				
Cash and Investments	\$ 480,709	\$ 1,242,641	\$ 1,723,350	\$ 1,663,560
Restricted Cash and Investments	-	1,361,185	1,361,185	4,000,000
Receivables				
Taxes	490,035	-	490,035	551,171
Accounts	-	147,101	147,101	206,359
Other	118,593	33,216	151,809	133,390
Inventories	-	10,760	10,760	10,760
Land Held for Resale	110,000	-	110,000	110,000
Interfund Amounts	(341,133)	341,133	-	-
Capital Assets, Not Depreciated	738,769	3,474,727	4,213,496	1,517,835
Capital Assets, Depreciated Net of Accumulated Depreciation	4,166,400	3,783,530	7,949,930	7,840,711
<b>TOTAL ASSETS</b>	<b>5,763,373</b>	<b>10,394,293</b>	<b>16,157,666</b>	<b>16,033,786</b>
<b>LIABILITIES</b>				
Accounts Payable	90,044	164,169	254,213	276,131
Retainage Payable	-	195,186	195,186	16,684
Accrued Liabilities	20,551	7,115	27,666	39,896
Unearned Revenues	-	-	-	73,916
Accrued Interest Payable	-	32,535	32,535	18,937
Deposits	1,300	-	1,300	300
Noncurrent Liabilities				
Due within One Year	123,982	301,245	425,227	380,996
Due in More Than One Year	1,033,407	5,766,211	6,799,618	7,361,247
<b>TOTAL LIABILITIES</b>	<b>1,269,284</b>	<b>6,466,461</b>	<b>7,735,745</b>	<b>8,168,107</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned Property Tax Revenue	488,308	-	488,308	482,864
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>1,757,592</b>	<b>6,466,461</b>	<b>8,224,053</b>	<b>8,650,971</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	3,775,026	1,235,425	5,010,451	1,909,187
Restricted for Downtown Development	108,036	-	108,036	70,335
Restricted for Emergencies	83,000	-	83,000	67,000
Unrestricted	39,719	2,692,407	2,732,126	5,336,293
<b>TOTAL NET POSITION</b>	<b>\$ 4,005,781</b>	<b>\$ 3,927,832</b>	<b>\$ 7,933,613</b>	<b>\$ 7,382,815</b>

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

TOWN OF NEDERLAND, COLORADO

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2012

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General Government	\$ 265,034	\$ 42,111	\$ 1,000	\$ -
Administration and Finance	153,256	-	-	-
Municipal Court	31,236	4,630	-	-
Law Enforcement	404,534	72,799	7,860	-
Planning and Zoning	63,133	33,489	6,000	-
Highway and Streets	334,200	-	58,182	-
Parks and Recreation	335,146	85,784	-	48,484
Interest on Long Term Debt	55,487	-	-	-
Total Governmental Activities	<u>1,642,026</u>	<u>238,813</u>	<u>73,042</u>	<u>48,484</u>
<b>Business-Type Activities</b>				
Sewer	271,698	406,010	-	408,302
Water	442,434	341,661	-	-
Interest on Long-term Debt	95,400	-	-	-
Total Business-Type Activities	<u>809,532</u>	<u>747,671</u>	<u>-</u>	<u>408,302</u>
Total Primary Government	<u>\$ 2,451,558</u>	<u>\$ 986,484</u>	<u>\$ 73,042</u>	<u>\$ 456,786</u>

GENERAL REVENUES

Property Taxes  
Specific Ownership Taxes  
Sales and Use Taxes  
Franchise Taxes  
Interest  
Miscellaneous

SPECIAL ITEM

Loss on Disposal of Assets

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND  
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
		2012	2011
\$ (221,923)	\$ -	\$ (221,923)	\$ (194,284)
(153,256)	-	(153,256)	(146,861)
(26,606)	-	(26,606)	(23,114)
(323,875)	-	(323,875)	(334,303)
(23,644)	-	(23,644)	(27,422)
(276,018)	-	(276,018)	(258,461)
(200,878)	-	(200,878)	(188,381)
(55,487)	-	(55,487)	(59,175)
<u>(1,281,687)</u>	<u>-</u>	<u>(1,281,687)</u>	<u>(1,232,001)</u>
-	542,614	542,614	127,841
-	(100,773)	(100,773)	48,075
<u>-</u>	<u>(95,400)</u>	<u>(95,400)</u>	<u>(44,199)</u>
-	346,441	346,441	131,717
<u>(1,281,687)</u>	<u>346,441</u>	<u>(935,246)</u>	<u>(1,100,284)</u>
479,966	-	479,966	471,804
18,735	-	18,735	17,291
666,361	215,106	881,467	832,021
50,884	-	50,884	47,989
982	7,068	8,050	7,672
46,942	-	46,942	36,052
<u>-</u>	<u>-</u>	<u>-</u>	<u>(372,404)</u>
<u>1,263,870</u>	<u>222,174</u>	<u>1,486,044</u>	<u>1,040,425</u>
(17,817)	568,615	550,798	(59,859)
<u>4,023,598</u>	<u>3,359,217</u>	<u>7,382,815</u>	<u>7,442,674</u>
<u>\$ 4,005,781</u>	<u>\$ 3,927,832</u>	<u>\$ 7,933,613</u>	<u>\$ 7,382,815</u>

TOWN OF NEDERLAND, COLORADO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2012

	COMMUNITY			TOTAL	
	GENERAL FUND	CENTER FUND	NONMAJOR FUNDS	GOVERNMENTAL FUNDS	
				2012	2011
<b>ASSETS</b>					
Cash and Investments	\$ 208,268	\$ 100	\$ 272,341	\$ 480,709	\$ 380,062
Property Taxes Receivable	364,529	-	125,506	490,035	551,171
Other Receivables	93,681	24,912	-	118,593	99,133
Due from Other Funds	8,662	-	-	8,662	15,081
Land Held for Resale	110,000	-	-	110,000	110,000
<b>TOTAL ASSETS</b>	<b>\$ 785,140</b>	<b>\$ 25,012</b>	<b>\$ 397,847</b>	<b>\$ 1,207,999</b>	<b>\$ 1,155,447</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 56,349	\$ 3,504	\$ 30,191	\$ 90,044	\$ 174,734
Accrued Liabilities	15,509	2,597	2,445	20,551	28,735
Due to Other Funds	-	8,662	-	8,662	15,081
Deferred Revenues	362,802	-	125,506	488,308	556,780
Deposits	1,000	300	-	1,300	300
<b>TOTAL LIABILITIES</b>	<b>435,660</b>	<b>15,063</b>	<b>158,142</b>	<b>608,865</b>	<b>775,630</b>
<b>FUND EQUITY</b>					
Fund Balance					
Nonspendable	110,000	-	-	110,000	110,000
Restricted for Emergencies	83,000	-	-	83,000	67,000
Restricted for Community Center	-	9,949	-	9,949	-
Restricted for Downtown Development	-	-	108,036	108,036	70,335
Unassigned	156,480	-	131,669	288,149	132,482
<b>TOTAL FUND EQUITY</b>	<b>349,480</b>	<b>9,949</b>	<b>239,705</b>	<b>599,134</b>	<b>379,817</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 785,140</b>	<b>\$ 25,012</b>	<b>\$ 397,847</b>		

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	4,905,169	5,037,527
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include long term obligation of (\$1,130,143), interfund amounts of (\$341,133), and accrued compensated absences (\$27,246).	(1,498,522)	(1,460,423)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in governmental funds.	-	66,677
<b>Net position of governmental activities</b>	<b>\$ 4,005,781</b>	<b>\$ 4,023,598</b>

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

TOWN OF NEDERLAND, COLORADO

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

	COMMUNITY			TOTAL	
	GENERAL FUND	CENTER FUND	NONMAJOR FUNDS	GOVERNMENTAL FUNDS	
				2012	2011
REVENUES					
Taxes	\$ 981,717	\$ 161,329	\$ 131,081	\$ 1,274,127	\$ 1,224,873
Licenses and Permits	42,111	-	-	42,111	27,347
Intergovernmental	48,870	-	81,151	130,021	90,651
Charges for Services	38,119	85,784	-	123,903	125,130
Fines and Forfeitures	72,799	-	-	72,799	72,364
Miscellaneous	36,960	9,492	491	46,943	37,460
Interest	588	-	394	982	1,739
<b>TOTAL REVENUES</b>	<b>1,221,164</b>	<b>256,605</b>	<b>213,117</b>	<b>1,690,886</b>	<b>1,579,564</b>
EXPENDITURES					
Current					
General Government	198,157	-	44,514	242,671	217,146
Administration and Finance	153,256	-	-	153,256	146,861
Municipal Court	31,236	-	-	31,236	27,319
Law Enforcement	441,546	-	-	441,546	414,475
Planning and Zoning	63,133	-	-	63,133	66,922
Highway and Streets	312,178	-	-	312,178	285,485
Parks and Recreation	57,942	124,402	16,000	198,344	208,267
Debt Service					
Principal	-	75,000	408,224	483,224	99,052
Interest	-	42,729	12,758	55,487	64,804
Capital Outlay	-	4,525	46,277	50,802	116,157
<b>TOTAL EXPENDITURES</b>	<b>1,257,448</b>	<b>246,656</b>	<b>527,773</b>	<b>2,031,877</b>	<b>1,646,488</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(36,284)	9,949	(314,656)	(340,991)	(66,924)
OTHER FINANCING SOURCES (USES)					
Proceeds from Capital Lease	77,808	-	-	77,808	25,241
Loan Proceeds	-	-	482,500	482,500	-
Transfers In	-	-	1,526	1,526	16,351
Transfers Out	(1,526)	-	-	(1,526)	(15,851)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>76,282</b>	<b>-</b>	<b>484,026</b>	<b>560,308</b>	<b>25,741</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>39,998</b>	<b>9,949</b>	<b>169,370</b>	<b>219,317</b>	<b>(41,183)</b>
FUND BALANCES, Beginning	309,482	-	70,335	379,817	421,000
FUND BALANCES, Ending	\$ 349,480	\$ 9,949	\$ 239,705	\$ 599,134	\$ 379,817

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

TOWN OF NEDERLAND, COLORADO

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

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 219,317
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$261,130), exceeded capital outlay \$128,772 in the current period.	(132,358)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include debt payments of \$486,121 payments of capital lease of \$45,940, and change in accrued compensated absences of (\$9,852).	522,209
Capital lease and loan proceeds are reported as a financing sources in the governmental funds and increase fund balance. In the government-wide financial statements, however, the capital lease (\$77,808) and loan (\$482,500) increase long-term liabilities in the statement of net position and do not effect the statement of activities.	(560,308)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in governmental funds. This represents amounts received in the current period which were recognized as revenue in the prior year.	<u>(66,677)</u>
Change in Net Position of Governmental Activities	<u>\$ (17,817)</u>

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

TOWN OF NEDERLAND, COLORADO

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

ASSETS	SEWER	WATER	TOTALS	
			2012	2011
<b>Current Assets</b>				
Cash and Investments	\$ 476,365	\$ 766,276	\$ 1,242,641	\$ 1,283,498
Restricted Cash and Investments	1,361,185	-	1,361,185	4,000,000
Accounts Receivable	80,451	66,650	147,101	139,682
Other Receivables	16,608	16,608	33,216	34,257
Inventories	-	10,760	10,760	10,760
<b>Total Current Assets</b>	<b>1,934,609</b>	<b>860,294</b>	<b>2,794,903</b>	<b>5,468,197</b>
<b>Noncurrent Assets</b>				
Advance to Downtown Development Authority	-	341,133	341,133	-
Capital Assets, net of accumulated depreciation	3,713,474	3,544,783	7,258,257	4,321,019
<b>Total Noncurrent Assets</b>	<b>3,713,474</b>	<b>3,885,916</b>	<b>7,599,390</b>	<b>4,321,019</b>
<b>TOTAL ASSETS</b>	<b>5,648,083</b>	<b>4,746,210</b>	<b>10,394,293</b>	<b>9,789,216</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	156,974	7,195	164,169	101,397
Retainage Payable	195,186	-	195,186	16,684
Accrued Liabilities	2,212	4,903	7,115	11,161
Accrued Interest Payable	15,740	16,795	32,535	18,937
Current Portion of Long-term Debt	189,670	111,575	301,245	243,934
<b>Total Current Liabilities</b>	<b>559,782</b>	<b>140,468</b>	<b>700,250</b>	<b>392,113</b>
<b>Noncurrent Liabilities</b>				
Capital Leases Payable	9,234	9,233	18,467	15,919
Loans Payable	3,647,178	2,055,942	5,703,120	5,973,017
Loan Discount	36,964	-	36,964	38,910
Compensated Absences	3,830	3,830	7,660	10,040
<b>Total Noncurrent Liabilities</b>	<b>3,697,206</b>	<b>2,069,005</b>	<b>5,766,211</b>	<b>6,037,886</b>
<b>TOTAL LIABILITIES</b>	<b>4,256,988</b>	<b>2,209,473</b>	<b>6,466,461</b>	<b>6,429,999</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	(132,608)	1,368,033	1,235,425	(1,651,998)
Unreserved	1,523,703	1,168,704	2,692,407	5,011,215
<b>TOTAL NET POSITION</b>	<b>\$ 1,391,095</b>	<b>\$ 2,536,737</b>	<b>\$ 3,927,832</b>	<b>\$ 3,359,217</b>

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



TOWN OF NEDERLAND, COLORADO

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

	SEWER	WATER	TOTALS	
			2012	2011
OPERATING REVENUES				
Charges for Services	\$ 406,010	\$ 341,661	\$ 747,671	\$ 727,544
TOTAL OPERATING REVENUES	406,010	341,661	747,671	727,544
OPERATING EXPENSES				
Personnel	99,806	103,823	203,629	199,769
Operations	145,226	147,408	292,634	680,319
Depreciation	26,666	191,203	217,869	180,635
TOTAL OPERATING EXPENSES	271,698	442,434	714,132	1,060,723
OPERATING INCOME	134,312	(100,773)	33,539	(333,179)
NON-OPERATING REVENUES (EXPENSES)				
Sales and Use Taxes	107,553	107,553	215,106	202,825
Grants	408,054	-	408,054	101,946
Interest Income	581	6,487	7,068	5,933
Interest Expense	(40,502)	(54,898)	(95,400)	(44,199)
TOTAL NON-OPERATING REVENUES (EXPENSES)	475,686	59,142	534,828	266,505
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	609,998	(41,631)	568,367	(66,674)
Capital Contributions- Plant Investment Fees	248	-	248	33,337
CHANGE IN NET POSITION	610,246	(41,631)	568,615	(33,337)
NET POSITION, Beginning	780,849	2,578,368	3,359,217	3,392,554
NET POSITION, Ending	\$ 1,391,095	\$ 2,536,737	\$ 3,927,832	\$ 3,359,217

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

## TOWN OF NEDERLAND, COLORADO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPES  
 Year Ended December 31, 2012  
 Increase (Decrease) in Cash and Cash Equivalents

	SEWER	WATER	TOTALS	
			2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 401,123	\$ 356,450	\$ 757,573	\$ 727,842
Cash Paid to Employees	(105,716)	(104,340)	(210,056)	(187,322)
Cash Paid to Suppliers	99,035	(166,675)	(67,640)	(698,766)
Net Cash Provided by Operating Activities	<u>394,442</u>	<u>85,435</u>	<u>479,877</u>	<u>(158,246)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Sales Taxes Received	<u>107,553</u>	<u>107,553</u>	<u>215,106</u>	<u>202,825</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Grants Received	408,054	-	408,054	101,946
Capital Contributions	248	-	248	33,337
Purchase of Capital Assets	(3,042,622)	(112,486)	(3,155,108)	(651,592)
Advance to Downtown Development Authority	-	(341,133)	(341,133)	-
Loan Proceeds	-	-	-	4,000,000
Lease Proceeds	23,237	23,238	46,475	25,241
Loan Payments	(133,902)	(99,292)	(233,194)	(244,139)
Interest Payments	(36,164)	(45,636)	(81,800)	(33,595)
Lease Payments	(6,290)	(18,975)	(25,265)	(9,322)
Net Cash Used by Capital and Related Financing Activities	<u>(2,787,439)</u>	<u>(594,284)</u>	<u>(3,381,723)</u>	<u>3,221,876</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	<u>581</u>	<u>6,487</u>	<u>7,068</u>	<u>5,933</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,284,863)	(394,809)	(2,679,672)	3,272,388
CASH AND CASH EQUIVALENTS, Beginning	<u>4,122,413</u>	<u>1,161,085</u>	<u>5,283,498</u>	<u>2,011,110</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,837,550</u>	<u>\$ 766,276</u>	<u>\$ 2,603,826</u>	<u>\$ 5,283,498</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income	\$ 134,312	\$ (100,773)	\$ 33,539	\$ (333,179)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	26,666	191,203	217,869	180,635
Changes in Assets and Liabilities				
Accounts Receivable	(4,887)	(2,532)	(7,419)	3,698
Other Receivable	(16,280)	17,321	1,041	(3,313)
Inventories	-	-	-	293
Accounts Payable	65,355	(2,583)	62,772	32,963
Retainage Payable	195,186	(16,684)	178,502	(51,790)
Accrued Liabilities	(4,720)	673	(4,047)	8,479
Accrued Compensated Absences	(1,190)	(1,190)	(2,380)	3,968
Total Adjustments	<u>260,130</u>	<u>186,208</u>	<u>446,338</u>	<u>174,933</u>
Net Cash Provided by Operating Activities	<u>\$ 394,442</u>	<u>\$ 85,435</u>	<u>\$ 479,877</u>	<u>\$ (158,246)</u>

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

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Nederland, Colorado (the “Town”) was incorporated in 1874 and is governed by a Mayor and six-member council elected by the residents.

The accounting policies of the Town of Nederland, Colorado conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

**Reporting Entity**

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

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

Based on the application of these criteria, the Town includes the following organization in its reporting entity:

*Downtown Development Authority* - The Nederland Downtown Development Authority (the Authority”) was established by the Town’s Board of Trustees to halt and prevent deterioration of property values within its district and to assist in the development and redevelopment of its district and to use its power to promote the general welfare of the district by use of its direct and supplemental powers. The Authority has a separate Board with members appointed by the Town’s Board of Trustees. Although the Authority is legally separate from the Town, the Authority’s primary revenue source, property taxes, can only be levied by the Town. The Authority is reported as a blended component unit 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 nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

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

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

The *Community Center Fund* accounts for the operations, capital improvements, and debt service for the Town's Community Center.

The Town reports the following major proprietary funds:

The *Sewer Fund* accounts for the financial activities associated with the provision of sewer services.

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

**Cash and Investments**

Cash equivalents include investments with original maturities of three months or less. Investments are recorded at fair value.

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds in the fund financial statements. Infrastructure assets used to support governmental activities, which include streets, bridges, sidewalks, drainage systems and trails, are excluded from the financial statements except for additions since January 1, 2004. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

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

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

Land Improvements	20 years
Building	40 years
Utility Plants	20-50 years
Machinery and Equipment	5-10 years
Vehicles	5-10 years

**Compensated Absences**

Employees of the Town are allowed to accumulate paid time off to a maximum of 216 hours. Upon retirement or separation from the Town, employees will be paid for any accumulated paid time off.

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

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Long-Term Obligations**

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

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

**Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “Internal Amounts”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

**Property Taxes**

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

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

**Net Position**

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

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Balance Classification**

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. At December 31, 2012, the Town classified Land Held for Resale as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified Emergency Reserves and amounts held by the Community Center Fund and the Downtown Development Authority as being restricted because their use is restricted by State Statute for declared emergencies, and for parks and recreation, and for urban renewal.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town did not have any committed resources as of December 31, 2012.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.



TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

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

- In October, the Town staff submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- The Town Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- Budgets are legally adopted for all funds of the Town. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Trustees. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

**Legal Compliance**

At December 31, 2012, actual expenditures in the Downtown Development Authority Fund exceeded budgeted amounts by \$231,529. This may be a violation of State Statute.

**NOTE 3: DEPOSITS AND INVESTMENTS**

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

Petty Cash	\$ 100
Cash Deposits	<u>3,084,435</u>
Total	<u><b>\$ 3,084,535</b></u>

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 3: DEPOSITS AND INVESTMENTS** (Continued)

Cash and investments are reported in the financial statements as follows:

Governmental Activities	\$ 480,709
Business-type Activities	1,242,641
Business-type Activities – Restricted	<u>1,361,185</u>
 Total	 <u><b>\$ 3,084,535</b></u>

**Deposits**

Custodial Credit Risk – Deposits

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

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

At December 31, 2012, the Town had deposits with financial institutions with a carrying amount of \$3,084,435. The bank balances with the financial institutions were \$3,124,092. Of these balances, \$409,461 was covered by federal depository insurance and \$2,714,631 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

**Investments**

Interest Rate Risk

The Town has a formal investment policy that limits interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily with durations of no longer than five years, money market mutual funds, or similar investment pools.

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 3: DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

Credit Risk

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

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

The above investments are authorized for all funds and fund types used by Colorado municipalities.

**Restricted Cash and Investments**

Cash in the amount of \$1,361,185 is restricted in the Sewer Fund. The Colorado Water Resources and Power Development Authority held the cash and investments, which represents loan proceeds restricted for improvements to the wastewater treatment facility on behalf of the Town but not in the Town's name.

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 4: CAPITAL ASSETS**

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

	<u>Balances</u> <u>12/31/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/12</u>
<b>Governmental Activities</b>				
Capital Assets, not depreciated				
Land and Sites	\$ 692,805	\$ -	\$ -	\$ 692,805
Construction in Process	<u>-</u>	<u>45,964</u>	<u>-</u>	<u>45,964</u>
Total Capital Assets, not depreciated	<u>692,805</u>	<u>45,964</u>	<u>-</u>	<u>738,769</u>
 Capital Assets, depreciated				
Land Improvements	480,265	-	-	480,265
Infrastructure	1,193,013	-	-	1,193,013
Buildings	3,857,770	-	-	3,857,770
Transportation Equipment	307,489	82,808	72,296	318,001
Other Equipment	<u>499,417</u>	<u>-</u>	<u>-</u>	<u>499,417</u>
Total Capital Assets, depreciated	<u>6,337,954</u>	<u>82,808</u>	<u>72,296</u>	<u>6,348,466</u>
 Less Accumulated Depreciation				
Land Improvements	113,843	23,170	-	137,013
Infrastructure	305,812	48,590	-	354,402
Buildings	873,007	129,566	-	1,002,573
Transportation Equipment	270,476	31,071	72,296	229,251
Other Equipment	<u>430,094</u>	<u>28,733</u>	<u>-</u>	<u>458,827</u>
Total Accumulated Depreciation	<u>1,993,232</u>	<u>261,130</u>	<u>72,296</u>	<u>2,182,066</u>
Total Capital Assets, depreciated, Net	<u>4,344,722</u>	<u>(178,322)</u>	<u>-</u>	<u>4,166,400</u>
 Governmental Activities, Capital Assets, Net	 <u>\$ 5,037,527</u>	 <u>\$ (132,358)</u>	 <u>\$ -</u>	 <u>\$ 4,905,169</u>

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

<b>Governmental Activities</b>	
General Government	\$ 19,991
Law Enforcement	15,100
Highway and Streets	93,762
Community Center	128,422
Parks and Recreation	<u>3,855</u>
 Total	 <u>\$ 261,130</u>

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 4: CAPITAL ASSETS (Continued)**

	<u>Balances</u> <u>12/31/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/12</u>
<b>Business-Type Activities</b>				
Capital Assets, not depreciated				
Land	\$ 11,436	\$ -	\$ -	\$ 11,436
Water Rights	35,000	-	-	35,000
Construction in Process	<u>778,594</u>	<u>3,019,385</u>	<u>369,688</u>	<u>3,428,291</u>
Total Capital Assets, not depreciated	<u>825,030</u>	<u>3,019,385</u>	<u>369,688</u>	<u>3,474,727</u>
Capital Assets, depreciated				
Plant and Infrastructure	6,007,066	-	-	6,007,066
Equipment	163,595	458,936	-	622,531
Transportation Equipment	<u>182,669</u>	<u>46,476</u>	<u>-</u>	<u>229,145</u>
Total Capital Assets, depreciated	<u>6,353,330</u>	<u>505,412</u>	<u>-</u>	<u>6,858,742</u>
Less: Accumulated Depreciation				
Plant and Infrastructure	2,580,476	165,547	-	2,746,023
Equipment	114,389	40,636	-	155,025
Transportation Equipment	<u>162,476</u>	<u>11,688</u>	<u>-</u>	<u>174,164</u>
Total Accumulated Depreciation	<u>2,857,341</u>	<u>217,871</u>	<u>-</u>	<u>3,075,212</u>
Total Capital Assets, depreciated, Net	<u>3,495,989</u>	<u>287,541</u>	<u>-</u>	<u>3,783,530</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 4,321,019</u>	<u>\$ 3,306,926</u>	<u>\$ 369,688</u>	<u>\$ 7,258,257</u>

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

**Business-Type Activities**

Sewer Fund	\$ 26,667
Water Fund	<u>191,204</u>
Total	<u>\$ 217,871</u>

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 5: INTERFUND BALANCES**

**Advances to Other Funds**

In 2012, the Water Fund loaned the Downtown Development Authority \$482,500. During the year, the Authority paid the Water Fund \$141,367 towards this advance. The balance is being repaid with monthly installments with interest accruing at the published prime rate, not to exceed 7% and not fall below 2.5%.

**NOTE 6: LONG-TERM DEBT**

**Governmental Activities**

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

	Balance <u>12/31/11</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/12</u>	Due In <u>One Year</u>
2003 General Obligation					
Bonds	\$ 1,035,000	\$ -	\$ 75,000	\$ 960,000	\$ 80,000
Land Purchase Note	109,776	-	9,410	100,366	10,024
Bank Loan – DDA	260,344	-	260,344	-	-
Capital Leases	37,909	77,808	45,940	69,777	33,958
Compensated Absences	<u>17,394</u>	<u>9,852</u>	<u>-</u>	<u>27,246</u>	<u>-</u>
Total	<b><u>\$ 1,460,423</u></b>	<b><u>\$ 87,660</u></b>	<b><u>\$ 390,694</u></b>	<b><u>\$ 1,157,389</u></b>	<b><u>\$ 123,982</u></b>

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

**2003 General Obligation Bonds**

In April 2003, the Town issued General Obligation Bonds in the amount of \$1,450,000 along with Capital Appreciation Bonds with a face value of \$49,999. Bond proceeds were used to renovate and repair the Town's Community Center. Interest accrues on the bonds at rates ranging from 2% to 4.2% per annum. Interest payments are due on June 1 and December 1. Principal payments are due on December 1, through 2022.

**Land Purchase Note**

During 2000, the Town entered into a loan agreement to purchase land for \$152,500. Quarterly principal and interest payments of \$4,000 are required through June, 2020, including interest accruing at 6.3%. All payments will be made from the Conservation Trust Fund.

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 6: LONG-TERM DEBT** (Continued)

**Governmental Activities** (Continued)

**Bank Loan - DDA**

During 2009, the Authority entered into a loan agreement with Mutual of Omaha Bank for \$300,000. Loan proceeds will be used for community development, primarily sidewalk improvements. During 2012, the Water Fund advanced the DDA funds used to repay this Bank Loan. This loan was paid in full as of December 31, 2012.

**Future Debt Service Requirements**

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 90,024	\$ 45,986	\$ 136,010
2014	95,659	42,312	137,971
2015	96,333	38,322	134,655
2016	102,038	34,216	136,254
2017	107,812	29,753	137,565
2018– 2022	<u>568,500</u>	<u>74,368</u>	<u>642,868</u>
Total Debt Service Requirements	<b><u>\$ 1,060,366</u></b>	<b><u>\$ 264,957</u></b>	<b><u>\$ 1,325,323</u></b>

**Capital Leases**

The Town has entered into several capital lease agreements to purchase equipment which will be paid from revenues of the General Fund and the Authority. These leases require monthly payments of ranging from \$408 to \$3,580 including interest ranging from 1.37% to 5%. The leases mature from February of 2012 to February 2015.

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

<u>Year Ended December 31,</u>	
2013	\$ 35,045
2014	31,799
2015	<u>4,483</u>
Total Minimum Lease Payments	71,327
Less: Interest	<u>(1,550)</u>
Present Value of Future Minimum Lease Payments	<b><u>\$ 69,777</u></b>

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 6: LONG-TERM DEBT** (Continued)

**Business-Type Activities**

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

	Balance <u>12/31/11</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/12</u>	Due In <u>One Year</u>
CWRPDA Loan – Water	\$ 2,255,861	\$ -	\$ 99,292	\$ 2,156,569	\$ 100,627
CWRPDA Loan – Sewer	3,961,090	-	131,956	3,829,134	181,956
Capital Lease	15,919	46,475	25,265	37,129	18,662
Compensated Absences	<u>10,040</u>	<u>-</u>	<u>2,380</u>	<u>7,660</u>	<u>-</u>
Total	<b><u>\$ 6,242,910</u></b>	<b><u>\$ 46,475</u></b>	<b><u>\$ 258,893</u></b>	<b><u>\$ 6,030,492</u></b>	<b><u>\$ 301,245</u></b>

**CWRPDA Loan - Water**

On January 30, 2009, the Town entered into a loan agreement with the Colorado Water Resources and Power Development Authority (“CWRPDA”). Loan proceeds were used to finance the cost of upgrades and improvements to the Town’s water treatment facility. Payments of principal and interest are due semi-annually on May 1 and November 1, beginning on May 1, 2011, through November, 2030. Interest accrues at 2% per annum. This loan is payable from a 1% sales and use tax, and from revenues of the water utility system after deducting operation and maintenance expenses.

**CWRPDA Loan - Sewer**

In November 2011, the Town entered into a loan agreement with the Colorado Water Resources and Power Development Authority (“CWRPDA”). Loan proceeds were used to finance the cost of upgrades and improvements to the Town’s wastewater treatment facility. Payments of principal and interest are due semi-annually, beginning on February 2012, through August, 2032. Interest accrues at an effective rate of 2.24% per annum on \$1,961,090, which is reported net of a discount of \$38,910. Interest does not accrue on the remaining \$2,000,000. This loan is payable 1% sales and use tax, and from revenues of the sewer utility system after deducting operation and maintenance expenses.



TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 6: LONG-TERM DEBT** (Continued)

**Business-Type Activities** (Continued)

**Future Debt Service Requirements**

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 282,583	\$ 80,737	\$ 363,320
2014	284,606	77,434	362,040
2015	292,523	73,492	366,015
2016	294,628	69,529	364,157
2017	296,774	65,721	362,495
2018-2022	1,535,182	278,268	1,813,450
2023-2027	1,607,423	195,980	1,803,403
2028-2032	<u>1,391,984</u>	<u>84,657</u>	<u>1,476,641</u>
Total Debt Service Requirements	<b><u>\$ 5,985,703</u></b>	<b><u>\$ 925,818</u></b>	<b><u>\$ 6,911,521</u></b>

**Capital Leases**

The Town has entered into a capital lease agreements to purchase transportation equipment which will be paid from revenues of the Water and Sewer Funds. These leases require monthly payments of ranging from \$1,084 to \$1,339 including interest ranging from 2.38% to 3%. The leases mature from April 2013 to February 2015.

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

<u>Year Ended December 31,</u>	
2013	\$ 19,317
2014	16,067
2015	<u>2,678</u>
Total Minimum Lease Payments	38,062
Less: Interest	<u>(933)</u>
Present Value of Future Minimum Lease Payments	<b><u>\$ 37,129</u></b>

TOWN OF NEDERLAND, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE 7: EMPLOYEE PENSION PLAN**

**Deferred 457 Compensation Plan**

The Town offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The Board of Trustees determines the Town's contributions to the plan, currently a matching contribution up to a maximum of 4% of each employee's salary. During the years ended December 31, 2012 and 2011, the Town contributed \$16,164 and \$16,749, respectively, to the plan. The plan is administered by the International City/County Management Association Retirement Corporation (ICMA-RC), and all plan assets are held in trust for the exclusive benefit of the participants.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. On November 5, 1996, voters within the Town approved the collection, retention and expenditure of the full revenues generated by the Town in 1996 and subsequent years for street improvement projects, capital projects, basic municipal services and/or lawful municipal purposes, notwithstanding the provisions of the Amendment.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2012, the emergency reserve of \$83,000 was recorded in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF NEDERLAND, COLORADO

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended December 31, 2012

	2012			VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes	\$ 950,838	\$ 950,838	\$ 981,717	\$ 30,879	\$ 940,826
Licenses and Permits	20,346	20,346	42,111	21,765	27,347
Intergovernmental	132,060	132,060	48,870	(83,190)	59,566
Charges for Services	40,500	40,500	38,119	(2,381)	39,732
Fines and Forfeitures	71,000	71,000	72,799	1,799	72,364
Miscellaneous	23,500	23,500	36,960	13,460	33,438
Interest	600	600	588	(12)	1,025
<b>TOTAL REVENUES</b>	<b>1,238,844</b>	<b>1,238,844</b>	<b>1,221,164</b>	<b>(17,680)</b>	<b>1,174,298</b>
EXPENDITURES					
Current					
General Government	271,517	271,517	198,157	73,360	166,345
Administration and Finance	155,952	155,952	153,256	2,696	146,861
Municipal Court	30,999	30,999	31,236	(237)	27,319
Law Enforcement	403,423	434,948	441,546	(6,598)	414,475
Planning and Zoning	74,648	74,648	63,133	11,515	66,922
Highway and Streets	279,434	325,909	312,178	13,731	285,485
Parks and Recreation	56,371	56,371	57,942	(1,571)	68,156
<b>TOTAL EXPENDITURES</b>	<b>1,272,344</b>	<b>1,350,344</b>	<b>1,257,448</b>	<b>92,896</b>	<b>1,175,563</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(33,500)</b>	<b>(111,500)</b>	<b>(36,284)</b>	<b>75,216</b>	<b>(1,265)</b>
OTHER FINANCING SOURCES (USES)					
Proceeds from Capital Lease	-	78,000	77,808	(192)	25,241
Transfers In	-	-	-	-	500
Transfers Out	(2,000)	(2,000)	(1,526)	474	(15,851)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,000)</b>	<b>76,000</b>	<b>76,282</b>	<b>282</b>	<b>9,890</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(35,500)</b>	<b>(35,500)</b>	<b>39,998</b>	<b>75,498</b>	<b>8,625</b>
FUND BALANCES	-	-	309,482	309,482	300,857
<b>FUND BALANCES, Ending</b>	<b>\$ (35,500)</b>	<b>\$ (35,500)</b>	<b>\$ 349,480</b>	<b>\$ 384,980</b>	<b>\$ 309,482</b>

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

COMMUNITY CENTER FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2012

	2012			VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Sales and Use Taxes	\$ 152,375	\$ 155,316	\$ 161,329	\$ 6,013	\$ 152,118
Intergovernmental	-	-	-	-	9,800
Charges for Services	93,098	93,098	85,784	(7,314)	85,398
Miscellaneous	-	6,292	9,492	3,200	1,764
TOTAL REVENUES	245,473	254,706	256,605	1,899	249,080
EXPENDITURES					
Community Center	125,473	130,181	124,402	5,779	124,111
Debt Service					
Principal	75,000	75,000	75,000	-	75,000
Interest	45,000	45,000	42,729	2,271	45,354
Capital Outlay	-	4,525	4,525	-	41,035
TOTAL EXPENDITURES	245,473	254,706	246,656	8,050	285,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	9,949	9,949	(36,420)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	13,136
NET CHANGE IN FUND BALANCE	-	-	9,949	9,949	(23,284)
FUND BALANCE, Beginning	-	-	-	-	23,284
FUND BALANCE, Ending	\$ -	\$ -	\$ 9,949	\$ 9,949	\$ -

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND SCHEDULES**

TOWN OF NEDERLAND, COLORADO

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

December 31, 2012

	SPECIAL REVENUE		TOTALS	
	CONSERVATION TRUST FUND	DOWNTOWN DEVELOPMENT AUTHORITY	2012	2011
<b>ASSETS</b>				
Cash and Investments	\$ 4,000	\$ 268,341	\$ 272,341	\$ 174,857
Property Taxes Receivable	-	125,506	125,506	195,422
<b>TOTAL ASSETS</b>	<b>\$ 4,000</b>	<b>\$ 393,847</b>	<b>\$ 397,847</b>	<b>\$ 370,279</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 4,000	\$ 26,191	\$ 30,191	\$ 104,615
Accrued Liabilities	-	2,445	2,445	-
Deferred Revenues - Property Taxes	-	125,506	125,506	195,329
<b>TOTAL LIABILITIES</b>	<b>4,000</b>	<b>154,142</b>	<b>158,142</b>	<b>299,944</b>
<b>FUND BALANCES</b>				
Restricted	-	239,705	239,705	70,335
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,000</b>	<b>\$ 393,847</b>	<b>\$ 397,847</b>	<b>\$ 370,279</b>

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

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

	SPECIAL REVENUE		TOTALS	
	CONSERVATION	DOWNTOWN	2012	2011
	TRUST FUND	DEVELOPMENT AUTHORITY		
REVENUES				
Taxes	\$ -	\$ 131,081	\$ 131,081	\$ 131,929
Intergovernmental	14,474	66,677	81,151	21,285
Miscellaneous	-	491	491	2,258
Interest	-	394	394	714
TOTAL REVENUES	14,474	198,643	213,117	156,186
EXPENDITURES				
Parks and Recreation	16,000	-	16,000	16,000
General Government	-	44,514	44,514	50,801
Debt Service				
Principal	-	408,224	408,224	24,052
Interest	-	12,758	12,758	19,450
Capital Outlay	-	46,277	46,277	75,122
TOTAL EXPENDITURES	16,000	511,773	527,773	185,425
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,526)	(313,130)	(314,656)	(29,239)
OTHER FINANCING SOURCES (USES)				
Proceeds from Loan	-	482,500	482,500	-
Transfers In	1,526	-	1,526	2,715
Transfers Out	-	-	-	(500)
TOTAL OTHER FINANCING SOURCES (USES)	1,526	482,500	484,026	2,215
CHANGE IN FUND BALANCES	-	169,370	169,370	(27,024)
FUND BALANCES	-	70,335	70,335	97,359
FUND BALANCES, Ending	\$ -	\$ 239,705	\$ 239,705	\$ 70,335

See the accompanying independent auditors' report.



TOWN OF NEDERLAND, COLORADO

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

	2012		VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Intergovernmental	\$ 14,000	\$ 14,474	\$ 474	\$ 13,285
TOTAL REVENUES	14,000	14,474	474	13,285
EXPENDITURES				
Parks and Recreation	16,000	16,000	-	16,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,000)	(1,526)	474	(2,715)
OTHER FINANCING SOURCES (USES)				
Transfers In	2,000	1,526	(474)	2,715
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

DOWNTOWN DEVELOPMENT AUTHORITY  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2012

	2012			VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes	\$ 128,652	\$ 128,652	\$ 131,081	\$ 2,429	\$ 131,929
Intergovernmental	-	66,667	66,677	10	8,000
Miscellaneous	-	-	491	491	2,258
Interest	-	-	394	394	714
TOTAL REVENUES	<u>128,652</u>	<u>195,319</u>	<u>198,643</u>	<u>3,324</u>	<u>142,901</u>
EXPENDITURES					
General Government	11,155	45,635	44,514	1,121	50,801
Debt Service					
Principal Payments	25,500	165,089	408,224	(243,135)	24,052
Interest Expense	21,900	15,208	12,758	2,450	19,450
Capital Outlay	-	54,312	46,277	8,035	75,122
TOTAL EXPENDITURES	<u>58,555</u>	<u>280,244</u>	<u>511,773</u>	<u>(231,529)</u>	<u>169,425</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>70,097</u>	<u>(84,925)</u>	<u>(313,130)</u>	<u>(228,205)</u>	<u>(26,524)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Loan	-	234,000	482,500	248,500	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>234,000</u>	<u>482,500</u>	<u>248,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	70,097	149,075	169,370	20,295	(26,524)
FUND BALANCE, Beginning	<u>122,589</u>	<u>70,335</u>	<u>70,335</u>	<u>-</u>	<u>96,859</u>
FUND BALANCE, Ending	<u>\$ 192,686</u>	<u>\$ 219,410</u>	<u>\$ 239,705</u>	<u>\$ 20,295</u>	<u>\$ 70,335</u>

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

SEWER FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2012

	2012		VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 402,500	\$ 406,010	\$ 3,510	\$ 386,062
Sales and Use Taxes	52,595	107,553	54,958	101,046
Grants	320,000	408,054	88,054	41,946
Interest	600	581	(19)	427
Plant Investment Fees	10,428	248	(10,180)	14,259
Loan Proceeds	-	-	-	4,000,000
TOTAL REVENUES	<u>786,123</u>	<u>922,446</u>	<u>136,323</u>	<u>4,543,740</u>
EXPENDITURES				
Personnel	108,490	99,806	8,684	99,242
Operations	156,462	145,226	11,236	193,245
Capital Outlay	3,983,071	3,042,622	940,449	399,007
Depreciation Expense	115,000	26,666	88,334	23,347
Debt Service				
Interest and Fiscal Charges	<u>225,000</u>	<u>40,502</u>	<u>184,498</u>	<u>11,404</u>
TOTAL EXPENDITURES	<u>4,588,023</u>	<u>3,354,822</u>	<u>1,233,201</u>	<u>726,245</u>
NET INCOME, Budget Basis	<u>\$ (3,801,900)</u>	<u>(2,432,376)</u>	<u>\$ 1,369,524</u>	<u>3,817,495</u>
GAAP BASIS ADJUSTMENTS				
Loan Proceeds		-		(4,000,000)
Capital Outlay		<u>3,042,622</u>		<u>26,603</u>
NET INCOME, GAAP Basis		610,246		(155,902)
NET POSITION, Beginning		<u>780,849</u>		<u>936,751</u>
NET POSITION, Ending		<u>\$ 1,391,095</u>		<u>\$ 780,849</u>

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

WATER FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2012

	2012		VARIANCE Positive (Negative)	2011 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 347,541	\$ 341,661	\$ (5,880)	\$ 341,482
Sales and Use Taxes	157,833	107,553	(50,280)	101,779
Grants	-	-	-	60,000
Interest	3,000	6,487	3,487	5,506
Plant Investment Fees	-	-	-	19,078
TOTAL REVENUES	<u>508,374</u>	<u>455,701</u>	<u>(52,673)</u>	<u>527,845</u>
EXPENDITURES				
Personnel	109,290	103,823	5,467	100,527
Operations	154,105	147,408	6,697	114,670
Capital Outlay	164,500	112,486	52,014	624,988
Depreciation Expense	230,000	191,203	38,797	157,288
Debt Service				
Interest and Fiscal Charges	<u>147,405</u>	<u>54,898</u>	<u>92,507</u>	<u>32,795</u>
TOTAL EXPENDITURES	<u>805,300</u>	<u>609,818</u>	<u>195,482</u>	<u>1,030,268</u>
NET INCOME, Budget Basis	<u>\$ (296,926)</u>	(154,117)	<u>\$ 142,809</u>	(502,423)
GAAP BASIS ADJUSTMENTS				
Capital Outlay		<u>112,486</u>		<u>624,988</u>
NET INCOME, GAAP Basis		(41,631)		122,565
NET POSITION, Beginning		<u>2,578,368</u>		<u>2,455,803</u>
NET POSITION, Ending		<u>\$ 2,536,737</u>		<u>\$ 2,578,368</u>

See the accompanying independent auditors' report.

## **COMPLIANCE**



## JOHN CUTLER & ASSOCIATES

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nederland, Colorado as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town of Nederland, Colorado's basic financial statements, and have issued our report thereon dated May 15, 2013.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Nederland, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Nederland, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Nederland, Colorado's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

*John Luttrell & Associates, LLC*

May 15, 2013



## JOHN CUTLER & ASSOCIATES

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

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

#### **Report on Compliance for Each Major Federal Program**

We have audited the Town of Nederland, Colorado's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Town of Nederland, Colorado's major federal programs for the year ended December 31, 2012. The Town of Nederland, Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Nederland, Colorado's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Nederland, Colorado's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Nederland, Colorado's compliance.

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

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



## Opinion on Each Major Federal Program

In our opinion, the Town of Nederland, Colorado complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## Report on Internal Control Over Compliance

Management of the Town of Nederland, Colorado is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Nederland, Colorado's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Nederland, Colorado's internal control over compliance.

*A deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*John Luthr & Associates, LLC*

May 15, 2013

TOWN OF NEDERLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2012

**Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ yes      x   no
  
- Significant deficiency noted \_\_\_\_\_ yes      x   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      x   no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ yes      x   no
  
- Significant deficiency identified? \_\_\_\_\_ yes      x   none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ yes      x   no

Identification of major program:

66.458            Wastewater Treatment Revolving Fund

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

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      x   no

**Findings Related to Financial Statements**

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

**Findings and Questioned Costs for Federal Awards**

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

**TOWN OF NEDERLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2012**

	<b>Major Program ?</b>	<b>CDFA #</b>	<b>Total Expenditures</b>
<b><u>ENVIRONMENTAL PROTECTION AGENCY</u></b>			
Passed through the State Department Of Public Health and Environment			
Wastewater Treatment Revolving Fund	Yes	66.458	2,000,000
<b>Total Federal Financial Assistance</b>			<b>\$ 2,000,000</b>

**NOTES**

**1. Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the purpose financial statements.

## **STATE COMPLIANCE**

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Boulder
	YEAR ENDING : December 2012

This Information From The Records Of (example - City of _ or County of _ Town of Nederland	Prepared By: Phone:	Eva Forberger 303 258-3266 x21
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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
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	194,232
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	325,625	b. Snow and ice removal	31,994
3. Other local imposts (from page 2)	17,634	c. Other	19,851
4. Miscellaneous local receipts (from page 2)	78,337	d. Total (a. through c.)	51,845
5. Transfers from toll facilities		4. General administration & miscellaneous	19,574
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	266,638
a. Bonds - Original Issues		6. Total (1 through 5)	532,289
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	421,596	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	110,693	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	532,289	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	532,289

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		532,289	532,289		0

Notes and Comments:

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

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	71,644
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	17,634	g. Other Misc. Receipts	
6. Total (1. through 5.)	17,634	h. Other	6,693
c. Total (a. + b.)	17,634	i. Total (a. through h.)	78,337
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	51,489	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	59,204	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	59,204	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	110,693	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)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments: