

**CITY OF VICTOR**  
**Teller County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2013**

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**Haynie &  
Company**

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## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Victor  
Victor, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victor, Colorado, as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the City of Victor'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 of material misstatement.

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

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

## **Opinions**

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

## **Other-Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents and budgetary comparison information, as listed in the table of contents, 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 City of Victor's financial statements as a whole. The state compliance section is presented for purposes of additional analysis and is not a required part of the financial statements.

The state compliance schedule, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado  
July 24, 2014

**CITY OF VICTOR**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

This section of the annual financial report offers readers of the City of Victor's ("City") financial statements management's discussion and analysis of the City's financial performance during the year ended December 31, 2013. We encourage readers to consider the information here in conjunction with additional information furnished in the City's financial statements which immediately follow this section.

**Financial Highlights**

- Assets exceeded liabilities by \$9.6 million at the close of 2013. Of the City's total assets, 79% consisted of capital assets and 18% consisted of cash and investments. Of the City's total liabilities, 74% consisted of loans obtained for the construction and improvement of the City's water and wastewater systems.
- Total net position increased by \$438 thousand or 5% from 2012. The increase in net position was primarily due to the additions to capital assets and the reduction in loans payable during 2013. Additions to capital assets in 2013 mainly include improvements made on 4<sup>th</sup> Street drainage system, construction of an park/hockey rink, Gold Bowl Sod Project and sidewalk repairs (governmental activities) and improvements made to the water tank and generator (business-type activities). Of the City's total net position at the close of 2013, (i) \$7.6 million, or 80%, represents the City's investment in capital assets net of debts that are attributable to the acquisition, construction or improvements of those assets, (ii) \$249 thousand, or 2%, represents restricted funds related to loans, conservation trust and emergencies, and (iii) 1.7 million, or 18%, represents unrestricted net position.
- At the close of 2013, the City's governmental funds reported combined ending fund balances of \$1.064 million. Of this amount, (i) \$5 thousand were prepaid expenses hence nonspendable, (ii) \$36 thousand were restricted for emergencies and parks and recreation expenditures (conservation trust), (iii) \$846 thousand were committed for the City's economic development programs and capital projects, (iv) \$18 thousand were assigned for DREAM projects and the Fire Department's discretionary expenditures, and (v) \$159 thousand were unassigned and available for general government expenditures.
- At the close of 2013, the Utility Enterprise Fund had net investment of capital assets totaling \$4.3 million, restricted net position (reserves required by various loan agreements) totaling \$213 thousand, and unrestricted net position totaling \$696 thousand.

**Overview of the Financial Statements**

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

**CITY OF VICTOR**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

**Government-wide Financial Statements**

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

The statement of net position presents information on all of the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, and the difference is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of net position and the statement of activities report City activities in two categories – governmental activities and business-type activities.

Both of the government-wide financial statements identify functions of the City that are principally to be supported by intergovernmental revenues (governmental activities). The governmental activities of the City include most of the basic services such as general government, public safety, public works, community development and parks and recreation. The basic government-wide financial statements can be found on pages 1-2 of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *funds* of the City include both governmental funds and a proprietary fund.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term

**CITY OF VICTOR**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund. These two funds are considered to be major funds.

The City adopts an annual appropriated budget for its General Fund and Capital Projects Fund. A budgetary comparison schedule has been provided for each of these funds to demonstrate compliance with the State's Budget Law. The basic governmental fund financial statements can be found on pages 3-10 of this report.

***Proprietary fund.*** The City maintains one proprietary fund. A proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses proprietary fund, called the Utility Enterprise Fund, to account for its water and waste water operations. The basic proprietary fund financial statements can be found on pages 11-13 of this report.

***Fiduciary fund.*** The City maintains one fiduciary fund. A fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs. The City uses a fiduciary fund, called the Cemetery Perpetual Care Fund, to track donations and the sale of cemetery plots, as well as the interest earnings on the funds which are to be used for perpetual maintenance of the cemetery. The basic fiduciary fund financial statements can be found on pages 14-15 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, as well as the proprietary fund financial statements. The notes to the financial statements can be found on pages 16-32 of this report.

### **Required Supplementary Information**

Budgetary comparison schedules have been provided in this section for the Capital Projects Fund and the Proprietary Fund to demonstrate compliance with the State's Budget Law. The budget schedules are found after the notes to the financial statements on pages 33-36 of this report.

### **Other Supplementary Information**

This section includes a State compliance report on pages 37-39.

**CITY OF VICTOR**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position was more in December 31, 2013 than they were they year before by \$438 thousand, an 5% increase.

**Net Position - Governmental Activities**

	<b>2013</b>	<b>2012</b>
Current assets	\$ 1,349,408	\$ 508,676
Capital assets	<u>3,392,942</u>	<u>2,775,565</u>
Total assets	<u>4,742,350</u>	<u>3,284,241</u>
Current liabilities	242,547	88,984
Noncurrent liabilities	<u>69,000</u>	<u>81,000</u>
Total liabilities	<u>311,547</u>	<u>169,984</u>
Property tax revenues	<u>50,289</u>	<u>63,936</u>
Total deferred inflows of resources	<u>50,289</u>	<u>63,936</u>
Net investment in capital assets	3,323,943	2,694,565
Restricted net position	35,836	43,532
Unrestricted net position	<u>1,020,735</u>	<u>312,224</u>
Total net position	<u>\$ 4,380,514</u>	<u>\$ 3,050,321</u>

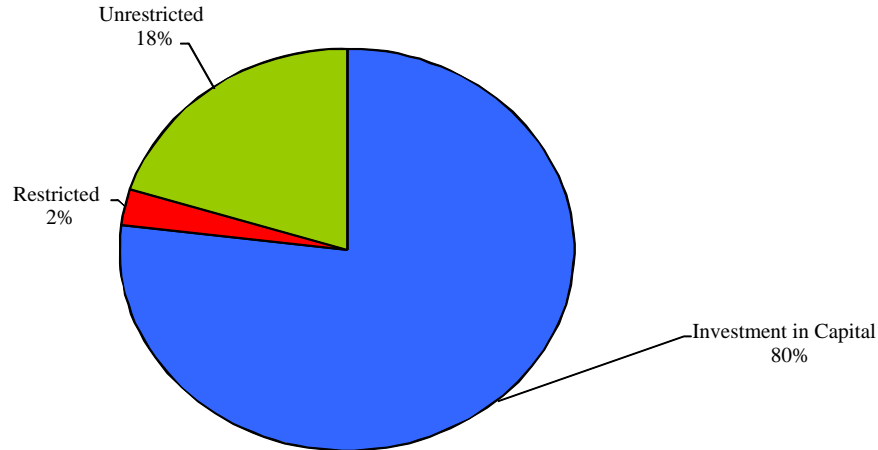
**Net Position - Business-Type Activities**

	<b>2013</b>	<b>2012</b>
Current assets	\$ 999,064	\$ 1,809,962
Capital assets	<u>5,462,325</u>	<u>5,583,858</u>
Total assets	<u>6,461,389</u>	<u>7,393,820</u>
Current liabilities	90,387	53,083
Noncurrent liabilities	<u>1,141,605</u>	<u>1,219,205</u>
Total liabilities	<u>1,231,992</u>	<u>1,272,288</u>
Net investment in capital assets	4,320,720	4,364,653
Restricted net position	212,803	211,028
Unrestricted net position	<u>695,874</u>	<u>1,545,851</u>
Total net position	<u>\$ 5,229,397</u>	<u>\$ 6,121,532</u>



**CITY OF VICTOR**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

NET POSITION - BY CATEGORY



The largest portion of the City's net position (80%) reflects its net investment in capital assets. The City utilizes these capital assets to provide services to citizens. These assets are not available for future spending.

Approximately 2% of the City's net position represents resources that are subject to restrictions on how they can be used (e.g., emergency reserve, required debt service reserves) and are not currently available for the City's ongoing obligations.

Approximately 18% of the City's net position is unrestricted and may be used to meet the City's future expenditures.

At the end of 2013, the City is able to report positive balances in all three categories of net position.

**CITY OF VICTOR**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

**Change in Net Position - Governmental Activities**

	<b>2013</b>	<b>2012</b>
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 10,148	\$ 6,982
Operating grants and contributions	308,324	244,714
Capital grants and contributions	829,924	1,221,367
General revenues:		
Taxes	112,946	224,231
Franchise fees	18,339	3,099
Net investment income	1,977	2,766
Other revenues and transfers in	1,523,712	846,209
Total revenues	2,805,370	2,549,368
<u>Expenses</u>		
General Government	374,621	379,194
Public safety	412,360	367,863
Public works	339,578	277,651
Community development	61,797	35,387
Parks and recreation	39,390	21,922
Long-term debt interest and related costs	4,680	4,820
Transfer of capital assets	242,751	839,633
Total expenses	1,475,177	1,926,470
Change in net position	\$ 1,330,193	\$ 622,898

**CITY OF VICTOR**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

**Change in Net Position - Business-Type Activities**

	<b>2013</b>	<b>2012</b>
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 1,306,550	\$ 1,154,510
Capital grants and contributions	48,515	42,910
General revenues:		
Net investment income	6,078	3,879
Transfer of capital assets	242,751	839,633
Total revenues	1,603,894	2,040,932
<u>Expenses</u>		
Water and wastewater operations	936,444	874,549
Long-term debt interest and related cost	46,963	46,392
Transfers out and other expenses	1,512,622	825,184
Total expenses	2,496,029	1,746,125
Change in net position	\$ (892,135)	\$ 294,807

All capital grants and contributions received by the City were recorded in the Capital Projects Fund. Since the Capital Projects Fund, a governmental fund, is being used to account for resources received and costs incurred for the City's water and wastewater capital projects, the proprietary fund transferred funds to the Capital Projects Fund which were included as part of the *Transfers out and other expenses* above. The capital assets acquired within the governmental fund were then transferred to the proprietary fund which was reflected above as *Transfer of capital assets*.

**Financial Analysis of City's Funds**

**General Fund**

The General Fund was established and is continually funded to provide for the daily activities of the City. The primary funding sources for the General Fund are property and sales taxes, intergovernmental revenues and grants. The primary projects or program efforts for 2013 were public safety, public works and general government.

**CITY OF VICTOR**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

***General Fund Budgetary Highlights***

The City's budget is prepared in accordance with the Colorado Budget Law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The actual total expenditures for the year was \$84 thousand less than the adopted budget.

Section 20 of the Colorado Constitution (TABOR) requires the City to maintain an emergency reserve equivalent to at least 3% of fiscal year spending. At December 31, 2013, the City's emergency reserve amounted to \$26 thousand.

**Capital Assets**

The City added \$1.2 million to its capital assets for governmental activities and business-type activities during calendar year 2013. This investment in capital assets during 2013 primarily consisted of drainage improvements, park/hockey rink, water tank and generator improvements, and other projects.

Additional information on the City's capital assets can be found in Note 5 on pages 25-26 of this report.

**Long-Term Debt**

At the end of 2013, the City had total outstanding debt of \$1.2 million. This amount is comprised of notes payable/loans obtained for the construction and improvements made on the water and wastewater systems and a capital lease for the City Hall. During 2013, the City repaid \$89,600 of its debts.

Additional information on the City's long-term debts can be found in Note 6 on pages 27-30 of this report.

**Next Year's Budgets**

The 2014 budget reflects the Council's endeavor for a fiscally responsible budget built on conservative revenue projections, necessary and discretionary expenditure levels, and required and reasonable reserves.

**CITY OF VICTOR**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2013**

The City had appropriated \$2.764 million for spending in 2014. Of this amount, \$889 thousand was budgeted for spending in the General Fund, \$834 thousand was budgeted in the Utility Enterprise Fund for the operations of water and wastewater systems, and \$1.041 million was budgeted in the Capital Projects Fund. Capital projects planned in 2014 for governmental activities include a new sprinkler system at Wallace Park, street and sidewalk improvements, repair of the City hall bell tower, a new bus shelter and other upgrades at the Plaza. Capital projects planned in 2014 for business-type activities relate to the completion of water and sewer lines replacements, completing installation of the new water tank, a hydraulic water model and master plan, and equipment updates.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Victor's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk and Treasurer at: City of Victor, PO Box 86, 500 Victor Avenue, Victor CO 80860.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF VICTOR**  
**STATEMENT OF NET POSITION**  
**December 31, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,115,130	\$ 660,411	\$ 1,775,541
Cash and investments - Restricted	35,836	212,803	248,639
Receivables:			
From other governments	141,098	-	141,098
Property taxes	50,289	-	50,289
Utility fees	-	119,944	119,944
Other	2,105	-	2,105
Prepaid expenses	4,950	5,906	10,856
Capital assets, not being depreciated	101,841	85,927	187,768
Capital assets, net of accumulated depreciation	3,291,101	5,376,398	8,667,499
Total assets	<u>4,742,350</u>	<u>6,461,389</u>	<u>11,203,739</u>
<b>LIABILITIES</b>			
Accounts payable	216,232	54,671	270,903
Deposits	18,610	-	18,610
Accrued interest payable	1,035	13,801	14,836
Accrued compensated absences	6,670	21,915	28,585
Noncurrent liabilities:			
Due within one year	12,000	79,679	91,679
Due in more than one year	57,000	1,061,926	1,118,926
Total liabilities	<u>311,547</u>	<u>1,231,992</u>	<u>1,543,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes revenue	50,289	-	50,289
Total deferred inflows of resources	<u>50,289</u>	<u>-</u>	<u>50,289</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,323,943	4,320,720	7,644,663
Restricted for:			
Emergencies	26,000	-	26,000
Conservation Trust	9,836	-	9,836
Debt service	-	212,803	212,803
Unrestricted	1,020,735	695,874	1,716,609
Total net position	<u>\$ 4,380,514</u>	<u>\$ 5,229,397</u>	<u>\$ 9,609,911</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF VICTOR**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2013**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses) Revenues and Changes in Net Position</b>		<b>Total</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Governmental activities:</b>							
General government	\$ 374,621	\$ 9,795	\$ 81,428	\$ 6,556	\$ (276,841)		\$ (276,841)
Public safety	412,360	353	203,365	-	(208,642)		(208,642)
Public works	339,578	-	19,227	429,984	109,632		109,632
Community development	61,797	-	-	-	(61,797)		(61,797)
Parks and recreation	39,390	-	4,304	393,384	358,298		358,298
Long-term debt interest and related cost	4,680	-	-	-	(4,680)		(4,680)
Total governmental activities	<u>\$ 1,232,425</u>	<u>\$ 10,148</u>	<u>\$ 308,324</u>	<u>\$ 829,924</u>	<u>(84,029)</u>		<u>(84,029)</u>
<b>Business-Type activities</b>							
Water and wastewater operations	\$ 936,444	\$ 1,306,550	\$ -	\$ 48,515		418,621	418,621
Long-term debt interest and related cost	46,963	-	-	-		(46,963)	(46,963)
Total business type activities	<u>\$ 983,407</u>	<u>\$ 1,306,550</u>	<u>\$ -</u>	<u>\$ 48,515</u>		<u>371,658</u>	<u>371,658</u>
<b>General revenues:</b>							
Taxes					112,946	-	112,946
Franchise fees					18,339	-	18,339
Net investment income					1,977	6,078	8,055
Other revenues (expenses)					17,362	(5,272)	12,090
Transfers in (out)					1,506,350	(1,507,350)	(1,000)
Transfer of capital assets					(242,751)	242,751	-
Total general revenues					<u>1,414,223</u>	<u>(1,263,793)</u>	<u>150,430</u>
Change in net position					1,330,193	(892,135)	438,058
Net position - Beginning					3,050,321	6,121,532	9,171,853
Net position - Ending					<u>\$ 4,380,514</u>	<u>\$ 5,229,397</u>	<u>\$ 9,609,911</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.



**CITY OF VICTOR  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2013**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 180,078	\$ 935,052	\$ 1,115,130
Cash and investments - Restricted	35,836	-	35,836
Receivables:			
From other governments	141,098	-	141,098
Property taxes	50,289	-	50,289
Other	2,105	-	2,105
Prepaid expenses	4,950	-	4,950
<b>TOTAL ASSETS</b>	<u>\$ 414,356</u>	<u>\$ 935,052</u>	<u>\$ 1,349,408</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 103,451	\$ 112,781	\$ 216,232
Deposits	18,610	-	18,610
Total liabilities	<u>122,061</u>	<u>112,781</u>	<u>234,842</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes revenue	50,289	-	50,289
Total deferred inflows of resources	<u>50,289</u>	<u>-</u>	<u>50,289</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid expenses	4,950	-	4,950
Restricted for:			
Emergencies	26,000	-	26,000
Parks and recreation/Conservation Trust	9,836	-	9,836
Committed for:			
Economic development	23,845	-	23,845
Capital projects	-	822,271	822,271
Assigned			
Public safety - Fire Department Discretionary Fund	13,349	-	13,349
DREAM Discretionary Fund	5,261	-	5,261
Unassigned			
General government	158,766	-	158,766
Total fund balances	<u>242,006</u>	<u>822,271</u>	<u>1,064,277</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 414,356</u>	<u>\$ 935,052</u>	<u>\$ 1,349,408</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF VICTOR**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**December 31, 2013**

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

Total fund balances - Governmental funds	\$ 1,064,277
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	
Capital assets, not being depreciated	101,841
Capital assets, net of accumulated depreciation	3,291,101
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Capital lease payable	(69,000)
Accrued interest payable	(1,035)
Accrued compensated absences	(6,670)
	(13,705)
Net position of governmental activities	\$ 4,380,514

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF VICTOR**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2013**

	<b>General</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 112,946	\$ -	\$ 112,946
Franchise fees	18,339	-	18,339
Intergovernmental	38,846	-	38,846
Licenses fees and charges	9,795	-	9,795
Fines and forfeitures	353	-	353
Administrative grants	269,478	-	269,478
Other revenue	17,362	-	17,362
Net investment income	119	1,858	1,977
Capital grants	-	829,924	829,924
Total revenues	467,238	831,782	1,299,020
<b>EXPENDITURES</b>			
Current			
Legislative	62,450	-	62,450
Administrative	169,593	-	169,593
Facility maintenance	30,720	-	30,720
Revitalization and marketing	51,937	-	51,937
Police department	275,108	-	275,108
Fire department	24,030	-	24,030
Community development and planning	9,860	-	9,860
Public works	194,434	-	194,434
Parks and cemetery	29,758	-	29,758
Debt service	16,860	-	16,860
Capital outlay	-	1,241,211	1,241,211
Total expenditures	864,750	1,241,211	2,105,961
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(397,512)	(409,429)	(806,941)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	417,500	1,099,850	1,517,350
Transfers to other funds	(11,000)	-	(11,000)
Total other financing sources (uses)	406,500	1,099,850	1,506,350
<b>NET CHANGE IN FUND BALANCES</b>	8,988	690,421	699,409
<b>FUND BALANCES - BEGINNING OF YEAR</b>	233,018	131,850	364,868
<b>FUND BALANCES - END OF YEAR</b>	\$ 242,006	\$ 822,271	\$ 1,064,277

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF VICTOR**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2013**

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

Net change in fund balances - Total governmental funds	\$ 699,409
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	1,163,844
Depreciation expense	(136,008)
Assets written-off	(167,708)
<p>The issuance of long-term debt (e.g. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Principal paid on City Hall capital lease	12,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.</p>	
Capital assets transferred to Utility Enterprise Fund	(242,751)
Compensated absences - Change in liability	1,227
Accrued interest payable - Change in liability	180
Change in net position of governmental activities	\$ 1,330,193

These financial statements should be read only in connection with the accompanying notes to financial statements.

**CITY OF VICTOR**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2013**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
<b>TAXES</b>			
Property tax	\$ 63,936	\$ 63,964	\$ 28
Sales tax	42,000	43,792	1,792
Specific ownership tax	4,500	5,190	690
	<u>110,436</u>	<u>112,946</u>	<u>2,510</u>
<b>FRANCHISE FEES</b>			
Franchise - Electric	11,000	14,646	3,646
Franchise - TV/telephone	250	226	(24)
Franchise - Natural gas	2,500	3,467	967
	<u>13,750</u>	<u>18,339</u>	<u>4,589</u>
<b>INTERGOVERNMENTAL</b>			
Cigarette tax	2,075	1,051	(1,024)
Mineral severance tax	13,500	12,094	(1,406)
Highway Users Tax (HUTF)	17,595	18,293	698
Conservation Trust entitlement	4,000	4,304	304
Motor vehicle	2,000	2,171	171
Road and bridge shareback	850	933	83
	<u>40,020</u>	<u>38,846</u>	<u>(1,174)</u>
<b>LICENSES FEES AND CHARGES</b>			
Business, liquor and other licenses	6,700	9,795	3,095
	<u>6,700</u>	<u>9,795</u>	<u>3,095</u>
<b>FINES AND FORFEITURES</b>			
Police Department/Court fees and fines	500	353	(147)
	<u>500</u>	<u>353</u>	<u>(147)</u>
<b>ADMINISTRATIVE GRANTS</b>			
Administrative grants	280,414	269,478	(10,936)
	<u>280,414</u>	<u>269,478</u>	<u>(10,936)</u>
<b>OTHER REVENUE</b>			
Donations and contributions	6,800	6,270	(530)
Fees for use of public facilities	400	175	(225)
Leases	3,052	3,052	-
Sale of surplus property	2,000	1,585	(415)
Other income	3,000	6,280	3,280
	<u>15,252</u>	<u>17,362</u>	<u>2,110</u>
<b>NET INVESTMENT INCOME</b>			
Net investment income	1,800	119	(1,681)
	<u>1,800</u>	<u>119</u>	<u>(1,681)</u>
<b>Total revenues</b>	<u>468,872</u>	<u>467,238</u>	<u>(1,634)</u>

(Continued)

**CITY OF VICTOR**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2013**  
(Continued)

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>EXPENDITURES</b>			
<b>LEGISLATIVE</b>			
City Council stipend	27,309	27,291	18
Donations to other organizations/projects	42,100	33,320	8,780
Dues and memberships	578	712	(134)
Travel and training	2,000	1,127	873
Miscellaneous	500	-	500
	<u>72,487</u>	<u>62,450</u>	<u>10,037</u>
<b>ADMINISTRATIVE</b>			
Salaries and benefits	100,597	106,211	(5,614)
Dues and memberships	3,000	1,830	1,170
Travel and training	1,500	3,174	(1,674)
Audit and accounting	4,000	4,972	(972)
County Treasurer's fees	1,700	1,456	244
Election	2,000	4,824	(2,824)
Insurance	2,500	5,987	(3,487)
Legal	50,000	19,443	30,557
Magistrate	1,500	-	1,500
Office supplies	5,000	3,688	1,312
Other professional services	8,000	5,008	2,992
Photocopy	6,800	3,839	2,961
Publication and publishing	2,800	3,298	(498)
Technical support	4,500	4,552	(52)
Miscellaneous	2,500	1,311	1,189
Contingency	10,000	-	10,000
	<u>206,397</u>	<u>169,593</u>	<u>36,804</u>
<b>FACILITY MAINTENANCE</b>			
Maintenance - City Hall	4,000	4,901	(901)
Utilities - City Hall	18,320	18,687	(367)
Maintenance - Community Center (VICCI)	2,200	721	1,479
Utilities - Community Center (VICCI)	3,800	3,719	81
Maintenance - Agricultural and Mining Museum	2,400	2,692	(292)
	<u>30,720</u>	<u>30,720</u>	<u>-</u>
<b>REVITALIZATION AND MARKETING</b>			
Salaries and benefits	14,056	23,871	(9,815)
Advertising	5,000	4,195	805
City sponsored events	9,000	9,627	(627)
Dues and memberships	1,200	1,000	200
Revitalization projects and programs	13,000	10,300	2,700
Signs, plaques and banners	4,000	301	3,699
Travel and training	2,000	2,197	(197)
Miscellaneous	2,000	446	1,554
	<u>50,256</u>	<u>51,937</u>	<u>(1,681)</u>

(Continued)

**CITY OF VICTOR**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2013**  
(Continued)

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>POLICE DEPARTMENT</b>			
Animal control	1,600	1,466	134
Contact services	261,587	258,187	3,400
Utilities	5,100	3,729	1,371
Vehicle fuel	20,000	10,972	9,028
Miscellaneous	1,000	754	246
	<u>289,287</u>	<u>275,108</u>	<u>14,179</u>
<b>FIRE DEPARTMENT</b>			
Fire Chief stipend	7,427	7,422	5
Dues and memberships	760	250	510
Insurance	1,850	1,733	117
Travel and training	1,000	913	87
Equipment maintenance, repair, oil and fuel	5,500	2,614	2,886
Building facility maintenance	5,000	1,442	3,558
Minor equipment	4,000	1,314	2,686
Radios and maintenance	250	609	(359)
Technical support	200	170	30
Utilities	4,500	4,481	19
Volunteer bonus program	3,000	2,688	312
Miscellaneous	551	394	157
	<u>34,038</u>	<u>24,030</u>	<u>10,008</u>
<b>COMMUNITY DEVELOPMENT AND PLANNING</b>			
Building code administration and enforcement	10,000	9,322	678
Dangerous building abatement	500	493	7
Miscellaneous	100	45	55
	<u>10,600</u>	<u>9,860</u>	<u>740</u>
<b>PUBLIC WORKS</b>			
Salaries and benefits	100,177	100,680	(503)
Travel and training	1,000	25	975
Insurance	7,403	7,220	183
Equipment maintenance, repair, oil and fuel	15,500	20,183	(4,683)
Building facility maintenance	2,500	507	1,993
Fixture maintenance	2,000	6,042	(4,042)
Road and sidewalk maintenance	30,000	22,278	7,722
Supplies	5,500	2,034	3,466
Professional services	3,000	-	3,000
Technical support	200	365	(165)
Tools and equipment	1,000	4,003	(3,003)
Utilities	30,800	29,772	1,028
Miscellaneous	1,000	1,325	(325)
	<u>200,080</u>	<u>194,434</u>	<u>5,646</u>

(Continued)

**CITY OF VICTOR**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2013**  
(Continued)

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>PARKS AND CEMETERY</b>			
Salaries and benefits	14,056	15,576	(1,520)
Cemetery maintenance	1,500	1,320	180
Equipment maintenance, repair, oil and fuel	1,000	-	1,000
Minor equipment	1,200	1,590	(390)
Parks maintenance	10,000	3,341	6,659
Sanitation services	1,400	1,215	185
Supplies	550	363	187
Utilities	6,500	5,572	928
Miscellaneous	500	781	(281)
	<u>36,706</u>	<u>29,758</u>	<u>6,948</u>
<b>DEBT SERVICE</b>			
Principal and interest	16,860	16,860	-
	<u>16,860</u>	<u>16,860</u>	<u>-</u>
Total expenditures	<u>947,431</u>	<u>864,750</u>	<u>82,681</u>
<b>EXCESS REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>(478,559)</u>	<u>(397,512)</u>	<u>81,047</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	483,700	417,500	(66,200)
Transfers to other funds	(11,000)	(11,000)	-
Total other financing sources (uses)	<u>472,700</u>	<u>406,500</u>	<u>(66,200)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(5,859)</u>	<u>8,988</u>	<u>14,847</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>238,503</u>	<u>233,018</u>	<u>(5,485)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 232,644</u>	<u>\$ 242,006</u>	<u>\$ 9,362</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.



**CITY OF VICTOR**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**December 31, 2013**

	<b>Utility Enterprise Fund</b>	<b>Total Proprietary Fund</b>
<b>ASSETS</b>		
Cash and investments	\$ 660,411	\$ 660,411
Cash and investments - Restricted	212,803	212,803
Utility fees receivable	119,944	119,944
Prepaid expenses	5,906	5,906
Capital assets, not being depreciated	85,927	85,927
Capital assets, net of accumulated depreciation	5,376,398	5,376,398
Total assets	6,461,389	6,461,389
<b>LIABILITIES</b>		
Accounts payable	54,671	54,671
Accrued interest payable	13,801	13,801
Accrued compensated absences	21,915	21,915
Noncurrent liabilities:		
Due within one year	79,679	79,679
Due in more than one year	1,061,926	1,061,926
Total liabilities	1,231,992	1,231,992
<b>NET POSITION</b>		
Net investment in capital assets	4,320,720	4,320,720
Restricted	212,803	212,803
Unrestricted	695,874	695,874
Total net position	\$ 5,229,397	\$ 5,229,397

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF VICTOR**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**Year Ended December 31, 2013**

	<b>Utility Enterprise Fund</b>	<b>Total Proprietary Fund</b>
<b>OPERATING REVENUES</b>		
Raw water sales	\$ 900,886	\$ 900,886
Raw water miscellaneous sales	140,832	140,832
Raw water wheeling and storage fees	20,297	20,297
Treated water sales - Residential	61,101	61,101
Treated water sales - Commercial	12,235	12,235
Wastewater sales - Residential	117,855	117,855
Wastewater sales - Commercial	24,406	24,406
Liquid waste disposal fees	28,938	28,938
Total operating revenues	<u>1,306,550</u>	<u>1,306,550</u>
<b>OPERATING EXPENSES</b>		
General and administration	291,231	291,231
Operations		
Raw water	172,188	172,188
Treated water	49,244	49,244
Wastewater	59,495	59,495
Depreciation	364,286	364,286
Total operating expenses	<u>936,444</u>	<u>936,444</u>
<b>OPERATING INCOME (LOSS)</b>	<u>370,106</u>	<u>370,106</u>
<b>OTHER INCOME (EXPENSES)</b>		
Treated water - Capital replacement fees	30,373	30,373
Treated water - Physical connection fees	2,894	2,894
Wastewater - Capital replacement fees	13,143	13,143
Wastewater - Physical connection fees	105	105
Wastewater - Plant investment fees	2,000	2,000
Net investment income	6,078	6,078
Debt service - Interest paid and accrued	(46,963)	(46,963)
Other	(5,272)	(5,272)
Capital assets transferred from Governmental Fund	242,751	242,751
Net other income (expenses)	<u>245,109</u>	<u>245,109</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>615,215</u>	<u>615,215</u>
<b>TRANSFERS</b>		
Transfers to other funds	(1,507,350)	(1,507,350)
Net transfers	<u>(1,507,350)</u>	<u>(1,507,350)</u>
<b>CHANGE IN NET POSITION</b>	(892,135)	(892,135)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>6,121,532</u>	<u>6,121,532</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 5,229,397</u>	<u>\$ 5,229,397</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF VICTOR**  
**STATEMENT OF CASH FLOW**  
**PROPRIETARY FUND**  
**Year Ended December 31, 2013**

	<b>Utility Enterprise Fund</b>	<b>Total Proprietary Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and other sources	\$ 1,322,562	\$ 1,322,562
Cash paid to suppliers	(290,357)	(290,357)
Cash paid to employees	(253,144)	(253,144)
Net cash flows from operating activities	779,061	779,061
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Debt payments - Principal	(77,600)	(77,600)
Debt payments - Interest	(48,917)	(48,917)
Fees - capital replacement, physical connection, plant investment	48,515	48,515
Net cash flows from capital financing activities	(78,002)	(78,002)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in (out)	(1,507,350)	(1,507,350)
Net cash flows from noncapital financing activities	(1,507,350)	(1,507,350)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	6,079	6,079
Net cash flows from investing activities	6,079	6,079
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(800,212)	(800,212)
<b>CASH AND EQUIVALENTS - BEGINNING</b>	1,673,426	1,673,426
<b>CASH AND EQUIVALENTS - ENDING</b>	\$ 873,214	\$ 873,214
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 370,106	\$ 370,106
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	364,286	364,286
(Increase) decrease in:		
Receivables	12,683	12,683
Prepaid expenses	(1,997)	(1,997)
Increase (decrease) in:		
Accounts payable	30,654	30,654
Accrued interest payable	(977)	(977)
Accrued compensated absences	7,628	7,628
Other	(3,322)	(3,322)
Net cash flows from operating activities	\$ 779,061	\$ 779,061

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF VICTOR**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**CEMETERY PERPETUAL CARE FUND**  
**December 31, 2013**

	<u><b>Fiduciary Fund</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 5,466
<b>LIABILITIES</b>	
Deposits	750
<b>NET POSITION</b>	<u><u>\$ 4,716</u></u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF VICTOR**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**CEMETERY PERPETUAL CARE FUND**  
**Year Ended December 31, 2013**

	<b>Fiduciary Fund</b>
<b>ADDITIONS</b>	
Donations	\$ 75
Transfers from other funds	1,000
Total additions	1,075
 <b>DELETIONS</b>	
Total deletions	-
 <b>CHANGE IN FIDUCIARY NET POSITION</b>	1,075
 <b>NET POSITION - BEGINNING</b>	3,641
 <b>NET POSITION - ENDING</b>	\$ 4,716

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

The City of Victor was founded in 1893. It operates under a Mayor/Council statutory form of government and provides the following services: public safety (police and fire), public works (highway and streets), water, sewer, parks and recreation, community development (including planning and zoning) and general government.

The City follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

In evaluating how to define the government for financial reporting purposes, the City's management has considered all potential component units. The decision whether or not to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 (The Financial Reporting Entity). At December 31, 2013, there was no component unit included within the City's reporting entity.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the City are described as follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the primary government and its component units. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the City is reported as net position.

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Separate financial statements are provided for the governmental funds, proprietary funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property, equipment and infrastructure are shown as increases in assets, while the redemption of bonds and/or payment of debts (principal portion) are recorded as a reduction in liabilities.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within a reasonable period (typically within 60 days) following the end of the current fiscal period. The major sources of revenue susceptible to accrual are taxes and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

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

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City reports the following major governmental funds:

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital improvements and equipment.

The City reports the following major proprietary fund:

The Utility Enterprise Fund accounts for activities related to the offering of water and wastewater services to the City's residents and certain outside users.

Additionally, the City reports the following fiduciary fund, which is a fund used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. An agency fund is custodial in nature and does not present results of operation.

The Cemetery Perpetual Care Fund accounts for unexpendable corpus amounts, of which the investment earnings are transferred to the General Fund to assist in covering operating costs.

**Budgets**

In accordance with the State Budget Law, the City Council holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The City Council can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting, unless otherwise indicated.

**Pooled Cash and Investments**

The City follows the practice of pooling cash and investments of all funds to maximize interest earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.



**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash Equivalents**

For purposes of the statement of cash flows, the City considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable and Allowance for Doubtful Accounts**

Tap fees, water and sewer fees and other similar fees constitute a perpetual lien on or against the property served until paid. Such fees, when uncollectible, can be certified to the County Treasurer and attach to the tax rolls. Therefore, no provision for doubtful accounts has been provided in the financial statements.

**Property Taxes**

Property taxes are levied by the City Council. The levy is based on assessed valuations determined by Teller County Assessor generally as of January of each year. The levy is set no later than December 15 by certifications to the Teller County Commissioners to put the tax lien on the property as of January 1 of the following year. Teller County bills and collects taxes for the City. At the option of the taxpayer, property taxes may be paid in either in full on April 30, or two installments on February 28 and June 15. The County remits the taxes collected to the City on a monthly basis. Delinquent taxpayers are notified in August and sale of the tax liens on delinquent properties are generally held in November or December.

Property taxes, net of estimated uncollectible taxes, are recorded as deferred inflows of resources in the year they are levied and measurable. The unearned property tax revenue is recorded as revenue in the year it is available and collected.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated 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 value at the date of donation.

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Buildings and improvements	30 - 50 years
Machinery, equipment and computers	5 - 15 years
Infrastructure	30 - 40 years

The City has elected to not retroactively report infrastructure.

**Compensated Absences**

Employees of the City are allowed to accumulate unused vacation time up to one year's accrual plus 40 hours. Upon termination of employment, an employee will be compensated for all eligible accrued vacation time at their current rate of pay. Vacation accrual is recorded in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

**Fund Equity**

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted - This component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed through constitutional provisions or enabling legislation.
- Unrestricted - The component of net position that does not meet the definition above.

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In the governmental funds, fund balances should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, City Council. The constraint may be removed or changed only through formal action of City Council.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the City Council to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the City’s practice to use the least restrictive classification first.

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

	<u><b>Governmental Activities</b></u>	<u><b>Business-type Activities</b></u>
Statement of net position:		
Cash and investments	\$ 1,115,130	\$ 660,411
Cash and investments - Restricted	<u>35,836</u>	<u>212,803</u>
Total cash and investments	<u>\$ 1,150,966</u>	<u>\$ 873,214</u>

Cash and investments as of December 31, 2013 consist of the following:

	<u><b>Governmental Activities</b></u>	<u><b>Business-type Activities</b></u>
Cash on hand	\$ 300	\$ -
Deposits with financial institutions	577,400	-
Investments	<u>573,266</u>	<u>873,214</u>
Total cash and investments	<u>\$ 1,150,966</u>	<u>\$ 873,214</u>

**Deposits with Financial Institutions**

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

None of the City's deposits are subject to custodial risk since they are deposited in certified eligible public depositories under the PDPA.

As of December 31, 2013, the City's cash deposits for governmental and business-type activities had a bank balance totaling \$597,492 and a carrying balance totaling \$577,400.

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Investments**

The City has not adopted a formal investment policy; however, the City follows state statutes regarding investments.

The City generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the City is not subject to concentration risk disclosure requirements or to investment custodial credit risk for investments that are in the possession of another party.

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the City Council. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

As of December 31, 2013, the City had investments, totaling \$1,446,480, as follows:

<b>Investment</b>	<b>Maturity</b>	<b><u>Governmental</u> <u>Activities</u></b>	<b><u>Business-type</u> <u>Activities</u></b>
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ <u>573,266</u>	\$ <u>873,214</u>

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**COLOTRUST**

The City invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colostrust is rated AAAM by Standard & Poor's.

**NOTE 4 - INTERFUND TRANSFERS**

The following schedule summarizes the City's interfund transfers for the year ended December 31, 2013:

	<b>Transfers In</b>		
	<b>General</b>	<b>Capital</b>	<b>Fiduciary</b>
<b>Transfers Out</b>	<b>Fund</b>	<b>Projects</b>	<b>Fund</b>
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>
Utility Enterprise Fund	\$ 417,500	\$ 1,089,850	-
General Fund	-	\$ 10,000	\$ 1,000

The transfers from the Utility Enterprise Fund to the General Fund (\$417,500) and Capital Projects Fund (\$1,089,850) were made during 2013 pursuant to the policies adopted by the City Council which commits/allocates the net available revenue (after operating expenses) of the raw water operations within the Utility Enterprise Fund to certain operational expenditures (General Fund) and capital outlay (Capital Projects Fund).

The transfer from the General Fund to the Capital Projects Fund (\$10,000) represents Conservation Trust Fund proceeds used for capital expenditures.

The transfer from the General Fund to the Fiduciary Fund (\$1,000) represents a contribution for long-term cemetery reserve.

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 5 - CAPITAL ASSETS**

Changes in governmental capital assets for the year ended December 31, 2013 follow:

	<u>Balance at December 31, 2012</u>	<u>Additions / Transfers</u>	<u>Retirements / Transfers</u>	<u>Balance at December 31, 2013</u>
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated:				
Land	\$ 94,589	\$ 7,252	\$ -	\$ 101,841
Capital assets, not being depreciated	<u>94,589</u>	<u>7,252</u>	<u>-</u>	<u>101,841</u>
Capital assets, being depreciated:				
Buildings and improvements	1,308,694	-	7,499	1,316,193
Machinery, equipment and computers	1,226,896	19,926	(7,499)	1,239,323
Infrastructure	1,759,085	893,915	-	2,653,000
Capital assets, being depreciated	<u>4,294,675</u>	<u>913,841</u>	<u>-</u>	<u>5,208,516</u>
Less accumulated depreciation for:				
Buildings and improvements	(342,475)	(32,905)	(1,762)	(377,142)
Machinery, equipment and computers	(926,909)	(52,528)	(165,946)	(1,145,383)
Infrastructure	(344,315)	(50,575)	-	(394,890)
Accumulated depreciation	<u>(1,613,699)</u>	<u>(136,008)</u>	<u>(167,708)</u>	<u>(1,917,415)</u>
Capital assets, net of accumulated depreciation	<u>2,680,976</u>	<u>777,833</u>	<u>(167,708)</u>	<u>3,291,101</u>
Governmental activities capital assets, net	<u>\$ 2,775,565</u>	<u>\$ 785,085</u>	<u>\$ (167,708)</u>	<u>\$ 3,392,942</u>

	<u>Governmental Activities</u>
General government	\$ 34,587
Public safety	28,250
Public works	73,171
Total depreciation expense	<u>\$ 136,008</u>

Certain equipment purchased between 1991 to 2000 were inadvertently assigned useful lives of 40 years. The net book value of these capital assets were written off at December 31, 2013.

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

Changes in business-type capital assets for the year ended December 31, 2013 follow:

	<u>Balance at December 31, 2012</u>	<u>Additions / Transfers</u>	<u>Retirements / Transfers</u>	<u>Balance at December 31, 2013</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated:				
Land and water rights	\$ 85,927	\$ -	\$ -	\$ 85,927
Capital assets, not being depreciated	<u>85,927</u>	<u>-</u>	<u>-</u>	<u>85,927</u>
Capital assets, being depreciated:				
Buildings and improvements	6,911,016	-	(6,911,016)	-
Machinery, equipment and computers	305,084	-	-	305,084
Infrastructure	2,470,812	-	(1,516,864)	953,948
Water plant and systems	-	2,870,436	-	2,870,436
Wastewater plant and systems	-	5,800,196	-	5,800,196
Capital assets, being depreciated	<u>9,686,912</u>	<u>8,670,632</u>	<u>(8,427,880)</u>	<u>9,929,664</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,624,232)	3,624,232	-	-
Machinery, equipment and computers	(163,449)	(50,767)	-	(214,216)
Infrastructure	(401,300)	(24,147)	143,718	(281,729)
Water plant and systems	-	(1,909,385)	-	(1,909,385)
Wastewater plant and systems	-	(2,147,936)	-	(2,147,936)
Accumulated depreciation	<u>(4,188,981)</u>	<u>(508,003)</u>	<u>143,718</u>	<u>(4,553,266)</u>
Capital assets, net of accumulated depreciation	<u>5,497,931</u>	<u>8,162,629</u>	<u>(8,284,162)</u>	<u>5,376,398</u>
Business-type activities capital assets, net	<u>\$ 5,583,858</u>	<u>\$ 8,162,629</u>	<u>\$ (8,284,162)</u>	<u>\$ 5,462,325</u>

	<u>Business-Type Activities</u>
Water	\$ 166,628
Wastewater	<u>197,658</u>
Total depreciation expense	<u>\$ 364,286</u>

During 2013, building and improvements related to the City's water and wastewater operations and certain capital assets categorized as infrastructure were reclassified as either "Water plant and systems" or "Wastewater plant and systems" for better tracking and presentation.



**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 6 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the City's long-term obligations for the year ended December 31, 2013:

	<u>Balance at December 31, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2013</u>	<u>Due Within One Year</u>
<b><u>Governmental activities:</u></b>					
1 Capital lease - City Hall	\$ 81,000	\$ -	\$ 12,000	\$ 69,000	\$ 12,000
Total governmental activities	<u>81,000</u>	<u>-</u>	<u>12,000</u>	<u>69,000</u>	<u>12,000</u>
<b><u>Business type activities:</u></b>					
2 Colorado Water Conservation Board Loan - Dam#2 rehabilitation	383,405	-	28,800	354,605	29,879
3 U.S. Department of Agriculture Rural Development Loan - Sewer Treatment Plant construction	750,900	-	20,500	730,400	21,500
4 Colorado Water Resource and Power Authority Loan - Water Treatment Plant improvements	84,900	-	28,300	56,600	28,300
Total business type activities	<u>1,219,205</u>	<u>-</u>	<u>77,600</u>	<u>1,141,605</u>	<u>79,679</u>
Total long-term obligations	<u>\$ 1,300,205</u>	<u>\$ -</u>	<u>\$ 89,600</u>	<u>\$ 1,210,605</u>	<u>\$ 91,679</u>

The details of the City's governmental long-term obligation as of December 31, 2013 are as follows:

**Capital Lease Agreement – City Hall**

The City entered into a lease agreement for the remodeling of City Hall. This lease agreement is treated as a capital lease as the title transfers at the end of the lease. The improvements have been recorded at the total value of the minimum lease payments, totalling \$160,000, at the inception of the lease. The lease requires annual minimum payments, payable in October of each year through October 2018.

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)**

Annual debt service requirements on the City Hall capital lease are as follows:

Year	<b>City Hall Capital Lease</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 12,000	\$ 4,140	\$ 16,140
2015	13,000	3,420	16,420
2016	14,000	2,640	16,640
2017	15,000	1,800	16,800
2018	15,000	900	15,900
	<u>\$ 69,000</u>	<u>\$ 12,900</u>	<u>\$ 81,900</u>

The details of the City's business-type long-term obligations as of December 31, 2013 are as follows:

Colorado Water Conservation Board (CWCB) Loan

In 2001, the City obtained a loan from CWCB in the amount of \$600,000 for the rehabilitation of dam #2. The loan bears interest at 3.75% and requires annual payment of \$43,177 for a period of 20 years. Additionally, the loan requires funding of a debt service reserve of \$43,177. The City has funded the required debt service reserve as of December 31, 2013, which is included in the *Restricted* net position component of the business-type activities in the Statement of Net Position.

Annual debt service requirements on the CWCB loan are as follows:

Year	<b>Colorado Water Conservation Board Loan</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 29,879	\$ 13,298	\$ 43,177
2015	31,000	12,177	43,177
2016	32,162	11,015	43,177
2017	33,369	9,808	43,177
2018	34,620	8,557	43,177
2019-2023	193,575	22,313	215,888
	<u>\$ 354,605</u>	<u>\$ 77,168</u>	<u>\$ 431,773</u>

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)**

U.S. Department of Agriculture – Rural Development Loan

In 1994, the City obtained a loan from the U.S. Department of Agriculture – Rural Development in the amount of \$1,000,000 for the construction of the sewer treatment plant. The loan bears interest at 4.50% and requires the restriction of cash equal to the following year’s debt service payment. The City has restricted \$55,838 as of December 31, 2013. The restricted cash or required reserve was included in the *Restricted* net position component of the business-type activities in the Statement of Net Position. Payments are due semi-annually in May and November.

Annual debt service requirements on the Rural Development loan are as follows:

<b>Year</b>	<b>U.S. Department of Agriculture - Rural Development Loan</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 21,500	\$ 32,630	\$ 54,130
2015	22,500	31,651	54,151
2016	23,500	30,627	54,127
2017	24,500	29,558	54,058
2018	25,700	28,442	54,142
2019-2023	147,100	123,566	270,666
2024-2028	183,800	86,906	270,706
2029-2033	229,500	41,117	270,617
2034	52,300	1,771	54,071
	\$ 730,400	\$ 406,268	\$ 1,136,668

Colorado Water Resource and Power Development Authority (CWRPDA) Loan

On June 17, 2005, the City entered into a loan agreement with CWRPDA for the completion of improvements to the water treatment plant. The loan was for \$283,000 and bears no interest. Semi-annual payments of \$14,150 commenced on June 1, 2006. The loan agreement requires rate covenant equal to the operations and maintenance expenses plus 110% of annual debt service payment on this loan plus any parity debt. The loan agreement also requires a reserve requirement equal to three months of budgeted operations and maintenance. The City has funded the reserve requirement in the amount of \$113,788 as of December 31, 2013, which is included in the *Restricted* net position component of the business-type activities in the Statement of Net Position.

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)**

Annual debt service requirements on the CWRPDA loan are as follows:

<b>Year</b>	<b>Colorado Water Resource and Power Development Authority Loan</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 28,300	\$ -	\$ 28,300
2015	28,300	-	28,300
	\$ 56,600	\$ -	\$ 56,600

**NOTE 7 - NET POSITION**

The City has net position consisting of three components - net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, capital leases and other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2013, the City had net investment in capital assets calculated as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Capital assets, net	\$ 3,392,943	\$ 5,462,325
Current portion of long-term obligations	(12,000)	(79,679)
Noncurrent portion of long-term obligations	(57,000)	(1,061,926)
Net investment in capital assets	\$ 3,323,943	\$ 4,320,720

The restricted component of net position consist of assets that are restricted for use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislations. As of December 31, 2013, the City had restricted net position as follows:

	<b>Governmental Activities</b>
Restricted net position:	
Emergency reserve	\$ 26,000
Conservation Trust	9,836
	\$ 35,836

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 7 - NET POSITION (CONTINUED)**

	<b>Business-type Activities</b>
Restricted net position:	
CWCB Loan - Required reserve	\$ 43,177
U.S. Department of Agriculture Loan - Required reserve	55,838
CWRPDA Loan - Required reserve	113,788
	\$ 212,803

As of December 31, 2013, the City's unrestricted net position totaled \$1,716,609.

**NOTE 8 - COMMITMENTS, CONTINGENCIES AND ECONOMIC DEPENDENCY**

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or Capital Projects Fund. However, in the opinion of the City, any such disallowed claims will not have a material effect on the financial statements of the individual fund type or on the overall financial position of the City at December 31, 2013.

The City has only one major employer within its City limits, the Cripple Creek & Victor Gold Mining Company, which accounts for a significant portion of the City's utility fees revenue.

**NOTE 9 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

The City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is a joint self insurance pool created by intergovernmental agreement to provide property, liability and workers' compensation coverage to its members. CIRSA is governed by a seven member Board elected by and from its members.

Coverage is provided through pooling of self-insured losses and the purchase of excess insurance coverage. CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and that amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the

**CITY OF VICTOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 9 - RISK MANAGEMENT (CONTINUED)**

participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so.

Settled claims have not exceeded insurance coverage in the last three years.

**NOTE 10 - TAX, SPENDING, REVENUE AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2013, the City has reserved \$26,000 for emergencies.

The City's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF VICTOR**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**Year Ended December 31, 2013**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Federal grants	\$ 159,571	\$ 143,571	\$ (16,000)
State grants	672,960	421,353	(251,607)
Other grants and contributions	240,000	265,000	25,000
Net investment income	-	1,858	1,858
Total revenues	<u>1,072,531</u>	<u>831,782</u>	<u>(240,749)</u>
<b>EXPENDITURES</b>			
Land purchase	-	7,253	(7,253)
Capital improvements - General	1,078,088	940,265	137,823
Capital equipments - General	38,800	37,892	908
Capital improvements - Raw water	52,000	-	52,000
Capital improvements - Treated water	333,700	242,751	90,949
Capital equipments - Treated water	6,500	6,525	(25)
Capital equipments - Wastewater	60,850	6,525	54,325
Total expenditures	<u>1,569,938</u>	<u>1,241,211</u>	<u>328,727</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(497,407)</u>	<u>(409,429)</u>	<u>87,978</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	<u>612,476</u>	<u>1,099,850</u>	<u>487,374</u>
Total other financing sources (uses)	<u>612,476</u>	<u>1,099,850</u>	<u>487,374</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	115,069	690,421	575,352
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>131,150</u>	<u>131,850</u>	<u>700</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 246,219</u>	<u>\$ 822,271</u>	<u>\$ 576,052</u>



**CITY OF VICTOR**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**BUDGET AND ACTUAL**  
**PROPRIETARY FUND - UTILITY ENTERPRISE FUND**  
**Year Ended December 31, 2013**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>OPERATING REVENUES</b>			
Raw water sales	\$ 833,000	\$ 900,886	\$ 67,886
Raw water miscellaneous sales	138,000	140,832	2,832
Raw water wheeling and storage fees	20,200	20,297	97
Treated water sales - Residential	66,000	61,101	(4,899)
Treated water sales - Commercial	12,000	12,235	235
Wastewater sales - Residential	120,000	117,855	(2,145)
Wastewater sales - Commercial	26,300	24,406	(1,894)
Liquid waste disposal fees	24,000	28,938	4,938
Other income	500	-	(500)
Total operating revenues	<u>1,240,000</u>	<u>1,306,550</u>	<u>66,550</u>
<b>OPERATING EXPENSES</b>			
General and administration			
Treated water - Salaries and benefits	116,643	126,572	(9,929)
Treated water - Dues and memberships	300	270	30
Treated water - Travel and training	1,000	345	655
Wastewater - Salaries and benefits	116,643	126,572	(9,929)
Wastewater - Dues and memberships	200	-	200
Wastewater - Travel and training	500	265	235
Audit and accounting	8,000	9,945	(1,945)
General engineering	4,000	-	4,000
Legal	12,500	210	12,290
Insurance	15,806	15,007	799
Other professional services	4,000	12,045	(8,045)
Raw water			
Legal and engineering services	61,000	11,522	49,478
Purchased water	138,000	141,012	(3,012)
Dam maintenance	3,500	363	3,137
Storage fees	22,000	19,291	2,709
Treated water			
Collection and distribution lines repair	30,000	5,405	24,595
Equipment maintenance, repair, oil and fuel	3,200	8,677	(5,477)
Building facility maintenance	3,000	3,816	(816)
Fixture maintenance	2,500	4,600	(2,100)
Radios and maintenance	500	-	500
Lab analysis and chemicals	11,000	3,160	7,840
Utilities	13,400	12,774	626
Equipment rentals and sanitation	480	1,320	(840)
Technical support	7,700	4,888	2,812
Tools and equipment	5,650	2,758	2,892
Permit fees	100	100	-
Miscellaneous/contingency	11,600	1,746	9,854

(Continued)

**CITY OF VICTOR**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**BUDGET AND ACTUAL**  
**PROPRIETARY FUND - UTILITY ENTERPRISE FUND**  
**Year Ended December 31, 2013**  
(Continued)

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Wastewater			
Collection and distribution lines repair	12,900	152	12,748
Equipment maintenance, repair, oil and fuel	1,800	8,677	(6,877)
Building facility maintenance	3,000	561	2,439
Fixture maintenance	5,000	1,738	3,262
Radios and maintenance	100	-	100
Lab analysis and chemicals	12,000	14,474	(2,474)
Sludge hauling	11,000	8,744	2,256
Utilities	21,200	14,689	6,511
Technical support	6,200	5,128	1,072
Tools and equipment	5,800	2,779	3,021
Permit fees	1,515	1,515	-
Miscellaneous/contingency	11,800	1,038	10,762
Total operating expenses	685,537	572,158	113,379
<b>OPERATING INCOME (LOSS)</b>	<b>554,463</b>	<b>734,392</b>	<b>179,929</b>
<b>OTHER INCOME (EXPENSES)</b>			
Treated water - Capital replacement fees	30,000	30,373	373
Treated water - Physical connection fees	-	2,894	2,894
Wastewater - Capital replacement fees	12,900	13,143	243
Wastewater - Physical connection fees	-	105	105
Wastewater - Plant investment fees	-	2,000	2,000
Net investment income	3,240	6,078	2,838
Debt service:			
Treated water - Principal and interest payments	(71,478)	(71,477)	1
Wastewater - Principal and interest payments	(54,247)	(54,063)	184
Net other income (expenses)	(79,585)	(70,947)	8,638
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>474,878</b>	<b>663,445</b>	<b>188,567</b>
<b>TRANSFERS</b>			
Transfers to other funds	(1,096,176)	(1,507,350)	(411,174)
Net transfers	(1,096,176)	(1,507,350)	(411,174)
<b>CHANGE IN NET POSITION - BUDGET BASIS</b>	<b>\$ (621,298)</b>	<b>(843,905)</b>	<b>\$ (222,607)</b>
<b>BUDGET TO GAAP BASIS ADJUSTMENTS:</b>			
Debt payments - Principal		77,600	
Interest expense accrued		977	
Depreciation		(364,286)	
Other		(5,272)	
Capital assets transferred from Governmental Fund		242,751	
<b>CHANGE IN NET POSITION - GAAP BASIS</b>		<b>(892,135)</b>	
<b>NET POSITION - BEGINNING OF YEAR</b>		<b>6,121,532</b>	
<b>NET POSITION - ENDING OF YEAR</b>		<b>\$ 5,229,397</b>	

**STATE COMPLIANCE SECTION**

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: City of Victor
		YEAR ENDING : December 2013
This Information From The Records Of (example - City of _ or County of City of Victor	Prepared By: Phone:	Debra Downs 719-689-5641

**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)	384,619
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	150,085
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	301,331	b. Snow and ice removal	37,521
3. Other local imposts (from page 2)	4,827	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	37,521
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	159,108
a. Bonds - Original Issues		6. Total (1 through 5)	731,333
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)	306,158	b. Redemption	
<b>B. Private Contributions</b>	150,000	c. Total (a. + b.)	0
<b>C. Receipts from State government (from page 2)</b>	131,604	2. Notes:	
<b>D. Receipts from Federal Government (from page 2)</b>	143,571	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	731,333	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>	
			731,333

**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
		731,333	731,333		(0)

Notes and Comments:

<b>LOCAL HIGHWAY FINANCE REPORT</b>		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2013	
<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<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	
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	4,827	g. Other Misc. Receipts	
6. Total (1. through 5.)	4,827	h. Other	
c. Total (a. + b.)	4,827	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	16,786	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	2,023	d. Federal Transit Admin	
d. Other (Specify) - Teller Shareback	933	e. U.S. Corps of Engineers	
e. Other (Specify) - Gaming Impact	111,862	f. Other Federal - CDBG	143,571
f. Total (a. through e.)	114,818	g. Total (a. through f.)	143,571
4. Total (1. + 2. + 3.f)	131,604	3. Total (1. + 2.g)	
			(Carry forward to page 1)
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
	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		27,914	27,914
c. Construction:			
(1). New Facilities		356,705	356,705
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	356,705	356,705
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	384,619	384,619
			(Carry forward to page 1)
<b>Notes and Comments:</b>			