

CITY OF VICTOR
Victor, Colorado

FINANCIAL STATEMENTS
December 31, 2012

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Certified Public Accountants (a professional corporation)

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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, 2012 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, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 the City of Victor, Colorado's basic financial statements. The introductory section, combining and individual fund statements and schedules, special reports section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund statements and schedules, special reports, and the schedule of expenditures of federal awards, as listed in the table of contents, are the responsibility of management and were derived from and relate 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 combining and individual fund statements and schedules, special reports, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Audit Standards*, we have also issued our report dated July 24, 2013, on our consideration of the City of Victor, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Victor, Colorado's internal control over financial reporting and compliance.

Dayne K. Co.

Littleton, Colorado
July 24, 2013

CITY OF VICTOR
Management's Discussion and Analysis
For The Year Ended December 31, 2012

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, 2012. 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 \$9.2 million at the close of 2012. Of the City's total assets, 78% consisted of capital assets and 19% consisted of cash and investments. Of the City's total liabilities, 85% consisted of loans obtained for the construction and improvements of the City's water and wastewater systems.
- Total net position increased by \$918 thousand or 11% from 2011. The increase in net position was primarily due to capital assets added in 2012 which were funded by grants. Additions to capital assets in 2012 mainly include improvements made on 4th Street drainage system (governmental activities) and improvements made to the wastewater collection system (business-type activities). Of the City's total net position at the close of 2012, (i) \$7.1 million, or 77%, represents the City's investment in capital assets net of debts that are attributable to the acquisition, construction or improvements of those assets, (ii) \$255 thousand, or 3%, represents restricted funds related to loans, conservation trust and emergencies, and (iii) 1.9 million, or 20%, represents unrestricted net position.
- At the close of 2012, the City's governmental funds reported combined ending fund balances of \$365 thousand. Of this amount, (i) \$5 thousand were prepaid expenses hence nonspendable, (ii) \$43 thousand were restricted for emergencies and parks and recreation expenditures (conservation trust), (iii) \$156 thousand were committed for the City's economic development programs and capital projects, (iv) \$13 thousand were assigned for DREAM projects and the Fire Department's discretionary expenditures, and (v) \$148 thousand were unassigned and available for general government expenditures.
- During 2012, the City combined all of its water and wastewater activities into one Fund called Utility Enterprise Fund. At the close of 2012, the Utility Enterprise Fund had net investment of capital assets totaling \$4.4 million, restricted net position (reserves required by various loan agreements) totaling \$211 thousand, and unrestricted net position totaling \$1.5 million.

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, 2012

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, 2012

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 16-34 of this report.

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 35-38 of this report.

State Compliance Section

This section includes a local highway finance report that can be found pages 39-41.

CITY OF VICTOR
Management's Discussion and Analysis
For The Year Ended December 31, 2012

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, 2012 than they were they year before by \$918 thousand, an 11% increase.

Net Position - Governmental Activities

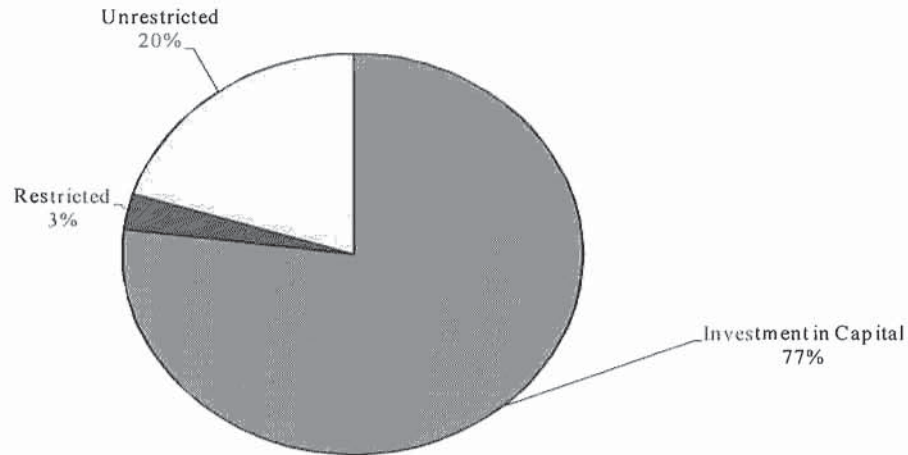
	<u>2012</u>	<u>2011</u>
Current assets	\$ 508,676	\$ 270,904
Capital assets	<u>2,775,565</u>	<u>2,345,520</u>
Total assets	<u>3,284,241</u>	<u>2,616,424</u>
Current liabilities	88,984	28,016
Noncurrent liabilities	<u>81,000</u>	<u>98,513</u>
Total liabilities	<u>169,984</u>	<u>126,529</u>
Property tax revenues	<u>63,936</u>	<u>62,472</u>
Total deferred inflows of resources	<u>63,936</u>	<u>62,472</u>
Net investment in capital assets	2,694,565	2,247,007
Restricted net position	43,532	32,548
Unrestricted net position	<u>312,224</u>	<u>147,868</u>
Total net position	<u>\$ 3,050,321</u>	<u>\$ 2,427,423</u>

Net Position - Business-Type Activities

	<u>2012</u>	<u>2011</u>
Current assets	\$ 1,809,962	\$ 2,208,305
Capital assets	<u>5,583,858</u>	<u>5,088,106</u>
Total assets	<u>7,393,820</u>	<u>7,296,411</u>
Current liabilities	53,083	161,696
Noncurrent liabilities	<u>1,219,205</u>	<u>1,307,990</u>
Total liabilities	<u>1,272,288</u>	<u>1,469,686</u>
Net investment in capital assets	4,364,653	3,780,116
Restricted net position	211,028	227,250
Unrestricted net position	<u>1,545,851</u>	<u>1,819,359</u>
Total net position	<u>\$ 6,121,532</u>	<u>\$ 5,826,725</u>

CITY OF VICTOR
Management's Discussion and Analysis
For The Year Ended December 31, 2012

NET POSITION - BY CATEGORY



The largest portion of the City's net position (77%) 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 3% 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 20% of the City's net position is unrestricted and may be used to meet the City's future expenditures.

At the end of 2012, 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, 2012

Change in Net Position - Governmental Activities

	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 6,982	\$ 13,355
Operating grants and contributions	244,714	667,707
Capital grants and contributions	1,221,367	3,798
General revenues:		
Taxes	224,231	400,417
Franchise fees	3,099	15,473
Net investment income	2,766	1,575
Other revenues and transfers in	846,209	154,858
Total revenues	<u>2,549,368</u>	<u>1,257,183</u>
<u>Expenses</u>		
General Government	379,194	305,600
Public safety	367,863	322,405
Public works	277,651	237,815
Community development	35,387	16,468
Parks and recreation	21,922	13,972
Long-term debt interest and related costs	4,820	-
Transfer of capital assets	839,633	-
Total expenses	<u>1,926,470</u>	<u>896,260</u>
Change in net position	<u>\$ 622,898</u>	<u>\$ 360,923</u>

CITY OF VICTOR
Management's Discussion and Analysis
For The Year Ended December 31, 2012

Change in Net Position - Business-Type Activities

	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 1,154,510	\$ 1,375,370
Capital grants and contributions	42,910	316,380
General revenues:		
Net investment income	3,879	149
Transfer of capital assets	<u>839,633</u>	<u>147,707</u>
Total revenues	<u>2,040,932</u>	<u>1,839,606</u>
<u>Expenses</u>		
Water and wastewater operations	874,549	901,664
Long-term debt interest and related cost	46,392	-
Transfers out	<u>825,184</u>	<u>109,676</u>
Total expenses	<u>1,746,125</u>	<u>1,011,340</u>
Change in net position	<u>\$ 294,807</u>	<u>\$ 828,266</u>

During 2012, capital grants and contributions received by the City were recorded in the newly created Capital Projects Fund, and were primarily used to pay the costs of improvements on the water and wastewater systems whose operations and maintenance are captured and recorded in a proprietary fund called Utility Enterprise Fund. Since the Capital Projects Fund, a governmental fund, was used to account for resources received and costs incurred for the City's water and wastewater capital projects, the governmental fund also received some funding from the proprietary fund which was reflected above as *Transfers in/out*. The capital assets acquired within the governmental fund were then transferred to the proprietary fund which was reflected above as *Transfer of capital assets*.

During 2011, interest payments on long-term debt were allocated to various functions/programs in the governmental activities and to water and wastewater operations in the business-type activities.

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 2012 were public safety, public works and general government.

CITY OF VICTOR
Management's Discussion and Analysis
For The Year Ended December 31, 2012

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. As described in Note 2 of the notes to the financial statements, during 2012, the City modified the budget line items within the General Fund and decreased the total appropriation from \$2.1 million to \$1.0 million. The reduced appropriation for 2012 was mainly due to the transfer of projected capital expenditures from General Fund to the newly created Capital Projects Fund. The amended budget for the General Fund anticipated that the expenditures would exceed revenues by \$265 thousand, which means that the City would use \$265 thousand of its reserves or Beginning Fund Balance. The actual results for the year showed a \$44 thousand excess of revenues over expenditures (favorable variance).

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, 2012, the City's emergency reserve amounted to \$28,000.

Capital Assets

The City had invested \$7.1 million in capital assets for its governmental activities and business-type activities for the year ended December 31, 2012. This investment in capital assets primarily consisted of building and improvements, infrastructure and improvements, and machinery and equipment.

Additional information on the City's capital assets can be found in Note 5 on pages 26-27 of this report.

Long-Term Debt

At the end 2012, the City had total outstanding debt of \$1,300,205. This amount is comprised of notes payables/loans obtained for the construction and improvements made on the water and wastewater systems and a capital lease for the City Hall. During 2012, the City repaid \$106 thousand of its debts.

Additional information on the City's long-term debts can be found in Note 6 on pages 28-31 of this report.

Next Year's Budgets

The 2013 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, 2012

The City had appropriated \$3.3 million for spending in 2013. Of this amount, \$947 thousand was budgeted for spending within the General Fund, \$759 thousand was budgeted within the Utility Enterprise Fund for the operations of water and wastewater systems, and \$1.6 million was budgeted within the Capital Projects Fund. Capital projects planned in 2013 for governmental activities include the construction of a park/hockey rink and the continuation of the 4th Street drainage project. Capital projects planned in 2013 for business-type activities relate to the continuation of improvements to the water tank.

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, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 328,097	\$ 1,462,398	\$ 1,790,495
Cash and investments - Restricted	43,532	211,028	254,560
Receivables:			
From other governments	67,932	-	67,932
Property taxes	63,936	-	63,936
Utility fees	-	132,627	132,627
Prepaid expenses	5,179	3,909	9,088
Capital assets, not being depreciated	94,589	85,927	180,516
Capital assets, net of accumulated depreciation	2,680,976	5,497,931	8,178,907
Total assets	<u>3,284,241</u>	<u>7,393,820</u>	<u>10,678,061</u>
LIABILITIES			
Accounts payable	50,827	24,018	74,845
Retainage payable	16,270	-	16,270
Deposits	12,775	-	12,775
Accrued interest payable	1,215	14,778	15,993
Accrued compensated absences	7,897	14,287	22,184
Noncurrent liabilities:			
Due within one year	12,000	77,600	89,600
Due in more than one year	69,000	1,141,605	1,210,605
Total liabilities	<u>169,984</u>	<u>1,272,288</u>	<u>1,442,272</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes revenue	63,936	-	63,936
Total deferred inflows of resources	<u>63,936</u>	<u>-</u>	<u>63,936</u>
NET POSITION			
Net investment in capital assets	2,694,565	4,364,653	7,059,218
Restricted for:			
Emergencies	28,000	-	28,000
Conservation Trust	15,532	-	15,532
Debt service	-	211,028	211,028
Unrestricted	312,224	1,545,851	1,858,075
Total net position	<u>\$ 3,050,321</u>	<u>\$ 6,121,532</u>	<u>\$ 9,171,853</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, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities
Governmental activities:					
General government	\$ 379,194	\$ 6,370	\$ 60,457	\$ -	\$ (312,367)
Public safety	367,863	612	121,403	20,000	(225,848)
Public works	277,651	-	45,118	1,158,017	925,484
Community development	35,387	-	17,736	9,600	(8,051)
Parks and recreation	21,922	-	-	33,750	11,828
Long-term debt interest and related cost	4,820	-	-	-	(4,820)
Total governmental activities	<u>\$ 1,086,837</u>	<u>\$ 6,982</u>	<u>\$ 244,714</u>	<u>\$ 1,221,367</u>	<u>\$ 386,226</u>
Business-Type activities					
Water and wastewater operations	\$ 874,549	\$ 1,154,510	\$ -	\$ 42,910	322,871
Long-term debt interest and related cost	46,392	-	-	-	(46,392)
Total business type activities	<u>\$ 920,941</u>	<u>\$ 1,154,510</u>	<u>\$ -</u>	<u>\$ 42,910</u>	<u>\$ 276,479</u>
General revenues:					
Taxes				224,231	224,231
Franchise fees				3,099	3,099
Net investment income				2,766	6,645
Other revenues				22,025	22,025
Transfers in (out)				824,184	(825,184)
Transfer of capital assets				(839,633)	839,633
Total general revenues				<u>236,672</u>	<u>18,328</u>
Change in net position				622,898	294,807
Net position - Beginning				2,427,423	5,826,725
Net position - Ending				<u>\$ 3,050,321</u>	<u>\$ 6,121,532</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, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 205,996	\$ 122,101	\$ 328,097
Cash and investments - Restricted	43,532	-	43,532
Receivables:			
From other governments	17,788	50,144	67,932
Property taxes	63,936	-	63,936
Prepaid expenses	5,179	-	5,179
TOTAL ASSETS	<u><u>\$ 336,431</u></u>	<u><u>\$ 172,245</u></u>	<u><u>\$ 508,676</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 26,702	\$ 24,125	\$ 50,827
Retainage payable	-	16,270	16,270
Deposits	12,775	-	12,775
Total liabilities	<u>39,477</u>	<u>40,395</u>	<u>79,872</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes revenue	63,936	-	63,936
Total deferred inflows of resources	<u>63,936</u>	<u>-</u>	<u>63,936</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenses	5,179	-	5,179
Restricted for:			
Emergencies	28,000	-	28,000
Parks and recreation/Conservation Trust	15,532	-	15,532
Committed for:			
Economic development	23,845	-	23,845
Capital projects	-	131,850	131,850
Assigned			
Public safety - Fire Department Discretionary Fund	10,331	-	10,331
DREAM Discretionary Fund	2,444	-	2,444
Unassigned			
General government	147,687	-	147,687
Total fund balances	<u>233,018</u>	<u>131,850</u>	<u>364,868</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 336,431</u></u>	<u><u>\$ 172,245</u></u>	<u><u>\$ 508,676</u></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, 2012

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

Total fund balances - Governmental funds	\$ 364,868
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	
Capital assets, not being depreciated	94,589
Capital assets, net of accumulated depreciation	2,680,976
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Capital lease payable	(81,000)
Accrued interest payable	(1,215)
Accrued compensated absences	<u>(7,897)</u>
Net position of governmental activities	<u><u>\$ 3,050,321</u></u>

These financial statements should be ready 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, 2012

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 224,231	\$ -	\$ 224,231
Franchise fees	3,099	-	3,099
Intergovernmental revenues	40,516	-	40,516
Licenses fees and charges	6,370	-	6,370
Fines and forfeitures	612	-	612
Administrative grants	204,199	-	204,199
Other revenue	22,024	-	22,024
Net investment income	2,766	-	2,766
Capital grants	-	1,221,367	1,221,367
Total revenues	<u>503,817</u>	<u>1,221,367</u>	<u>1,725,184</u>
EXPENDITURES			
Current			
Legislative	44,203	-	44,203
Administrative	252,524	-	252,524
Facility maintenance	31,519	-	31,519
Revitalization and marketing	35,387	-	35,387
Police department	309,402	-	309,402
Fire department	23,190	-	23,190
Public works	191,120	-	191,120
Parks and cemetery	14,123	-	14,123
Debt service	22,144	-	22,144
Capital outlay	-	1,449,559	1,449,559
Total expenditures	<u>923,612</u>	<u>1,449,559</u>	<u>2,373,171</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(419,795)</u>	<u>(228,192)</u>	<u>(647,987)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	465,142	360,042	825,184
Transfers to other funds	(1,000)	-	(1,000)
Total other financing sources (uses)	<u>464,142</u>	<u>360,042</u>	<u>824,184</u>
NET CHANGE IN FUND BALANCES	44,347	131,850	176,197
FUND BALANCES - BEGINNING OF YEAR	188,671	-	188,671
FUND BALANCES - END OF YEAR	<u>\$ 233,018</u>	<u>\$ 131,850</u>	<u>\$ 364,868</u>

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, 2012

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

Net change in fund balances - Total governmental funds	\$ 176,197
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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.

Capitalized assets	1,403,544
Depreciation expense	(133,866)

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.

Principal paid on equipment capital lease	6,513
Principal paid on City Hall capital lease	11,000

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.

Capital assets transferred to Utility Fund	(839,633)
Compensated absences - Change in liability	(668)
Accrued interest payable - Change in liability	(189)

Change in net position of governmental activities	\$ 622,898
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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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
TAXES				
Property tax	\$ 62,472	\$ 62,472	\$ 62,144	\$ (328)
Sales tax	359,975	142,569	156,937	14,368
Specific ownership tax	4,500	4,500	5,150	650
	<u>426,947</u>	<u>209,541</u>	<u>224,231</u>	<u>14,690</u>
FRANCHISE FEES				
Franchise - Electric	11,000	-	-	-
Franchise - TV/telephone	300	258	258	-
Franchise - Natural gas	2,500	2,841	2,841	-
	<u>13,800</u>	<u>3,099</u>	<u>3,099</u>	<u>-</u>
INTERGOVERNMENTAL REVENUES				
Cigarette tax	2,200	2,075	2,237	162
Mineral severance tax	15,000	13,594	13,594	-
Highway Users Tax (HUTF)	17,000	15,782	17,599	1,817
Conservation Trust entitlement	4,000	4,000	3,984	(16)
Motor vehicle	2,120	2,100	2,253	153
Road and bridge shareback	2,000	849	849	-
	<u>42,320</u>	<u>38,400</u>	<u>40,516</u>	<u>2,116</u>
LICENSES FEES AND CHARGES				
Business, liquor and other licenses	6,625	6,360	6,370	10
	<u>6,625</u>	<u>6,360</u>	<u>6,370</u>	<u>10</u>
FINES AND FORFEITURES				
Police Department/court fees and fines	500	547	612	65
	<u>500</u>	<u>547</u>	<u>612</u>	<u>65</u>
ADMINISTRATIVE GRANTS				
State grants	225,000	200,000	200,542	542
Other grants/contributions	-	8,954	3,657	(5,297)
	<u>225,000</u>	<u>208,954</u>	<u>204,199</u>	<u>(4,755)</u>
OTHER REVENUE				
Donations and contributions	5,200	7,896	7,896	-
Fees for use of public facilities	500	400	250	(150)
Leases	2,101	2,251	2,351	100
Other income	10,500	10,500	11,527	1,027
	<u>18,301</u>	<u>21,047</u>	<u>22,024</u>	<u>977</u>
NET INVESTMENT INCOME				
Net investment income	750	1,900	2,766	866
	<u>750</u>	<u>1,900</u>	<u>2,766</u>	<u>866</u>
Total revenues	<u>734,243</u>	<u>489,848</u>	<u>503,817</u>	<u>13,969</u>

(Continued)

CITY OF VICTOR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2012
(Continued)

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES				
LEGISLATIVE				
City Council stipend	26,400	26,000	26,000	-
Donations to other organizations/projects	38,500	17,600	16,300	1,300
Dues and memberships	615	399	399	-
Travel and training	1,000	1,700	1,362	338
Miscellaneous	-	500	142	358
	<u>66,515</u>	<u>46,199</u>	<u>44,203</u>	<u>1,996</u>
ADMINISTRATIVE				
Salaries and benefits	152,434	144,950	138,442	6,508
Dues and memberships	4,000	2,833	2,833	-
Travel and training	1,000	1,500	1,347	153
Audit and accounting	2,400	2,334	2,334	-
County Treasurer's fees	1,249	1,700	1,599	101
Election	-	-	1,933	(1,933)
Insurance	4,386	3,419	3,419	-
Legal	45,000	40,000	37,269	2,731
Magistrate	1,500	1,500	1,500	-
Office supplies	8,375	6,179	7,070	(891)
Other professional services	45,500	53,128	39,621	13,507
Photocopy	7,428	7,500	7,098	402
Publication and publishing	2,616	3,400	3,177	223
Technical support	2,300	2,200	1,935	265
Miscellaneous	500	2,500	2,947	(447)
Contingency	10,000	34,890	-	34,890
	<u>288,688</u>	<u>308,033</u>	<u>252,524</u>	<u>55,509</u>
FACILITY MAINTENANCE				
Maintenance - City Hall	7,564	7,500	7,133	367
Utilities - City Hall	23,100	20,263	20,063	200
Maintenance - Community Center (VICCI)	4,900	1,500	1,052	448
Utilities - Community Center (VICCI)	2,800	3,500	2,971	529
Maintenance - Agricultural and Mining Museum	-	300	300	-
	<u>38,364</u>	<u>33,063</u>	<u>31,519</u>	<u>1,544</u>
REVITALIZATION AND MARKETING				
Advertising	3,000	3,200	2,765	435
City sponsored events	10,000	11,447	9,567	1,880
Dues and memberships	3,415	815	815	-
Revitalization projects and programs	20,000	11,737	11,737	-
Signs, plaques and banners	10,250	5,715	5,715	-
Travel and training	-	2,500	2,510	(10)
Miscellaneous	-	3,500	2,278	1,222
	<u>46,665</u>	<u>38,914</u>	<u>35,387</u>	<u>3,527</u>

(Continued)

CITY OF VICTOR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2012
(Continued)

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
POLICE DEPARTMENT				
Salaries and benefits	255,581	106,678	106,678	-
Travel and training	4,000	2,896	2,897	(1)
Animal control	1,600	1,600	1,522	78
Contact services	-	140,760	140,260	500
Operating	44,581	33,219	33,220	(1)
Technical support	4,000	1,466	1,466	-
Utilities	4,500	4,090	4,033	57
Vehicle fuel	11,000	14,400	14,644	(244)
Vehicle repair	5,000	1,764	1,764	-
Miscellaneous	1,500	3,000	2,918	82
	<u>331,762</u>	<u>309,873</u>	<u>309,402</u>	<u>471</u>
FIRE DEPARTMENT				
Fire Chief stipend	-	4,800	4,800	-
Dues and memberships	1,455	250	760	(510)
Travel and training	1,500	286	286	-
Equipment maintenance, repair, oil and fuel	7,000	4,000	3,042	958
Building facility maintenance	7,500	2,000	1,551	449
Minor equipment	20,000	3,352	3,014	338
Radios and maintenance	4,500	1,000	158	842
Technical support	500	185	185	-
Utilities	8,500	4,958	4,554	404
Volunteer bonus program	-	2,823	2,823	-
Miscellaneous	2,600	2,400	2,017	383
	<u>53,555</u>	<u>26,054</u>	<u>23,190</u>	<u>2,864</u>
PUBLIC WORKS				
Salaries and benefits	94,995	104,220	104,121	99
Travel and training	1,000	400	107	293
Equipment maintenance, repair, oil and fuel	16,500	20,000	19,070	930
Building facility maintenance	5,000	7,000	6,300	700
Fixture maintenance	2,500	3,300	3,429	(129)
Road and sidewalk maintenance	5,000	15,000	11,546	3,454
Supplies	12,357	7,466	8,009	(543)
Technical support	1,000	-	52	(52)
Tools and equipment	2,000	2,000	835	1,165
Utilities	31,000	29,260	29,440	(180)
Miscellaneous	4,607	8,149	8,211	(62)
	<u>175,959</u>	<u>196,795</u>	<u>191,120</u>	<u>5,675</u>

(Continued)

CITY OF VICTOR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2012
(Continued)

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
PARKS AND CEMETERY				
Salaries and benefits	100	-	-	-
Cemetery maintenance	3,150	1,900	1,871	29
Equipment maintenance, repair, oil and fuel	1,300	900	523	377
Minor equipment	500	950	863	87
Parks maintenance	8,000	5,000	3,170	1,830
Sanitation services	1,290	1,300	1,446	(146)
Supplies	500	200	67	133
Utilities	6,000	6,500	6,128	372
Miscellaneous	500	150	55	95
	<u>21,340</u>	<u>16,900</u>	<u>14,123</u>	<u>2,777</u>
DEBT SERVICE				
Principal and interest	23,183	23,169	22,144	1,025
	<u>23,183</u>	<u>23,169</u>	<u>22,144</u>	<u>1,025</u>
CAPITAL OUTLAY				
Capital improvements	1,040,264	-	-	-
	<u>1,040,264</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,086,295</u>	<u>999,000</u>	<u>923,612</u>	<u>75,388</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(1,352,052)</u>	<u>(509,152)</u>	<u>(419,795)</u>	<u>89,357</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	964,687	245,480	465,142	219,662
Transfers to other funds	(1,000)	(1,000)	(1,000)	-
Total other financing sources (uses)	<u>963,687</u>	<u>244,480</u>	<u>464,142</u>	<u>219,662</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(388,365)</u>	<u>(264,672)</u>	<u>44,347</u>	<u>309,019</u>
FUND BALANCES - BEGINNING OF YEAR	<u>429,489</u>	<u>508,765</u>	<u>188,671</u>	<u>(320,094)</u>
FUND BALANCES - END OF YEAR	<u>\$ 41,124</u>	<u>\$ 244,093</u>	<u>\$ 233,018</u>	<u>\$ (11,075)</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, 2012

	Utility Enterprise Fund	Total Proprietary Fund
ASSETS		
Cash and investments	\$ 1,462,398	\$ 1,462,398
Cash and investments - Restricted	211,028	211,028
Utility fees receivable	132,627	132,627
Prepaid expenses	3,909	3,909
Capital assets, not being depreciated	85,927	85,927
Capital assets, net of accumulated depreciation	5,497,931	5,497,931
Total assets	<u>7,393,820</u>	<u>7,393,820</u>
LIABILITIES		
Accounts payable	24,018	24,018
Accrued interest payable	14,778	14,778
Accrued compensated absences	14,287	14,287
Noncurrent liabilities:		
Due within one year	77,600	77,600
Due in more than one year	1,141,605	1,141,605
Total liabilities	<u>1,272,288</u>	<u>1,272,288</u>
NET POSITION		
Net investment in capital assets	4,364,653	4,364,653
Restricted	211,028	211,028
Unrestricted	1,545,851	1,545,851
Total net position	<u>\$ 6,121,532</u>	<u>6,121,532</u>

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, 2012

	Utility Enterprise Fund	Total Proprietary Fund
OPERATING REVENUES		
Raw water sales	\$ 767,910	\$ 767,910
Raw water miscellaneous sales	133,935	133,935
Raw water wheeling and storage fees	7,700	7,700
Treated water sales - Residential	63,849	63,849
Treated water sales - Commercial	12,730	12,730
Wastewater sales - Residential	119,073	119,073
Wastewater sales - Commercial	25,900	25,900
Liquid waste disposal fees	23,413	23,413
Total operating revenues	<u>1,154,510</u>	<u>1,154,510</u>
OPERATING EXPENSES		
General and administration	246,273	246,273
Operations		
Raw water	167,927	167,927
Treated water	51,660	51,660
Wastewater	64,808	64,808
Depreciation	343,881	343,881
Total operating expenses	<u>874,549</u>	<u>874,549</u>
OPERATING INCOME (LOSS)	<u>279,961</u>	<u>279,961</u>
OTHER INCOME (EXPENSES)		
Treated water - Capital replacement fees	29,969	29,969
Wastewater - Capital replacement fees	12,941	12,941
Net investment income	3,879	3,879
Debt service - Interest paid and accrued	(46,392)	(46,392)
Capital assets transferred from Governmental Fund	839,633	839,633
Net other income (expenses)	<u>840,030</u>	<u>840,030</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>1,119,991</u>	<u>1,119,991</u>
TRANSFERS		
Transfers to other funds	(825,184)	(825,184)
Net transfers	<u>(825,184)</u>	<u>(825,184)</u>
CHANGE IN NET POSITION	294,807	294,807
NET POSITION - BEGINNING OF YEAR	<u>5,826,725</u>	<u>5,826,725</u>
NET POSITION - END OF YEAR	<u><u>\$ 6,121,532</u></u>	<u><u>\$ 6,121,532</u></u>

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

CITY OF VICTOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2012

	Utility Enterprise Fund	Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and other sources	\$ 1,143,627	\$ 1,143,627
Cash paid to suppliers	(451,369)	(451,369)
Cash paid to employees	(186,649)	(186,649)
Net cash flows from operating activities	<u>505,609</u>	<u>505,609</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Debt payments - Principal	(88,785)	(88,785)
Debt payments - Interest	(35,371)	(35,371)
Capital replacement fees	42,910	42,910
Net cash flows from capital financing activities	<u>(81,246)</u>	<u>(81,246)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (out)	(825,184)	(825,184)
Net cash flows from noncapital financing activities	<u>(825,184)</u>	<u>(825,184)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,879	3,879
Net cash flows from investing activities	<u>3,879</u>	<u>3,879</u>
NET (DECREASE) IN CASH	(396,942)	(396,942)
CASH AND EQUIVALENTS - BEGINNING	<u>2,070,368</u>	<u>2,070,368</u>
CASH AND EQUIVALENTS - ENDING	<u><u>\$ 1,673,426</u></u>	<u><u>\$ 1,673,426</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 279,961	\$ 279,961
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	343,881	343,881
(Increase) decrease in:		
Receivables	(60)	(60)
Prepaid expenses	(2,925)	(2,925)
Inventory	4,386	4,386
Increase (decrease) in:		
Accounts payable	(108,811)	(108,811)
Accrued interest payable	(14,777)	(14,777)
Accrued compensated absences	3,954	3,954
Net cash flows from operating activities	<u><u>\$ 505,609</u></u>	<u><u>\$ 505,609</u></u>

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, 2012**

	Fiduciary Fund
	<hr/>
ASSETS	
Cash and investments	\$ 4,391
	<hr/>
LIABILITIES	
Deposits	750
	<hr/>
NET POSITION	<u><u>\$ 3,641</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, 2012

	Fiduciary Fund
ADDITIONS	
Charges for services	\$ 400
Transfers from other funds	1,000
Total additions	<u>1,400</u>
DELETIONS	
Total deletions	<u>-</u>
CHANGE IN FIDUCIARY NET POSITION	1,400
NET POSITION - BEGINNING	<u>2,241</u>
NET POSITION - ENDING	<u><u>\$ 3,641</u></u>

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, 2012

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, 2012, 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, 2012

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, 2012

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.

During the year ended December 31, 2012, the City modified the budgeted line items within the General Fund and the Water/Wastewater Enterprise Fund without increasing the total appropriations by Fund. The General Fund's total appropriation was reduced from \$2,087,295 to \$1,000,000, mainly due to the transfer of capital expenditures budget to a newly created Capital Projects Fund. The Water/Wastewater Enterprise Fund's total appropriation was reduced from \$1,679,486 to \$1,325,000; however, the actual expenditures and transfers out for this Fund

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

exceeded the amended budget by \$151 thousand which may not be in accordance with the State's Budget Law. Additionally, in 2012, the City made the following changes: (i) changed the name of the Water/Wastewater Enterprise Fund to Utility Enterprise Fund, (ii) included the budgeted amounts for Conservation Trust Fund into the General Fund, and (iii) created a new Capital Projects Fund with an amended 2012 appropriation of \$1,600,000 (budgeted amounts for capital expenditures were originally included in the General Fund).

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.

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.

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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.

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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.

New Accounting Pronouncements

Effective January 1, 2012, the City implemented the provisions of GASB No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" (GASB No. 63) and early implemented the provisions of GASB No. 65, "*Items Previously Reported as Assets and Liabilities*" (GASB No. 65).

GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4 "*Elements of Financial Statements*" (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The impact on the City's financial statements has been to replace the term "net assets" with "net position".

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. Under GASB No. 65, the property taxes levied by the City during the year, for collection in 2013, is treated as a deferred inflow of resources, as reflected in the Statement of Net Position and the Balance Sheet – Governmental Funds.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Statement of net position:		
Cash and investments	\$ 328,097	\$ 1,462,398
Cash and investments - Restricted	43,532	211,028
Total cash and investments	<u>\$ 371,629</u>	<u>\$ 1,673,426</u>

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cash on hand	\$ 300	\$ -
Deposits with financial institutions	336,960	263,173
Investments	34,369	1,410,253
Total cash and investments	<u>\$ 371,629</u>	<u>\$ 1,673,426</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, 2012, the City's cash deposits for governmental and business-type activities had a bank balance totaling \$626,215 and a carrying balance totaling \$600,133.

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.

**CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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, 2012, the City had investments, totaling \$1,444,622, as follows:

Investment	Maturity	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ <u>34,369</u>	\$ <u>1,410,253</u>

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

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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. Colotrust 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, 2012:

Transfers Out	Transfers In		
	General Fund	Projects Fund	Fiduciary Fund
Utility Enterprise Fund	\$ 465,142	\$ 360,042	\$ -
General Fund	\$ -	\$ -	\$ 1,000

The transfers from the Utility Enterprise Fund to the General Fund (\$465,142) and Capital Projects Fund (\$360,042) were made during 2012 pursuant to the policies adopted by the City Council in November 2011 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 of \$1,000 from the General Fund to the Fiduciary Fund represents a contribution for long-term cemetery reserve.

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5 - CAPITAL ASSETS

Changes in governmental capital assets for the year ended December 31, 2012 follow:

	Balance at December 31, 2011	Increases	Decreases	Balance at December 31, 2012
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 94,589	\$ -	\$ -	\$ 94,589
Capital assets, not being depreciated	<u>94,589</u>	<u>-</u>	<u>-</u>	<u>94,589</u>
Capital assets, being depreciated:				
Buildings and improvements	1,308,694	-	-	1,308,694
Machinery, equipment and computers	1,189,664	37,232	-	1,226,896
Infrastructure	1,232,406	526,679	-	1,759,085
Capital assets, being depreciated	<u>3,730,764</u>	<u>563,911</u>	<u>-</u>	<u>4,294,675</u>
Less accumulated depreciation for:				
Buildings and improvements	(309,757)	(32,718)	-	(342,475)
Machinery, equipment and computers	(868,529)	(58,380)	-	(926,909)
Infrastructure	(301,547)	(42,768)	-	(344,315)
Accumulated depreciation	<u>(1,479,833)</u>	<u>(133,866)</u>	<u>-</u>	<u>(1,613,699)</u>
Capital assets, net of accumulated depreciation	<u>2,250,931</u>	<u>430,045</u>	<u>-</u>	<u>2,680,976</u>
Governmental activities capital assets, net	<u>\$ 2,345,520</u>	<u>\$ 430,045</u>	<u>\$ -</u>	<u>\$ 2,775,565</u>

Depreciation expense for 2012 was charged to the following functions/programs in the statement of activities:

	<u>Governmental Activities</u>
General government	\$ 43,693
Public safety	35,271
Public works	<u>54,902</u>
Total depreciation expense	<u>\$ 133,866</u>

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Changes in business-type capital assets for the year ended December 31, 2012 follow:

	Balance at December 31, 2011	Increases	Decreases	Balance at December 31, 2012
<u>Business-Type Activities</u>				
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	293,737	11,347	-	305,084
Infrastructure	1,642,526	828,286	-	2,470,812
Capital assets, being depreciated	<u>8,847,279</u>	<u>839,633</u>	<u>-</u>	<u>9,686,912</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,422,164)	(202,068)	-	(3,624,232)
Machinery, equipment and computers	(114,343)	(49,106)	-	(163,449)
Infrastructure	(308,593)	(92,707)	-	(401,300)
Accumulated depreciation	<u>(3,845,100)</u>	<u>(343,881)</u>	<u>-</u>	<u>(4,188,981)</u>
Capital assets, net of accumulated depreciation	<u>5,002,179</u>	<u>495,752</u>	<u>-</u>	<u>5,497,931</u>
Business-type activities capital assets, net	<u>\$ 5,088,106</u>	<u>\$ 495,752</u>	<u>\$ -</u>	<u>\$ 5,583,858</u>

Depreciation expense for 2012 has been allocated by operation as follows:

	<u>Business-Type Activities</u>
Water	\$ 166,483
Wastewater	<u>177,398</u>
Total depreciation expense	<u>\$ 343,881</u>

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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, 2012:

	<u>Balance at December 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2012</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
1 Capital lease - equipment	\$ 6,513	\$ -	\$ 6,513	\$ -	\$ -
2 Capital lease - City Hall	92,000	-	11,000	81,000	12,000
Total governmental activities	<u>98,513</u>	<u>-</u>	<u>17,513</u>	<u>81,000</u>	<u>12,000</u>
<u>Business type activities:</u>					
3 Capital lease - equipment	13,026	-	13,026	-	-
4 Colorado Water Conservation Board Loan - Dam#2 rehabilitation	411,164	-	27,759	383,405	28,800
5 U.S. Department of Agriculture Rural Development Loan - Sewer Treatment Plant construction	770,600	-	19,700	750,900	20,500
6 Colorado Water Resource and Power Authority Loan - Water Treatment Plant improvements	113,200	-	28,300	84,900	28,300
Total business type activities	<u>1,307,990</u>	<u>-</u>	<u>88,785</u>	<u>1,219,205</u>	<u>77,600</u>
Total long-term obligations	<u>\$ 1,406,503</u>	<u>\$ -</u>	<u>\$ 106,298</u>	<u>\$ 1,300,205</u>	<u>\$ 89,600</u>

The details of the City's governmental long-term obligation as of December 31, 2012 are as follows:

Capital Lease Agreement – City Hall

The City entered into a lease agreement for the remodelling 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 varying from \$15,900 to \$16,680, payable in October of each year, through October 2018.

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

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

Year	City Hall Capital Lease		
	Principal	Interest	Total
2013	\$ 12,000	\$ 4,860	\$ 16,860
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>\$ 81,000</u>	<u>\$ 17,760</u>	<u>\$ 98,760</u>

The details of the City's business-type long-term obligations as of December 31, 2012 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, 2012, 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	Colorado Water Conservation Board Loan		
	Principal	Interest	Total
2013	\$ 28,800	\$ 14,377	\$ 43,177
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
2018-2022	186,578	29,310	215,888
2023	41,617	1,560	43,177
	<u>\$ 383,405</u>	<u>\$ 91,545</u>	<u>\$ 474,950</u>

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 \$54,063 as of December 31, 2012, equivalent to the debt service for 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:

Year	U.S. Department of Agriculture - Rural Development Loan		
	Principal	Interest	Total
2013	\$ 20,500	\$ 33,563	\$ 54,063
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
2018-2022	140,700	129,969	270,669
2023-2027	175,800	94,905	270,705
2028-2032	219,500	51,107	270,607
2033-2034	102,400	5,821	108,221
	<u>\$ 750,900</u>	<u>\$ 439,831</u>	<u>\$ 1,190,731</u>

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. During 2006, the City withdrew the remaining \$21,314 of proceeds on this loan. 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, 2012, 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, 2012

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

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

Year	Colorado Water Resource and Power Development Authority Loan		
	Principal	Interest	Total
2013	\$ 28,300	\$ -	\$ 28,300
2014	28,300	-	28,300
2015	28,300	-	28,300
	<u>\$ 84,900</u>	<u>\$ -</u>	<u>\$ 84,900</u>

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, 2012, the City had net investment in capital assets calculated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets, net	\$ 2,775,565	\$ 5,583,858
Current portion of long-term obligations	(12,000)	(77,600)
Noncurrent portion of long-term obligations	(69,000)	(1,141,605)
Total cash and investments	<u>\$ 2,694,565</u>	<u>\$ 4,364,653</u>

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, 2012, the City had restricted net position as follows:

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 - NET POSITION (CONTINUED)

	<u>Governmental Activities</u>
Restricted net position:	
Emergency reserve	\$ 28,000
Conservation Trust	15,532
	<u>\$ 43,532</u>
	<u>Business-type Activities</u>
Restricted net position:	
CWCB Loan - Required reserve	\$ 43,177
U.S. Department of Agriculture Loan - Required reserve	54,063
CWRPDA Loan - Required reserve	113,788
	<u>\$ 211,028</u>

As of December 31, 2012, the City's unrestricted net position totaled \$1,858,075.

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, 2012.

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.

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 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, 2012, the City has reserved \$28,000 for emergencies.

CITY OF VICTOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

CITY OF VICTOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Federal grants	\$ -	\$ 1,008,017	\$ 1,008,017	\$ -
State grants	-	42,735	33,750	(8,985)
Other grants and contributions	-	179,600	179,600	-
Total revenues	-	1,230,352	1,221,367	(8,985)
EXPENDITURES				
Land purchase	-	42,000	-	42,000
Capital improvements - General	-	517,945	537,427	(19,482)
Capital equipments - General	-	47,732	48,672	(940)
Capital improvements - Treated water	-	20,000	19,271	729
Capital improvements - Wastewater	-	890,992	832,842	58,150
Capital equipments - Wastewater	-	11,347	11,347	-
Contingency	-	69,984	-	69,984
Total expenditures	-	1,600,000	1,449,559	150,441
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(369,648)	(228,192)	141,456
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	430,814	360,042	(70,772)
Total other financing sources (uses)	-	430,814	360,042	(70,772)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	61,166	131,850	70,684
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-
FUND BALANCES - END OF YEAR	\$ -	\$ 61,166	\$ 131,850	\$ 70,684

CITY OF VICTOR
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
PROPRIETARY FUND - UTILITY ENTERPRISE FUND
Year Ended December 31, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
OPERATING REVENUES				
Raw water sales	\$ 1,000,000	\$ 775,296	\$ 767,910	\$ (7,386)
Raw water miscellaneous sales	133,490	133,490	133,935	445
Raw water wheeling and storage fees	12,500	24,796	7,700	(17,096)
Treated water sales - Residential	65,000	66,000	63,849	(2,151)
Treated water sales - Commercial	12,500	12,000	12,730	730
Wastewater sales - Residential	120,000	120,000	119,073	(927)
Wastewater sales - Commercial	27,000	26,300	25,900	(400)
Liquid waste disposal fees	22,000	24,000	23,413	(587)
Other income	1,000	-	-	-
Total operating revenues	<u>1,393,490</u>	<u>1,181,882</u>	<u>1,154,510</u>	<u>(27,372)</u>
OPERATING EXPENSES				
General and administration				
Treated water - Salaries and benefits	\$ 110,079	89,599	92,600	(3,001)
Treated water - Dues and memberships	300	300	270	30
Treated water - Travel and training	2,000	650	586	64
Wastewater - Salaries and benefits	110,565	87,850	94,049	(6,199)
Wastewater - Travel and training	2,000	550	441	109
Wastewater - Dues and memberships	200	-	-	-
Audit and accounting	4,800	4,666	4,666	-
General engineering	13,400	3,500	3,168	332
Legal	1,000	110	110	-
Insurance	19,036	18,246	18,246	-
Other professional services	1,000	37,200	32,137	5,063
Raw water				
Legal	13,000	8,500	9,592	(1,092)
Purchased water	133,490	133,490	133,935	(445)
Dam maintenance	1,500	5,265	5,265	-
Storage fees	-	22,000	19,135	2,865
Treated water				
Collection and distribution lines repair	10,000	2,900	2,772	128
Equipment maintenance, repair, oil and fuel	3,500	2,700	2,699	1
Building facility maintenance	5,000	3,200	3,168	32
Fixture maintenance	2,500	2,500	3,865	(1,365)
Lab analysis and chemicals	6,500	10,500	8,699	1,801
Utilities	12,240	13,260	11,349	1,911
Equipment rentals and sanitation	-	472	804	(332)
Technical support	6,565	6,410	6,032	378
Tools and equipment	7,650	7,600	7,657	(57)
Permit fees	100	100	100	-
Miscellaneous/contingency	10,000	-	4,515	(4,515)

(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, 2012

(Continued)

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Wastewater				
Collection and distribution lines repair	22,000	8,000	3,882	4,118
Equipment maintenance, repair, oil and fuel	1,500	1,850	1,905	(55)
Building facility maintenance	3,000	1,400	2,043	(643)
Fixture maintenance	4,000	5,500	6,968	(1,468)
Lab analysis and chemicals	13,500	11,000	8,916	2,084
Sludge hauling	14,900	10,557	10,557	-
Utilities	21,947	20,892	19,983	909
Technical support	1,300	2,028	1,336	692
Tools and equipment	11,900	3,550	2,224	1,326
Permit fees	1,515	1,515	1,515	-
Miscellaneous/contingency	10,600	500	5,479	(4,979)
Total operating expenses	582,587	528,360	530,668	(2,308)
OPERATING INCOME (LOSS)	810,903	653,522	623,842	(29,680)
OTHER INCOME (EXPENSES)				
Treated water - Capital replacement fees	30,000	29,945	29,969	24
Wastewater - Capital replacement fees	13,000	12,900	12,941	41
Net investment income	1,336	3,240	3,879	639
Debt service:				
Treated water - Principal and interest payments	(71,477)	(65,291)	(65,277)	14
Wastewater - Principal and interest payments	(60,735)	(55,055)	(55,123)	(68)
Net other income (expenses)	(87,876)	(74,261)	(73,611)	650
NET INCOME (LOSS) BEFORE TRANSFERS	723,027	579,261	550,231	(29,030)
TRANSFERS				
Transfers to other funds	(964,687)	(676,294)	(825,184)	(148,890)
Net transfers	(964,687)	(676,294)	(825,184)	(148,890)
CHANGE IN NET POSITION - BUDGET BASIS	<u>\$ (241,660)</u>	<u>\$ (97,033)</u>	(274,953)	<u>\$ (177,920)</u>
BUDGET TO GAAP BASIS ADJUSTMENTS:				
Debt payments - Principal			88,785	
Interest expense accrued			(14,777)	
Depreciation			(343,881)	
Capital assets transferred from Governmental Fund			839,633	
CHANGE IN NET POSITION - GAAP BASIS			294,807	
NET POSITION - BEGINNING OF YEAR			5,826,725	
NET POSITION - ENDING OF YEAR			<u>\$ 6,121,532</u>	

STATE COMPLIANCE SECTION

LOCAL HIGHWAY FINANCE REPORT		City or County:
		City of Victor
		YEAR ENDING : December 2012
This Information From The Records Of the City of Victor	Prepared By:	Debra Downs
	Phone:	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

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a. + b.)	
2. General fund appropriations	287,632
3. Other local imposts (from page 2)	4,751
4. Miscellaneous local receipts (from page 2)	849
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	293,232
B. Private Contributions	
C. Receipts from State government (from page 2)	507,700
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	800,932

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	444,112
2. Maintenance:	150,450
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	37,612
c. Other	
d. Total (a. through c.)	37,612
4. General administration & miscellaneous	
5. Highway law enforcement and safety	168,757
6. Total (1 through 5)	800,931
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	800,931

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		800,932	800,931		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	0
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	4,751	g. Other Misc. Receipts	849
6. Total (1. through 5.)	4,751	h. Other	
c. Total (a. + b.)	4,751	i. Total (a. through h.)	849
(Carry forward to page 1)		(Carry forward to page 1)	

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	16,266	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	2,084	d. Federal Transit Admin	
d. Other (Specify)-Gaming Grants	106,333	e. U.S. Corps of Engineers	
e. Other (Specify)-CDBG Grant-4th S	383,017	f. Other Federal	
f. Total (a. through e.)	491,434	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	507,700	3. Total (1. + 2.g)	
		(Carry forward to page 1)	

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.I. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities		444,112	444,112
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	444,112	444,112
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	444,112	444,112
			(Carry forward to page 1)

Notes and Comments:

FEDERAL COMPLIANCE SECTION



Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

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

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

We have audited, 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, the financial statements of City of Victor (the "City"), which comprise the statement of financial position as of December 31, 2012, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report July 24, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Littleton, Colorado

July 24, 2013



Certified Public Accountants (a professional corporation)
1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133

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

Report on Compliance for Each Major Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City's major federal programs based on our audit of the types of compliance requirements referred to above.

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

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination of City's compliance.

Opinion on Each Major Program

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

Report on Internal Control Over Compliance

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

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

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

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



Littleton, Colorado

July 24, 2013

CITY OF VICTOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Schedule of Findings and Questioned Costs for the Year Ended December 31, 2012

1. Summary of Auditor's Results

Type of report issued on the financial statements: **Unqualified**

Material weaknesses in financial reporting internal control noted: **None**

Significant deficiency(s) identified that are not considered to be material weaknesses in financial reporting: **None**

Material noncompliance noted: **None**

Federal Awards:

Material weaknesses in internal control over major programs: **None**

Significant deficiency(s) identified that are not considered to be material weaknesses over major programs: **None**

Type of report issued on compliance for major programs: **Unqualified**

Audit findings required to be reported in accordance with Circular A-133, Section .510(a): **None**

The following programs are considered to be major:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants

Dollar threshold used to distinguish Type A and Type B programs: **\$300,000**

Risk type qualification: **Low-risk**

2. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

None

3. Findings and questioned costs for Federal Awards

None

4. Summary Schedule of Prior Audit Findings

None

City of Victor
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Department of Housing and Urban Development			
Pass-through program from:			
State of Colorado			
Community Development Block Grants - Wastewater			
Collection Improvements	14.228		\$ 600,000
Community Development Block Grants - WWTP Improvements	14.228		27,338
Community Development Block Grants - Drainage and Street			
Construction	14.228		93,514
Total Department of Housing and Urban Development			<u>720,852</u>
 Total Expenditures of Federal Awards			 \$ <u>720,852</u>

Basis of Presentation:

This schedule is prepared in accordance with U.S. Generally Accepted Accounting Principles. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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