

**TOWN OF NEW CASTLE, COLORADO**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2011**

## TABLE OF CONTENTS

### PAGE

#### INTRODUCTORY SECTION

Title Page

Table of Contents

#### FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis i - x

##### **Basic Financial Statements**

Government–Wide Financial Statements

Statement of Net Assets 1

Statement of Activities 2

Fund Financial Statements

Balance Sheet – Governmental Funds 3

Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds 4

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities 5

Statement of Net Assets – Proprietary Fund Type 6

Statement of Revenues, Expenses and Changes in Net Assets –  
Proprietary Fund Type 7

Statement of Cash Flows – Proprietary Fund Type 8

Notes to Financial Statements 9 – 24

##### **Required Supplementary Information**

General Fund – Budgetary Comparison Schedule 25

**TABLE OF CONTENTS**  
(Continued)

	<b><u>PAGE</u></b>
<b>FINANCIAL SECTION</b> (Continued)	
<b>Combining and Individual Fund Schedules</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	26
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	27
Conservation Trust Fund – Budgetary Comparison Schedule	28
Cemetery Fund – Budgetary Comparison Schedule	29
Utility Fund – Budgetary Comparison Schedule	30
<b>Compliance</b>	
Local Highway Finance Report	31 - 32

## FINANCIAL SECTION



**JOHN CUTLER  
& ASSOCIATES**

Honorable Mayor and Members of the Town Council  
Town of New Castle  
New Castle, Colorado

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Castle, Colorado, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the Town, as listed in the table of contents. These financial statements are the responsibility of the Town of New Castle, Colorado's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Town of New Castle, Colorado, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i-x and page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New Castle, Colorado's financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*John Cutler & Associates, LLC*

July 13, 2012



**Town of New Castle, Colorado**  
**Management's Discussion and Analysis**  
Fiscal Year Ending December 31, 2011

This Management's Discussion and Analysis (MD&A) of the Town of New Castle's 2011 financial statements is offered to provide an objective and easy-to-read analysis of the government's financial activities based on currently known facts, decisions and conditions. The MD&A should be read in conjunction with the Town's basic financial statements.

The Town of New Castle is a Home Rule Municipality incorporated in 1888. The Town has seven elected officials who are responsible for all policy decisions that affect the government's financial condition. The appointed Town Administrator is responsible for preparing the annual budget which is adopted by the Council every December. The Town Administrator and appointed Town Finance Director/Treasurer are responsible for financial reporting to the Town Council and to the public at large. The Town maintains four separate funds, which are as follows:

- A) General Fund
- B) Utility Fund
- C) Conservation Trust Fund
- D) Cemetery Fund

### **Overview of the Financial Statements**

The financial section of this report is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements.

#### **Government-wide Financial Statements:**

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

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

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

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

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town's funds can be divided into three categories: Governmental Fund, Proprietary Fund and Fiduciary Fund.

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

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

**Fiduciary (Trust) Fund** - A fiduciary fund is a fund that is held in trust for a specific purpose. The Town of New Castle maintains one fiduciary fund which reports the operating activities of the Highland Cemetery. The fiduciary fund is not included in the statement of net assets or statement of activities, but is included in the Required Supplemental Information, Budgeted and Actual Revenues and Expenditures.

## **Financial Highlights**

### **Governmental Activities**

- As of December 31, 2011 the governmental funds held \$ 2,635,789 in assets that were readily convertible to cash and \$689,768 in current liabilities.
- As of December 31, 2011 the Town's governmental activities fund held \$11,795,462 in depreciated capital assets, a 6.25% decrease; and \$915,185 in capital asset liabilities, a 10.90% decrease.
- Total 2011 sales tax revenue decreased 1.14% or \$13,085 compared to fiscal year 2010. The 3.5% Town sales tax revenue increased 3.96% or \$39,313 compared to 2010.
- 2011 general property tax revenue increased by 0.28% or \$1,519 compared to fiscal year 2010.
- 2011 building permit revenue decreased by 25% or \$6,862 compared to fiscal year 2010. 2011 use tax revenue decreased by 42% or \$8,846 compared to fiscal year 2010.
- 2011 lodging tax revenue decreased by 18% or \$1,646 compared to fiscal year 2010.
- 2011 mineral lease tax revenue increased by 59% or \$98,815 compared to fiscal year 2010 and severance tax revenue increased by 120% or \$85,307.
- 2011 governmental activities salary expense decreased by 3.49% or \$40,173 compared to fiscal year 2010.
- Total governmental activities net assets decreased by 0.62% or \$171,065 during the 2011 fiscal year.

### **Business-type Activities**

- As of December 31, 2011 total assets were \$23,676,400, a decrease of \$810,157. Cash, investments and receivables decreased by \$120,758 and capital assets decreased by \$689,399.
- 2011 revenue from the water, wastewater and trash services increased by \$72,266 or 3.92% compared to fiscal year 2010.
- 2011 business-type activities salary expense decreased by 4.55% or \$21,886 compared to fiscal year 2010.



- 2011 business-type activities electric and natural gas utility expense of \$137,078 was a decrease of 1.25% or \$1,741 compared to fiscal year 2010. 2011 Water Department operations expense decreased by 3.5% and the Waste Water department operations increased by 5.1%.
- Total enterprise liabilities decreased by \$363,252 during 2011 due to decreases in year-end accounts payable liabilities and long term debt.

### Statement of Net Assets

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

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 2,685,066	\$ 2,416,445	\$ 1,836,005	\$ 1,956,763	\$ 4,521,071	\$4,373,208
Capital assets	26,976,082	27,760,136	21,840,395	22,529,794	48,816,477	50,289,930
Total assets	29,661,148	30,176,581	23,676,400	24,486,557	53,337,548	54,663,138
Long-term debt outstanding	1,581,192	1,759,273	8,108,674	8,453,703	9,689,866	10,212,976
Other liabilities	689,768	856,055	141,837	160,060	831,605	1,016,115
Total liabilities	2,270,960	2,615,328	8,250,511	8,613,763	10,521,471	11,229,091
Net assets:						
Invested in capital assets, net of related debt	25,460,897	26,075,050	13,731,721	14,076,091	39,192,618	40,151,141
Restricted	155,681	165,417			155,681	165,417
Unrestricted	1,773,610	1,320,786	1,694,168	1,796,703	3,467,778	3,117,489
Total net assets	<u>\$ 27,390,188</u>	<u>\$27,561,253</u>	<u>\$15,425,889</u>	<u>\$15,872,794</u>	<u>\$ 42,816,077</u>	<u>\$43,434,047</u>

The Town's total net assets for fiscal year 2011 decreased by 1.42% or \$617,970. The Town's assets exceed liabilities by \$42,816,077 (net assets) as of December 31, 2011. By far the largest portion of these net assets (91.5%) is invested in capital assets (e.g. land, buildings, equipment, etc.). The Town uses these capital assets to provide services to citizens; therefore these assets are not available for future spending. Although the Town of New Castle's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to retire these liabilities.

The restricted portion of net assets (0.36%) represents resources that are subject to various debt provisions, contracts and agreements on how they may be used. The remaining balance is unrestricted and can be used to meet the Town's ongoing obligations to its citizens and creditors.

## Normal Impacts

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

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

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

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

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

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

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

## Summary of GASB Statement 54

The Governmental Accounting Standards Board (GASB) approved statement 54 in 2009, the intent of the statement is to enhance governmental fund balance reporting in order for financial statements to be more consistent and comparable between similar government entities, improve the usefulness of fund balance reporting (what funds are actually available), and clarify the meaning of governmental fund type definitions. The Town of New Castle implemented statement 54 for fiscal year 2011 as required and will **no** longer use the fund balance definitions of: reserves, designated or undesignated. We present the following summary of new fund balance terminology:

- (a) **Nonspendable** – not in spendable form, examples are inventory, long-term receivables (unless the proceeds are restricted, committed or assigned), prepaids, and legally or contractually required amounts required to be maintained intact – like the corpus of a permanent fund.
- (b) **Restricted** – Amounts constrained to being used for a specific purpose by (1) external parties (state, federal, private donor, creditors), (2) constitutional provisions, (3) enabling legislation (grant from the state), (4) what is legally reserved now.
- (c) **Committed** – constraint on use imposed by the Town itself, using its highest level of decision-making authority (resolution or ordinance), constraint can be removed or changed only by taking the same action, the action to constrain resources should occur prior to the end of the fiscal year – though the exact amount may be determined subsequently.
- (d) **Assigned** – amounts intended to be used for specific purposes where the intent is expressed by the governing body or a body or official authorized by the governing body. Includes using fund balance to balance the budget – appropriation for deficit.
- (e) **Unassigned** – available for any purpose.

**STATEMENT OF ACTIVITIES**

The Statement of Activities takes into consideration the Town as a whole and reflects the change in net assets for fiscal year 2011.

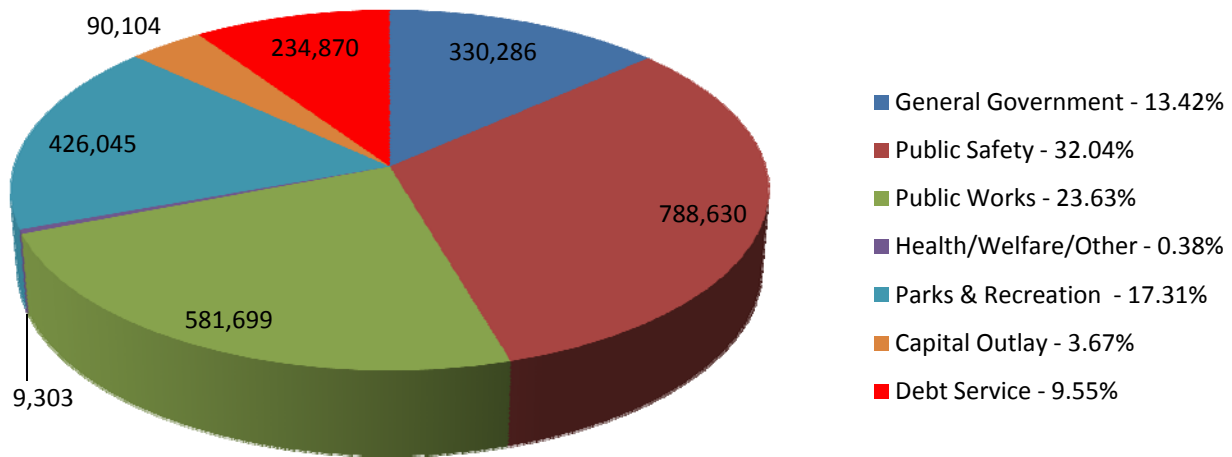
	Governmental		Business Type		Totals	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	161,247	177,351	1,914,640	1,842,374	2,075,887	2,019,725
Operating Grants	125,798	88,400			125,798	88,400
Capital Grants	<u>93,741</u>	<u>232,864</u>	<u>35,112</u>	<u>240,222</u>	<u>128,853</u>	<u>473,086</u>
Total Program Revenues	<u>380,786</u>	<u>498,615</u>	<u>1,949,752</u>	<u>2,082,596</u>	<u>2,330,538</u>	<u>2,581,211</u>
<b>General Revenues</b>						
Sales and Use Taxes	1,138,693	1,151,778			1,138,693	1,151,778
Property Taxes	628,053	605,511			628,053	605,511
Franchise Taxes	109,257	114,402			109,257	114,402
Other Taxes	502,213	552,775			502,213	552,775
Investment Income	11,886	22,435	359	365	12,245	22,800
Developer Reimbursement	63,738	121,260			63,738	121,260
Contributed assets	0	148,680				148,680
Other Revenues	44,270	101,676	15,575	65,624	59,845	167,300
Transfers	<u>(10,000)</u>	<u>(302,454)</u>	<u>10,000</u>	<u>302,454</u>		
Total General Revenues	<u>2,488,110</u>	<u>2,516,063</u>	<u>25,934</u>	<u>368,443</u>	<u>2,514,044</u>	<u>2,884,506</u>
Total Revenue	<u>2,868,896</u>	<u>3,014,678</u>	<u>1,975,686</u>	<u>2,451,039</u>	<u>4,844,582</u>	<u>5,465,717</u>
<b>Expenses:</b>						
General Government	347,094	427,603			347,094	427,603
Public Safety	806,300	760,307			806,300	760,307
Public Works	1,344,700	1,373,063			1,344,700	1,373,063
Parks & Recreation	467,595	509,390			467,595	509,390
Health & Welfare	9,303	9,719			9,303	9,719
Water			833,465	864,282	833,465	864,282
Wastewater			1,082,508	1,029,612	1,082,508	1,029,612
Sanitation			237,073	227,914	237,073	227,914
Interest	64,969	52,024	269,545	258,135	334,514	310,159
Total Expenses	<u>3,039,961</u>	<u>3,132,106</u>	<u>2,422,591</u>	<u>2,379,943</u>	<u>5,462,552</u>	<u>5,512,049</u>
Change in Net Assets	<u><u>\$(171,065)</u></u>	<u><u>\$(117,428)</u></u>	<u><u>\$(446,905)</u></u>	<u><u>\$71,096</u></u>	<u><u>\$(617,970)</u></u>	<u><u>\$(46,332)</u></u>

**Governmental Activities**

Taxes comprise the largest source of operating revenue for the Town’s governmental activities, 2011 tax source revenue was \$2,378,216, which is 82.90% of total revenues from governmental activities. Property taxes of \$628,053 represent 26.41% of total tax revenue. Charges for services equaled \$161,247, representing 5.62% of total revenues.

The cost of governmental activities (excluding capital outlay) in 2011 was \$2,370,833 compared to \$2,463,637 in 2010, a 3.77% decrease.

**Expenses by Type – Governmental Activities**



General Government includes Town Council, Town Administrator, Town Clerk, Finance, General Administration, Planning and Building.

Year to year changes by type of activity:

<b>ACTIVITY</b>	<b>EXPENDITURES</b>		<b>% CHANGE</b>
	<b>2011</b>	<b>2010</b>	
General Government	\$ 330,286	\$ 401,681	-17.77
Public Safety	\$ 788,630	\$ 747,251	5.54
Public Works	\$ 581,699	\$ 616,125	-5.59
Health/Welfare/Other	\$ 9,303	\$ 9,719	-4.28
Parks & Recreation	\$ 426,045	\$ 449,329	-5.19
Capital Outlay	\$ 90,104	\$ 239,662	-62.41
Debt Service	\$ 234,870	\$ 239,532	-1.95

## **Business-type Activities**

Total 2011 operating revenue from the Town's business-type activities increased by \$22,217 compared to 2010; operating expenses for 2011 increased by \$31,238 compared to 2010.

Total business type net assets during 2011 decreased by \$446,905, mainly due to loan payments for the 2008 Waste Water Treatment Plant expansion in anticipation of continued population growth which has not come to fruition.

## **Fund Balance**

At the end of 2011, the Town's governmental funds reported a combined fund balance of \$1,995,298. This is an increase of \$434,908 compared to the prior years ending balance. Of this total balance \$728,398 is unassigned and available to finance the Town's future operations and programs; \$49,277 is prepaid nonspendable funds; \$141,000 is restricted for emergencies, \$32,574 is restricted for Conservation Trust Fund approved expenses, \$14,681 is restricted for cemetery care; \$8,250 is committed for use in operating a volunteer ambulance service *or* to maintain and enhance the municipal parks and trees (Ord. #315), \$18,635 is committed for Police training (Ord. #383 & 2007-4), \$96,487 is committed for economic development (Ord. # 2004-11), \$5,494 is committed for Burning Mtn. Ave street maintenance (9/1995 SIA Agreement), \$385,056 is committed for traffic impacts (Ord. # 2002-17), \$371,046 is committed for transfer to the Utility Fund (Ord. #2010-3); \$18,400 is assigned for a solar system purchase, \$60,000 is assigned for street maintenance in 2012, \$60,000 is assigned for future construction of a new Public Safety facility, \$5,000 is assigned for future vehicle/equipment replacement needs, \$1,000 is assigned for future main street enhancement projects.

At year end the business-type activities reported total net assets of \$15,425,889, of which \$1,694,168 is unreserved.

## **Budgetary Highlights – General Fund**

Town Council approved one supplement to the 2011 General Fund budget. The original appropriation of \$2,557,949 was increased by \$50,000 or 1.95% to \$2,607,949. The original 2011 budget included \$43,065 from reserves; the Town received \$420,554 in Mineral Lease and Severance Tax direct distributions from the state that were not budgeted for. This additional revenue, along with other factors, resulted in the General Fund balance increasing by \$418,268 for the year ending 12/31/2011.

General Fund revenue for 2011 was \$353,954 over the original budget amount. This is mainly due to higher Mineral Lease and Severance tax distribution revenues. General Fund Expenditures for 2011 were \$107,379 less than the original budget projections dues to efficiency efforts and restraint in spending.

## **Capital Assets and Debt Administration**

At year end the Town had \$48,816,477 invested in a broad range of capital assets including land and improvements, buildings, parks and equipment, vehicles, equipment, and water and sewer plants and distribution and collection systems. This decrease of \$1,473,453 or 2.93% from the 2010 year end amount is mainly due to depreciation.

## Capital Assets at Year-End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$15,179,000	\$15,179,000	\$469,741	\$469,741	\$15,648,741	\$15,648,741
Water Rights			516,282	516,282	516,282	516,282
Buildings and Improvements	3,221,439	3,215,093	14,828,536	14,833,989	18,049,975	18,049,082
Distributions/Collection Systems			11,149,728	11,149,728	11,149,728	11,149,728
Infrastructure	12,486,116	12,421,905			12,486,116	12,421,905
Property and Equipment	990,240	1,125,423	220,403	260,045	1,210,643	1,385,468
Construction in Process	<u>1,620</u>	<u>0</u>	<u>373,084</u>	<u>337,655</u>	<u>374,704</u>	<u>337,655</u>
Less Accumulated Depreciation	<u>(4,902,333)</u>	<u>(4,181,285)</u>	<u>(5,717,379)</u>	<u>(5,037,646)</u>	<u>(10,619,712)</u>	<u>(9,218,931)</u>
Total Capital Assets	<u>\$26,976,082</u>	<u>\$27,760,136</u>	<u>\$21,840,395</u>	<u>\$22,529,794</u>	<u>\$48,819,474</u>	<u>\$50,289,930</u>

During 2011 the Town purchased one used 2009 police SUV, one used 2006 pickup, installed new lighting in the Community Center, constructed shade structures in VIX Park and continued design work on the raw water system. Significant capital assets added during 2011 are shown below.

### Significant 2011 Capital Asset Additions

One 2009 Police SUV	\$ 23,071
Community Center Lighting	\$ 6,346
VIX Park Shade Structures	\$ 16,729
Street Improvements	\$ 47,482
One Utility Dept. Pickup	\$ 15,000
Raw Water System Design	<u>\$ 35,429</u>
Total	<u>\$ 144,057</u>

### Town of New Castle's Outstanding Debt

			<u>Business-type Activities</u>		<u>Total Government</u>	
			<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
1999 Wastewater Loan			228,280	253,357	228,280	253,357
2004 Water Loan			629,168	643,610	629,168	643,610
2008 Wastewater Loan			7,251,226	7,556,736	7,251,226	7,556,736
Notes Payable	717,359	744,311			717,359	744,311
Capital Leases	197,826	282,775			197,826	282,775
GO Bonds, Series 2010	600,000	658,000			600,000	658,000
Accrued absences	<u>66,007</u>	<u>74,187</u>	<u>-</u>	<u>-</u>	<u>66,007</u>	<u>74,187</u>
Total Long-term Obligations	<u>\$ 1,581,192</u>	<u>\$ 1,759,273</u>	<u>\$ 8,108,674</u>	<u>\$ 8,453,703</u>	<u>\$ 9,689,866</u>	<u>\$ 10,212,976</u>

## **Economic and Other Factors**

Although the Town of New Castle's financial trends continue to present challenges, the organization has instituted effective efficiency measures which resulted in the 2011 year end General Fund reserves to increase substantially and is allowing the Town to allocate more funds to much needed street maintenance projects, and increased public safety and recreation department staffing in 2012. During the first four months of 2012 town sales tax revenues have decreased 2.17% from the same period in 2011, but have increased 7.27% from the same period of 2010. There has been no activity in new residential home construction during the first six months of 2012.

The Lakota Canyon Ranch development 2011 bankruptcy was dismissed. The lender foreclosed on the property, is now the owner and has a prospective buyer for the golf course, community center and unsold and undeveloped lots. The Town has asserted various defaults of non-compliance regarding some agreements of the original developer.

The Town has increased staffing by 1 FTE in 2012 to 28, and no furlough days are scheduled. The Town Administrator resigned effective April 27, 2012, 84 applications were received and four finalists are scheduled for in-person interviews the week of July 16, 2012. It is anticipated that a new Town Administrator will be in place before September 1<sup>st</sup>, 2012. Building inspections continue to be contracted to an outside firm.

A major goal continues to be to improve the General Fund reserves.

On June 29, 2012 the Town was awarded a \$273,000 grant from the Garfield County Federal Mineral Lease District for Exit 105 safety enhancement design costs to include a pedestrian bridge and roundabout. The Town's goal is to complete the design plans, apply for additional grant(s) and then partner with CDOT, Garfield County, and energy companies to fund the project as early as 2013-2014.

The Town's assessed valuation decreased by 31.65% during 2011 (as anticipated) to a total value of \$53,869,140. The Town's general mill levy remains at 6.906 mills for general operating purposes, a voter approved increase of 1.634 mills for loan payments was certified for 2011 resulting in a total mill levy of 8.540. General property tax revenue in 2012 will drop by approximately \$ 172,000 compared to 2011.

## **Financial Contact**

The Town's financial statements are designed to present users (citizens, customers, investors and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about this report or need additional financial information, contact the Town's Finance Department at: 450 West Main Street, PO Box 90, New Castle, Colorado 81647; or telephone (970) 984-2311.

**BASIC FINANCIAL STATEMENTS**



TOWN OF NEW CASTLE, COLORADO

STATEMENT OF NET ASSETS

As of December 31, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
			2011	2010
<b>ASSETS</b>				
Cash and Investments	\$ 1,878,365	\$ 1,591,942	\$ 3,470,307	\$ 2,553,779
Restricted Cash and Investments	-	-	-	627,454
Receivables				
Property Taxes	460,042	-	460,042	622,433
Sales and Other	48,508	-	48,508	47,099
Accounts	-	244,063	244,063	228,769
Due from Other Governments	248,874	-	248,874	238,179
Prepaid Expenses	49,277	-	49,277	55,495
Capital Assets, not Depreciated	15,180,620	1,359,107	16,539,727	16,502,678
Capital Assets, Depreciated, Net of Accumulated Depreciation	11,795,462	20,481,288	32,276,750	33,787,252
<b>TOTAL ASSETS</b>	<b>29,661,148</b>	<b>23,676,400</b>	<b>53,337,548</b>	<b>54,663,138</b>
<b>LIABILITIES</b>				
Accounts Payable	41,070	7,432	48,502	68,704
Accrued Expenses	34,306	50,570	84,876	69,708
Accrued Interest	-	83,835	83,835	83,835
Deferred Revenues	460,042	-	460,042	622,433
Developer Escrow	154,350	-	154,350	171,435
Noncurrent Liabilities				
Due within One Year	186,269	351,192	537,461	532,148
Due in More Than One Year	1,394,923	7,757,482	9,152,405	9,680,828
<b>TOTAL LIABILITIES</b>	<b>2,270,960</b>	<b>8,250,511</b>	<b>10,521,471</b>	<b>11,229,091</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	25,460,897	13,731,721	39,192,618	40,151,141
Restricted for Emergencies	141,000	-	141,000	152,000
Restricted for Cemetery Care	14,681	-	14,681	13,417
Unrestricted	1,773,610	1,694,168	3,467,778	3,117,489
<b>TOTAL NET ASSETS</b>	<b>\$ 27,390,188</b>	<b>\$ 15,425,889</b>	<b>\$ 42,816,077</b>	<b>\$ 43,434,047</b>

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

TOWN OF NEW CASTLE , COLORADO

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2011

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General Government	\$ 347,094	\$ 100,934	\$ -	\$ -
Public Safety	806,300	4,244	-	-
Public Works	1,344,700	-	125,798	58,008
Health and Welfare	9,303	-	-	-
Parks and Recreation	467,595	56,069	-	35,733
Interest on Long-Term Debt	64,969	-	-	-
Total Governmental Activities	<u>3,039,961</u>	<u>161,247</u>	<u>125,798</u>	<u>93,741</u>
<b>Business-Type Activities</b>				
Water	833,465	747,672	-	16,208
Wastewater	1,082,508	924,982	-	18,904
Trash	237,073	241,986	-	-
Interest on Long-Term Debt	269,545	-	-	-
Total Business-Type Activities	<u>2,422,591</u>	<u>1,914,640</u>	<u>-</u>	<u>35,112</u>
Total Primary Government	<u>\$ 5,462,552</u>	<u>\$ 2,075,887</u>	<u>\$ 125,798</u>	<u>\$ 128,853</u>

GENERAL REVENUES  
Sales Taxes  
Property Taxes  
Specific Ownership Taxes  
Franchise Taxes  
Other Taxes  
Interest  
Developer Reimbursements  
Other  
Transfers  
SPECIAL ITEM -  
Contributed Assets

TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET ASSETS, Beginning

NET ASSETS, Ending

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

NET (EXPENSE) REVENUE AND  
CHANGE IN NET ASSETS

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
		2011	2010
\$ (246,160)	\$ -	\$ (246,160)	\$ (354,259)
(802,056)	-	(802,056)	(710,634)
(1,160,894)	-	(1,160,894)	(1,085,687)
(9,303)	-	(9,303)	(9,719)
(375,793)	-	(375,793)	(421,168)
(64,969)	-	(64,969)	(52,024)
<u>(2,659,175)</u>	<u>-</u>	<u>(2,659,175)</u>	<u>(2,633,491)</u>
-	(69,585)	(69,585)	16,010
-	(138,622)	(138,622)	(67,573)
-	4,913	4,913	12,351
-	(269,545)	(269,545)	(258,135)
<u>-</u>	<u>(472,839)</u>	<u>(472,839)</u>	<u>(297,347)</u>
(2,659,175)	(472,839)	(3,132,014)	(2,930,838)
1,138,693	-	1,138,693	1,151,778
628,053	-	628,053	605,511
28,956	-	28,956	20,791
109,257	-	109,257	114,402
473,257	-	473,257	531,984
11,886	359	12,245	22,800
63,738	-	63,738	121,260
44,270	15,575	59,845	167,300
(10,000)	10,000	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>148,680</u>
<u>2,488,110</u>	<u>25,934</u>	<u>2,514,044</u>	<u>2,884,506</u>
(171,065)	(446,905)	(617,970)	(46,332)
<u>27,561,253</u>	<u>15,872,794</u>	<u>43,434,047</u>	<u>43,480,379</u>
<u>\$ 27,390,188</u>	<u>\$ 15,425,889</u>	<u>\$ 42,816,077</u>	<u>\$ 43,434,047</u>

TOWN OF NEW CASTLE, COLORADO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2011

	GENERAL FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
			2011	2010
<b>ASSETS</b>				
Cash and Investments	\$ 1,831,110	\$ 47,255	\$ 1,878,365	\$ 1,082,106
Restricted Cash and Investments	-	-	-	371,133
Taxes Receivable	460,042	-	460,042	622,433
Due from Other Governments	248,874	-	248,874	238,179
Accounts Receivable	48,508	-	48,508	47,099
Prepaid Expenses	49,277	-	49,277	55,495
Deposit	-	-	-	-
TOTAL ASSETS	<u>\$ 2,637,811</u>	<u>\$ 47,255</u>	<u>\$ 2,685,066</u>	<u>\$ 2,416,445</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 41,070	\$ -	\$ 41,070	\$ 43,049
Accrued Expenses	34,306	-	34,306	19,138
Deferred Revenues	460,042	-	460,042	622,433
Deposits and Escrow	154,350	-	154,350	171,435
TOTAL LIABILITIES	<u>689,768</u>	<u>-</u>	<u>689,768</u>	<u>856,055</u>
<b>FUND EQUITY</b>				
Fund Balance				
Nonspendable	49,277	-	49,277	-
Restricted	141,000	47,255	188,255	182,615
Committed	884,968	-	884,968	-
Assigned	144,400	-	144,400	-
Unassigned	728,398	-	728,398	1,377,775
TOTAL FUND EQUITY	<u>1,948,043</u>	<u>47,255</u>	<u>1,995,298</u>	<u>1,560,390</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,637,811</u>	<u>\$ 47,255</u>		

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	26,976,082	27,760,136
Long-term liabilities are not due and payable in the current period and are not reported in the funds. This includes Bonds Payable (\$600,000), Capital Leases (\$197,826), Loan Payable (\$717,359) and Accrued Compensated Absences (\$66,007).	(1,581,192)	(1,759,273)
Net assets of governmental activities	<u>\$ 27,390,188</u>	<u>\$ 27,561,253</u>

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

TOWN OF NEW CASTLE, COLORADO

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2011

	GENERAL FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
			2011	2010
REVENUES				
Taxes	\$ 1,941,145	\$ -	\$ 1,941,145	\$ 1,935,416
Licenses and Permits	32,208	-	32,208	46,586
Intergovernmental	621,427	35,733	657,160	810,313
Charges for Services	60,313	1,200	61,513	81,093
Court	67,526	-	67,526	49,673
Developer Reimbursements	63,738	-	63,738	121,260
Sale of Assets	-	-	-	10,842
Interest	11,862	24	11,886	22,435
Miscellaneous	70,619	50	70,669	90,834
TOTAL REVENUES	<u>2,868,838</u>	<u>37,007</u>	<u>2,905,845</u>	<u>3,168,452</u>
EXPENDITURES				
General Government	330,286	-	330,286	401,681
Public Safety	788,630	-	788,630	747,251
Public Works	581,699	-	581,699	616,125
Health and Welfare	9,303	-	9,303	9,719
Parks and Recreation	405,678	20,367	426,045	449,329
Debt Service				
Principal	169,901	-	169,901	187,508
Interest	64,969	-	64,969	52,024
Capital Outlay	90,104	-	90,104	239,662
TOTAL EXPENDITURES	<u>2,440,570</u>	<u>20,367</u>	<u>2,460,937</u>	<u>2,703,299</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>428,268</u>	<u>16,640</u>	<u>444,908</u>	<u>465,153</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	-	-	-	700,000
Transfer Out	(10,000)	-	(10,000)	(302,454)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>397,546</u>
NET CHANGE IN FUND BALANCES	418,268	16,640	434,908	862,699
FUND BALANCES, Beginning	<u>1,529,775</u>	<u>30,615</u>	<u>1,560,390</u>	<u>697,691</u>
FUND BALANCES, Ending	<u>\$ 1,948,043</u>	<u>\$ 47,255</u>	<u>\$ 1,995,298</u>	<u>\$ 1,560,390</u>

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

TOWN OF NEW CASTLE, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2011

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 434,908
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$852,353), exceeded capital outlay \$95,248 and loss on disposal of assets (\$26,949) in the current period.	(784,054)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These include a payments of Capital Leases and Notes Payable of \$84,949 and \$26,952 respectively, payments on bonds payable \$58,000, and change in Accrued Compensated Absences of \$8,180.	<u>178,081</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (171,065)</u></u>

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

TOWN OF NEW CASTLE, COLORADO

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND TYPE  
 As of December 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 1,591,942	\$ 1,471,673
Restricted Cash	-	256,321
Accounts Receivable	<u>244,063</u>	<u>228,769</u>
Total Current Assets	<u>1,836,005</u>	<u>1,956,763</u>
Noncurrent Assets		
Capital Assets, net of accumulated depreciation	<u>21,840,395</u>	<u>22,529,794</u>
Total Noncurrent Assets	<u>21,840,395</u>	<u>22,529,794</u>
TOTAL ASSETS	<u>23,676,400</u>	<u>24,486,557</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	7,432	25,655
Accrued Expenses	49,570	49,570
Accrued Interest Payable	83,835	83,835
Notes Payable, Current	<u>351,192</u>	<u>343,963</u>
Total Current Liabilities	<u>492,029</u>	<u>503,023</u>
Noncurrent Liabilities		
Deposits	1,000	1,000
Notes Payable, Long Term	<u>7,757,482</u>	<u>8,109,740</u>
Total Noncurrent Liabilities	<u>7,758,482</u>	<u>8,110,740</u>
TOTAL LIABILITIES	<u>8,250,511</u>	<u>8,613,763</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	13,731,721	14,076,091
Unreserved	<u>1,694,168</u>	<u>1,796,703</u>
TOTAL NET ASSETS	<u>\$ 15,425,889</u>	<u>\$ 15,872,794</u>

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

TOWN OF NEW CASTLE, COLORADO

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUND TYPE  
Year Ended December 31, 2011

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Water Sales	\$ 747,672	\$ 775,070
Wastewater Sales	924,982	827,039
Trash Sales	241,986	240,265
Other Revenues	<u>15,575</u>	<u>65,624</u>
TOTAL OPERATING REVENUES	<u>1,930,215</u>	<u>1,907,998</u>
OPERATING EXPENSES		
Water	833,465	864,282
Wastewater	1,082,508	1,029,612
Trash	<u>237,073</u>	<u>227,914</u>
TOTAL OPERATING EXPENSES	<u>2,153,046</u>	<u>2,121,808</u>
OPERATING LOSS	<u>(222,831)</u>	<u>(213,810)</u>
NON-OPERATING REVENUES (EXPENSES)		
Intergovernmental	18,904	135,000
Interest Income	359	365
Transfers In	10,000	302,454
Interest Expense	<u>(269,545)</u>	<u>(258,135)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(240,282)</u>	<u>179,684</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(463,113)</u>	<u>(34,126)</u>
Capital Contributions	<u>16,208</u>	<u>105,222</u>
NET INCOME	(446,905)	71,096
NET ASSETS, Beginning	<u>15,872,794</u>	<u>15,801,698</u>
NET ASSETS, Ending	<u>\$ 15,425,889</u>	<u>\$ 15,872,794</u>

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



TOWN OF NEW CASTLE, COLORADO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 Year Ended December 31, 2011

Increase (Decrease) in Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,914,921	\$ 1,853,890
Cash Paid to Suppliers	(949,749)	(1,692,562)
Cash Paid to Employees	(481,692)	(481,692)
Net Cash Provided (Used) by Operating Activities	<u>483,480</u>	<u>(320,364)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Grants Received	18,904	135,000
Transfer from Other Funds	10,000	302,454
Net Cash Provided by NonCapital and Related Financing Activities	<u>28,904</u>	<u>437,454</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Fixed Assets	(50,429)	(194,104)
Note Payments	(345,029)	(358,560)
Interest Payments	(269,545)	(258,135)
Tap Fees and Capital Contributions	16,208	105,222
Net Cash Used by Capital and Related Financing Activities	<u>(648,795)</u>	<u>(705,577)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>359</u>	<u>365</u>
Net Decrease in Cash and Cash Equivalents	(136,052)	(588,122)
CASH AND CASH EQUIVALENTS, Beginning	<u>1,727,994</u>	<u>2,316,116</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,591,942</u>	<u>\$ 1,727,994</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (222,831)	\$ (213,810)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	739,828	751,366
Loss on Disposal of Assets	-	18,922
Changes in Assets and Liabilities		
Accounts Receivable	(15,294)	(54,108)
Accounts Payable	(18,223)	(822,734)
Accrued Expenses	-	-
Total Adjustments	<u>706,311</u>	<u>(106,554)</u>
Net Cash Provided by Operating Activities	<u>\$ 483,480</u>	<u>\$ (320,364)</u>

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

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

The Town of New Castle, Colorado was founded in 1888. The Town is governed by a Mayor and six-member council elected by the residents.

The accounting policies of the Town of New Castle, Colorado (the "Town") conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

**Reporting Entity**

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

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

Based on the application of these criteria, the Town does not include additional organizations in its reporting entity.

**Government-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of the 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 instead as *general revenues*.

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

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

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

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

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

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary (enterprise) fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

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

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

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

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

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

The Town reports the following major proprietary fund:

The *Utility Fund* accounts for the financial activities associated with the provision of water, wastewater, and trash services.

Additionally, the Town reports the following fund type:

Permanent Fund – The *Cemetery Permanent Fund* accounts for the activities of the Town cemetery, including the sale of plots and maintenance.

**Cash and Investments**

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Buildings and Improvements	10 - 40 years
Water and Sewer Plants	10 - 50 years
Water and Sewer Lines	10 - 50 years
Machinery and Equipment	5 - 40 years
Infrastructure	10 - 20 years

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

**Compensated Absences**

Employees of the Town are allowed to accumulate unused vacation time up to 192 hours and an unlimited amount of unused sick time. Upon termination of employment from the Town, employees will be compensated for all accrued vacation time at their current pay rate. Employees are not compensated for any of their accrued sick time.

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

**Long-Term Obligations**

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

**Net Assets**

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

**Fund Balance Classification**

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2011, by the Town are nonspendable in form.

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

**Fund Balance Classification** (Continued)

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified the following amounts as restricted as of December 31, 2011:

Emergency Reserves	\$	141,000
Parks and Recreation		32,574
Cemetery Care		14,681
Total	<b>\$</b>	<b>188,255</b>

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town has classified the following amounts as committed as of December 31, 2011:

Support of Volunteer Ambulance Service	\$	8,250
Police Training		18,635
Economic Development and Marketing		96,487
Improvements and Maintenance		6,494
Infrastructure Maintenance		385,056
Potable and Raw Water System Improvements		371,046
Total	<b>\$</b>	<b>885,968</b>

- Assigned – Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by Town Council or a Town official delegated that authority by Town Charter or ordinance.

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

**Fund Balance Classification** (Continued)

The Town has classified the following amounts as assigned as of December 31, 2011:

Solar System Purchase	\$ 18,400
Street Maintenance	60,000
Facility Construction	60,000
Equipment Purchases	5,000
Main Street Enhancement Project	<u>1,000</u>
Total	<u><u>\$ 144,400</u></u>

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

**Property Taxes**

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

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

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

**Budgets and Budgetary Accounting**

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

- Prior to September 30, the Town staff submits to the Town Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- The Town Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Town Council.
- Budgets are legally adopted for all funds of the Town. Budgets for the General, Conservation Trust, and Cemetery Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Budgetary comparisons presented for the Utility Fund is presented on a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Town Council. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations by fund.

**NOTE 3: DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of December 31, 2011 follows:

Petty Cash	\$ 559
Cash Deposits	2,737,586
Investments	<u>732,162</u>
Total	<u>\$ 3,470,307</u>



TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

The above amounts are classified in the statement of net assets as follows:

Governmental Activities	\$ 1,878,365
Business-Type Activities	<u>1,591,942</u>
Total	<b><u>\$ 3,470,307</u></b>

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2011, State regulatory commissioners have indicated that all financial institutions holding deposits for the Town are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

At December 31, 2011, the Town had deposits with financial institutions with a carrying amount of \$2,737,586. The bank balances with the financial institutions were \$2,767,420. Of these balances, \$250,000 was covered by federal depository insurance and \$2,517,420 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

**Investments**

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

Credit Risk

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

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

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

The Town had invested \$732,162 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. Colotruster is rated AAA by Standard and Poor's.

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2011 is summarized below:

	Balances <u>12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/11</u>
<b>Governmental Activities</b>				
Capital Assets, not depreciated				
Land	\$ 15,179,000	\$ -	\$ -	\$ 15,179,000
Construction in Progress	<u>-</u>	<u>1,620</u>	<u>-</u>	<u>1,620</u>
Total Capital Assets, not depreciated	<u>15,179,000</u>	<u>1,620</u>	<u>-</u>	<u>15,180,620</u>
Capital Assets, depreciated				
Buildings	3,215,093	6,346	-	3,221,439
Machinery and Equipment	1,125,423	23,071	158,254	990,240
Infrastructure	<u>12,421,905</u>	<u>64,211</u>	<u>-</u>	<u>12,486,116</u>
Total Capital Assets, depreciated	<u>16,762,421</u>	<u>93,628</u>	<u>158,254</u>	<u>16,697,795</u>
Less Accumulated Depreciation				
Buildings	1,096,029	89,178	-	1,185,207
Machinery and Equipment	688,590	145,844	131,305	703,129
Infrastructure	<u>2,396,666</u>	<u>617,331</u>	<u>-</u>	<u>3,013,997</u>
Total Accumulated Depreciation	<u>4,181,285</u>	<u>852,353</u>	<u>131,305</u>	<u>4,902,333</u>
Total Capital Assets, depreciated, Net	<u>12,581,136</u>	<u>(758,725)</u>	<u>26,949</u>	<u>11,795,462</u>
Governmental Activities, Capital Assets, Net	<u>\$ 27,760,136</u>	<u>\$ (757,105)</u>	<u>\$ 26,949</u>	<u>\$ 26,976,082</u>

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

	Balances <u>12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/11</u>
<b>Business-Type Activities</b>				
Capital Assets, not depreciated				
Land	\$ 469,741	\$ -	\$ -	\$ 469,741
Water Rights	516,282	-	-	516,282
Construction in Process	<u>337,655</u>	<u>35,429</u>	-	<u>373,084</u>
Total Capital Assets, not depreciated	<u>1,323,678</u>	<u>35,429</u>	-	<u>1,359,107</u>
Capital Assets, depreciated				
Buildings and Improvements	14,833,989	-	5,453	14,828,536
Distribution and Collection	11,149,728	-	-	11,149,728
Machinery and Equipment	<u>260,045</u>	<u>15,000</u>	<u>54,642</u>	<u>220,403</u>
Total Capital Assets, depreciated	<u>26,243,762</u>	<u>15,000</u>	<u>60,095</u>	<u>26,198,667</u>
Less: Accumulated Depreciation				
Buildings and Improvements	2,333,059	454,551	5,453	2,782,157
Distribution and Collection	2,562,024	271,139	-	2,833,163
Machinery and Equipment	<u>142,563</u>	<u>14,138</u>	<u>54,642</u>	<u>102,059</u>
Total Accumulated Depreciation	<u>5,037,646</u>	<u>739,828</u>	<u>60,095</u>	<u>5,717,379</u>
Total Capital Assets, depreciated, Net	<u>21,206,116</u>	<u>(724,828)</u>	-	<u>20,481,288</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 22,529,794</u>	<u>\$ (689,399)</u>	<u>\$ -</u>	<u>\$ 21,840,395</u>

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

**Governmental Activities**

General Government	\$ 24,988
Public Safety	17,670
Public Works	751,416
Parks and Recreation	<u>58,279</u>

Total \$ 852,353

**Business-type Activities**

Water	\$ 246,791
Sewer	<u>493,037</u>

Total \$ 739,828

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 5: LONG-TERM DEBT**

**Governmental Activities**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2011.

	Balance <u>12/31/10</u>	<u>Additions</u>	Payments	Balance <u>12/31/11</u>	Due In <u>One Year</u>
GO Bonds, Series 2010	\$ 658,000	\$ -	\$ 58,000	\$ 600,000	\$ 60,000
Capital Leases	282,775	-	84,949	197,826	77,602
Notes Payable	744,311	-	26,952	717,359	32,165
Accrued Compensated Absences	74,187	-	8,180	66,007	16,502
Total	<u>\$ 1,759,273</u>	<u>\$ -</u>	<u>\$ 178,081</u>	<u>\$ 1,581,192</u>	<u>\$ 186,269</u>

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

**General Obligation Bonds, Series 2010**

On April 8, 2010, the Town issued \$700,000 Limited Tax General Obligation Bonds, Series 2010. Proceeds of the bonds are used to pay costs related to the Town's improvements of its potable water treatment and distribution facilities. The bonds carry interest rates ranging from 3.1% to 5.4%. Semi-annual principal and interest payments are due on April 15 and October 15 through 2020.

**Capital Leases**

The Town has entered into several capital lease agreements to purchase equipment which will be paid from revenues of the General Fund. These leases require monthly payments of ranging from monthly payments of \$1,362 to annual payments of \$74,072 including interest ranging from 4.5 % to 5.85%. The leases mature from October of 2011 to February 2014.

**Note Payable**

The Town has also obtained a line of credit in the amount of \$810,000. The original note required monthly payments of principle and interest at 5.25%. The Town refinanced this note during 2011 to obtain a lower interest rate. The new rate is 4.375% for five years. After five years, the rate changes to Prime plus 0.5% with a floor of 4.75% and a ceiling of 5.25%. All other terms of the note remain the same. The note matures in April 2028.

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 5: LONG-TERM DEBT** (Continued)

**Governmental Activities** (Continued)

**Future Debt Service Requirements**

Following is a schedule of the future minimum lease payments required under the capital lease obligation at December 31, 2011:

Year Ended December 31,

2012	\$ 86,984
2013	80,808
2014	<u>47,296</u>
Total Minimum Lease Payments	215,088
Less: Interest	<u>(17,262)</u>
Present Value of Minimum Lease Payments	<b><u>\$ 197,826</u></b>

Annual debt service requirements for the Notes and Bonds Payable at December 31, 2011 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 90,790	\$ 57,899	\$ 148,689
2013	94,165	54,405	148,570
2014	98,600	50,527	148,127
2015	102,100	46,249	148,349
2016	107,667	41,621	149,288
2017-2021	484,398	128,070	612,468
2022-2026	260,496	47,281	307,777
2027-2028	<u>79,143</u>	<u>2,453</u>	<u>81,596</u>
Total Debt Service Requirements	<b><u>\$ 1,317,359</u></b>	<b><u>\$ 428,505</u></b>	<b><u>\$ 1,745,864</u></b>

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 5: LONG-TERM DEBT**(Continued)

**Business-Type Activities**

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2011.

	Balance <u>12/31/10</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/11</u>	Due In <u>One Year</u>
1999 CWRPDA Loan	\$ 253,357	\$ -	\$ 25,077	\$ 228,280	\$ 26,219
2004 CWCB Loan	643,610	-	14,442	629,168	15,092
2008 CWRPDA Loan	<u>7,556,736</u>	<u>-</u>	<u>305,510</u>	<u>7,251,226</u>	<u>309,881</u>
Total	<b><u>\$ 8,453,703</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 345,029</u></b>	<b><u>\$ 8,108,674</u></b>	<b><u>\$ 351,192</u></b>

**Loans Payable**

1999 Colorado Water Resources and Power Development Authority (CWRPDA) Loan

Proceeds from this loan were used to upgrade the Town's wastewater treatment system. Principal and interest payments are due semi-annually on May 1 and November 1. Interest accrues at 4.5%. This loan matures on May 1, 2019.

2004 Colorado Water Conservation Board (CWCB) Loan

Proceeds of this loan were used for the construction of a new diversion structure and pump station on the Colorado River, and a raw water pipeline to the Town's water treatment facility. Principal and interest payments are due annually on August 1. Interest accrues at 4.5%. This loan matures on August 1, 2035.

2008 Colorado Water Resources & Power Development Authority (CWRPDA) Loan

Proceeds of this loan were used for the construction of a new wastewater treatment facility and improvements to the wastewater system of the Town. Principal and interest payments are due annually on August 1. Interest accrues at 3.45%. This loan matures on August 1, 2030.

TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 5: LONG-TERM DEBT** (Continued)

**Future Debt Service Requirements**

Annual debt service requirements for the outstanding loans at December 31, 2011 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 351,192	\$ 264,033	\$ 615,225
2013	358,500	255,805	614,305
2014	365,893	247,662	613,555
2015	378,813	238,064	616,877
2016	386,387	228,319	614,706
2017-2021	1,987,069	991,013	2,978,082
2022-2026	2,123,412	756,496	2,879,908
2027-2031	2,001,689	339,374	2,341,063
2032-2035	<u>155,719</u>	<u>17,903</u>	<u>173,622</u>
Total Debt Service Requirements	<b><u>\$ 8,108,674</u></b>	<b><u>\$ 3,338,669</u></b>	<b><u>\$11,447,343</u></b>

**NOTE 6: RETIREMENT COMMITMENTS**

**Employee Pension Plan**

The Town contributes to a multiple employer defined contribution retirement plan administered by the Colorado Officials and Employees Retirement Association. Every employee who is employed by the Town for more than one year is eligible to participate in the Plan. Both the Town and the employee contribute from three to six percent of the employee's base salary. Plan provisions are established and may be amended by Town Council. During the year ended December 31, 2011, employer and employees contributed \$55,593, equal to their required contributions.

Participants vest in employer contributions and in earnings, losses, and changes in fair market value of Plan assets at a rate of 20% for each full twelve months of participating in the Plan. Participants are immediately vested in their own contributions and earnings.



TOWN OF NEW CASTLE, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 7: PUBLIC ENTITY RISK POOL**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the Town is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA.

It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of entity.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. On November 1994, voters within the Town approved the collection, retention and expenditure of State grants, all sales and use taxes and all other revenue generated by the Town in 1995 and subsequent years without limitation, notwithstanding the provisions of the Amendment.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2011, the emergency reserve of \$141,000 was recorded in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF NEW CASTLE, COLORADO

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended December 31, 2011

	2011			VARIANCE	2010
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
REVENUES					
Taxes	\$ 1,959,969	\$ 1,959,969	\$ 1,941,145	\$ (18,824)	\$ 1,935,416
Licenses and Permits	23,800	23,800	32,208	8,408	46,586
Intergovernmental	238,000	238,000	621,427	383,427	777,325
Charges for Services	3,650	3,650	60,313	56,663	78,693
Court	167,444	167,444	67,526	(99,918)	49,673
Developer Reimbursements	100,000	100,000	63,738	(36,262)	121,260
Interest	-	-	11,862	11,862	22,402
Sale of Assets	-	-	-	-	10,842
Miscellaneous	22,021	72,021	70,619	(1,402)	90,834
TOTAL REVENUES	<u>2,514,884</u>	<u>2,564,884</u>	<u>2,868,838</u>	<u>303,954</u>	<u>3,133,031</u>
EXPENDITURES					
Current					
General Government	364,268	364,268	330,286	33,982	401,681
Public Safety	778,004	778,004	788,630	(10,626)	747,251
Public Works	710,297	710,297	581,699	128,598	616,125
Health and Welfare	11,000	11,000	9,303	1,697	9,613
Parks and Recreation	440,820	440,820	405,678	35,142	424,480
Capital Outlay	37,720	37,720	90,104	(52,384)	239,662
Debt Service					
Principal	133,481	133,481	169,901	(36,420)	187,508
Interest	82,359	82,359	64,969	17,390	52,024
TOTAL EXPENDITURES	<u>2,557,949</u>	<u>2,557,949</u>	<u>2,440,570</u>	<u>117,379</u>	<u>2,678,344</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(43,065)</u>	<u>6,935</u>	<u>428,268</u>	<u>421,333</u>	<u>454,687</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Capital Lease	-	-	-	-	700,000
Transfer Out	-	(50,000)	(10,000)	40,000	(302,454)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(50,000)</u>	<u>(10,000)</u>	<u>40,000</u>	<u>397,546</u>
NET CHANGE IN FUND BALANCE	(43,065)	(43,065)	418,268	461,333	852,233
FUND BALANCE, Beginning	<u>714,516</u>	<u>714,516</u>	<u>1,529,775</u>	<u>815,259</u>	<u>677,542</u>
FUND BALANCE, Ending	<u>\$ 671,451</u>	<u>\$ 671,451</u>	<u>\$ 1,948,043</u>	<u>\$ 1,276,592</u>	<u>\$ 1,529,775</u>

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND SCHEDULES**

TOWN OF NEW CASTLE, COLORADO

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTALS	
	CONSERVATION TRUST FUND	CEMETERY TRUST FUND	2011	2010
ASSETS				
Cash	\$ 32,574	\$ 14,681	\$ 47,255	\$ 30,615
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
FUND EQUITY				
Fund Balance				
Restricted for Cemetery Care	-	14,681	14,681	13,417
Restricted for Park and Recreation	32,574	-	32,574	17,198
TOTAL FUND EQUITY	32,574	14,681	47,255	30,615
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,574	\$ 14,681	\$ 47,255	\$ 30,615

See the accompanying independent auditors' report.

TOWN OF NEW CASTLE, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended December 31, 2011

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTALS	
	CONSERVATION TRUST FUND	CEMETERY TRUST FUND	2011	2010
REVENUES				
Intergovernmental	\$ 35,733	\$ -	\$ 35,733	\$ 32,988
Charges for Services	-	1,200	1,200	2,400
Interest	10	14	24	33
Miscellaneous	-	50	50	-
TOTAL REVENUES	<u>35,743</u>	<u>1,264</u>	<u>37,007</u>	<u>35,421</u>
EXPENDITURES				
Health and Welfare	-	-	-	106
Parks and Recreation	<u>20,367</u>	<u>-</u>	<u>20,367</u>	<u>24,849</u>
TOTAL EXPENDITURES	<u>20,367</u>	<u>-</u>	<u>20,367</u>	<u>24,955</u>
NET CHANGE IN FUND BALANCES	15,376	1,264	16,640	10,466
FUND BALANCES, Beginning	<u>17,198</u>	<u>13,417</u>	<u>30,615</u>	<u>20,149</u>
FUND BALANCES, Ending	<u>\$ 32,574</u>	<u>\$ 14,681</u>	<u>\$ 47,255</u>	<u>\$ 30,615</u>

See the accompanying independent auditors' report.

TOWN OF NEW CASTLE, COLORADO

CONSERVATION TRUST FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2011

	2011		VARIANCE Positive (Negative)	2010 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Intergovernmental	\$ 32,000	\$ 35,733	\$ 3,733	\$ 32,988
Interest	5	10	5	5
TOTAL REVENUES	<u>32,005</u>	<u>35,743</u>	<u>3,738</u>	<u>32,993</u>
EXPENDITURES				
Parks and Recreation	<u>25,000</u>	<u>20,367</u>	<u>4,633</u>	<u>24,849</u>
NET CHANGE IN FUND BALANCE	7,005	15,376	8,371	8,144
FUND BALANCE, Beginning	<u>16,711</u>	<u>17,198</u>	487	<u>9,054</u>
FUND BALANCE, Ending	<u>\$ 23,716</u>	<u>\$ 32,574</u>	<u>\$ 8,858</u>	<u>\$ 17,198</u>

See the accompanying independent auditors' report.

TOWN OF NEW CASTLE, COLORADO

CEMETERY FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2011

	2011		VARIANCE Positive (Negative)	2010 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Sale of Plots	\$ 800	\$ 1,200	\$ 400	\$ 2,400
Interest	-	14	14	28
Miscellaneous	-	50	50	-
TOTAL REVENUES	800	1,264	464	2,428
EXPENDITURES				
Health and Welfare	800	-	800	106
NET CHANGE IN FUND BALANCE	-	1,264	1,264	2,322
FUND BALANCE, Beginning	11,122	13,417	2,295	11,095
FUND BALANCE, Ending	\$ 11,122	\$ 14,681	\$ 3,559	\$ 13,417

See the accompanying independent auditors' report.



TOWN OF NEW CASTLE, COLORADO

UTILITY FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2011

	2011		VARIANCE Positive (Negative)	2010 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Water Sales	\$ 739,150	\$ 747,672	\$ 8,522	\$ 775,070
Wastewater Sales	886,950	924,982	38,032	827,039
Trash Sales	247,000	241,986	(5,014)	240,265
Tap Fees and Contributions	-	16,208	16,208	105,222
Interest	-	359	359	365
Intergovernmental	25,000	18,904	(6,096)	135,000
Transfer In	-	10,000	10,000	302,454
Debt Proceeds	200,000	-	(200,000)	-
Other Revenues	280	15,575	15,295	65,624
TOTAL REVENUES	<u>2,098,380</u>	<u>1,975,686</u>	<u>(122,694)</u>	<u>2,451,039</u>
EXPENDITURES				
Water	688,345	586,674	101,671	610,253
Wastewater	605,145	589,471	15,674	532,275
Trash	247,000	237,073	9,927	227,914
Debt Service	614,574	614,574	-	616,695
Capital Outlay	149,126	50,429	98,697	194,104
TOTAL EXPENDITURES	<u>2,304,190</u>	<u>2,078,221</u>	<u>225,969</u>	<u>2,181,241</u>
NET INCOME, Budget Basis	<u>\$ (205,810)</u>	<u>(102,535)</u>	<u>\$ 103,275</u>	<u>269,798</u>
GAAP BASIS ADJUSTMENTS				
Capital Outlay		50,429		194,104
Loan Principal Payments		345,029		358,560
Depreciation		<u>(739,828)</u>		<u>(751,366)</u>
NET INCOME, GAAP Basis		(446,905)		71,096
NET ASSETS, Beginning		<u>15,872,794</u>		<u>15,801,698</u>
NET ASSETS, Ending		<u>\$ 15,425,889</u>		<u>\$ 15,872,794</u>

See the accompanying independent auditors' report.

## **COMPLIANCE**

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: TOWN OF NEW CASTLE
	YEAR ENDING : December 2011
This Information From The Records Of (example - City of _ or County of _)	Prepared By: Lyle L. Layton, Finance Director/Treasurer Phone: 970-984-2311

**I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE**

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

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

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	94,469
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	231,850
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	6,263
2. General fund appropriations	175,865	b. Snow and ice removal	46,942
3. Other local imposts (from page 2)	494,244	c. Other Street Lighting	44,616
4. Miscellaneous local receipts (from page 2)	23,085	d. Total (a. through c.)	97,821
5. Transfers from toll facilities		4. General administration & miscellaneous	21,346
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	382,668
a. Bonds - Original Issues		6. Total (1 through 5)	828,154
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	693,194	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	142,315	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	835,509	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	
			828,154

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	376,555	835,509	828,154	383,910	0

Notes and Comments:

<b>LOCAL HIGHWAY FINANCE REPORT</b>	STATE:
	Colorado - TOWN OF NEW CASTLE
	YEAR ENDING (mm/yy): December 2011

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	7,356
b. Other local imposts:		b. Traffic Fines & Penalties	15,729
1. Sales Taxes	464,389	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	29,855	g. Other Misc. Receipts	
6. Total (1. through 5.)	494,244	h. Other	
c. Total (a. + b.)	494,244	i. Total (a. through h.)	23,085
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	125,798	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	16,517	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	16,517	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	142,315	3. Total (1. + 2.g)	
			(Carry forward to page 1)

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL**

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs		1,620	1,620
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		92,849	92,849
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	92,849	92,849
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	94,469	94,469
			(Carry forward to page 1)

Notes and Comments: