

CITY OF CASTLE PINES, COLORADO

FINANCIAL STATEMENTS

December 31, 2012

S&C

Certified Public Accountants

Swanhorst & Company LLC

TABLE OF CONTENTS

PAGE

Independent Auditors' Report

i - v

Basic Financial Statements

Statement of Net Position

1

Statement of Activities

2

Balance Sheet - Governmental Fund

3

Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund

4

Notes to Financial Statements

5 - 12

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

13

Notes to Required Supplementary Information

14

State Compliance

Local Highway Finance Report

15 - 16



Honorable Mayor and Members of the City Council
City of Castle Pines
Castle Pines, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Castle Pines as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Castle Pines, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 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 and the major fund of the City of Castle Pines as of December 31, 2012, and the respective changes in financial position 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 and the required supplementary information 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 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 Matters (Other Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Castle Pines' basic financial statements. The local highway finance report listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the local highway finance report is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Swanlund & Company LLC

July 23, 2013



CITY OF CASTLE PINES **Management's Discussion and Analysis**

As management of the City of Castle Pines (City), we offer the readers of these financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2012. We encourage readers to consider the information presented when reviewing the financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities by \$72,122,741 at the close of the fiscal year.
- As of the close of the current fiscal year, the City's governmental fund reported an ending fund balance of \$2,779,512.
- Total cash at year end increased by \$1,115,973 as compared to the year end of 2011.
- Sales and Use Tax revenue increased by \$194,663 as compared to the prior year.
- General Fund Expenditures decreased by \$2,183,251 as compared with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund totaled \$2,516,478.

OVERVIEW OF 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

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 position and liabilities, with the difference between the two 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.

Both of the government-wide financial statements identify functions of the City that are primarily supported by property, sales and use taxes (governmental activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development.

The government-wide financial statements can be found on pages 1 and 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 City currently maintains one fund, the general 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 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 the *governmental fund* and *governmental activities*.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund as required supplementary information to demonstrate compliance with the budget.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 5-12 of this report.

Required supplementary information. A budgetary comparison schedule has been provided in this section for the General Fund to demonstrate compliance with the budget. Also included in this section are the notes to required supplementary information. The required supplementary information can be found after the *notes to financial statements* on pages 13 - 14 of this report.

Other supplementary information. Other supplementary information includes a local highway finance report required by State statute.

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 assets related to governmental activities exceeded liabilities by \$72,122,741 at the close of the most recent fiscal year.

	Net Position	
	<u>2012</u>	<u>2011</u>
Current assets	\$ 3,484,131	\$ 2,699,749
Other assets		309,544
Capital assets	<u>69,348,484</u>	<u>72,185,568</u>
Total assets	72,832,615	75,194,861
Current liabilities	704,619	1,503,737
Noncurrent liabilities	<u>5,255</u>	<u>5,509</u>
Total liabilities	709,874	1,509,246
Net investment in capital assets	69,348,484	72,185,568
Restricted net position	259,624	196,372
Unrestricted net position	<u>2,514,633</u>	<u>1,303,675</u>
Total net position	<u>\$ 72,122,741</u>	<u>\$ 73,685,615</u>

The largest portion of the City's net position (96%) reflects its net investment in capital assets. The City utilizes these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending.

An additional portion of the City's net position (0.4%) represents resources that are subject to restrictions on how they can be used and are not currently available for the City's ongoing obligations (e.g., emergency TABOR reserve and funds restricted for Conservation Trust Fund eligible expenditures). The remaining balance of unrestricted net position totaling \$2,514,633 may be used to meet the City's future expenditures.

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

Change in Net Position

	2012	2011
Revenue		
Program revenues	\$ 335,903	\$ 289,503
Charges for services	857,618	691,060
Operating grants and contributions		5,323,196
Capital grants and contributions		
General Revenues	1,887,249	1,692,587
Sales and use (retail) taxes	671,937	753,394
Other taxes	411,274	420,498
Franchise fees	267,838	6,510
Other	4,431,819	9,176,748
Total Revenues		
Expenses	816,349	968,765
General government	667,994	753,394
Public Safety	3,776,975	5,501,290
Public Works	451,785	201,858
Parks and Recreation	281,590	255,159
Community Development	5,994,693	7,680,466
Total Expenses		
Change in net position	(1,562,874)	1,496,282
Net Position - Beginning	73,685,615	72,189,333
Net position - Ending	\$ 72,122,741	\$ 73,685,615

FINANCIAL ANALYSIS OF THE CITY'S FUND

The following discussion now narrows the focus from City-wide activities to the City's governmental fund. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The City's only governmental fund is its General Fund.

General Fund. The General Fund is currently the only fund of the City. At the end of 2012, the City's General Fund reported ending fund balance of \$2,779,512 an increase of \$1,273,956 in comparison with the prior year.

Approximately \$2,516,478 (91 percent) constitutes unrestricted, unassigned fund balance, which is available for spending at the City's discretion.

Nonspendable and restricted fund balance makes up the remaining fund balance. A total of \$259,624 is restricted to indicate funds that must be used for specific purposes including parks maintenance or improvements, and to establish emergency reserves as required by the State Constitution (amendment to Article X, Section 20).

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2012, the General Fund's budgeted expenditures totaled \$3,489,733.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City added \$21,988 (.027 percent) in capital assets for its governmental-type activities for the current fiscal year.

Additional information on the City's capital assets can be found in Note 3 on pages 8 - 9 of this report.

Long-term Debt

At the end of 2012, the City's Long-term Debt consisted of \$5,255 for employee compensated absences. Full time employees are allowed to accumulate up to a maximum of 10 days of unused vacation time, which must be taken within the first three months of the following year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Castle Pines' 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 information should be addressed to: City of Castle Pines, 7501 Village Square Drive, Suite 100, Castle Pines, CO 80108.

CITY OF CASTLE PINES, COLORADO

STATEMENT OF NET POSITION

December 31, 2012

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 2,490,775
Accounts Receivable	362,549
Property Taxes Receivable	627,397
Prepaid Expenses	3,410
Capital Assets, Not Being Depreciated	814,943
Capital Assets, Net of Accumulated Depreciation	<u>68,533,541</u>
TOTAL ASSETS	<u>72,832,615</u>
LIABILITIES	
Accounts Payable	77,222
Deferred Property Taxes	627,397
Noncurrent Liabilities Due Within One Year	<u>5,255</u>
TOTAL LIABILITIES	<u>709,874</u>
NET POSITION	
Net Investment in Capital Assets	69,348,484
Restricted for Emergencies	133,000
Restricted for Parks and Open Space	126,624
Unrestricted	<u>2,514,633</u>
TOTAL NET POSITION	<u>\$ 72,122,741</u>

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

CITY OF CASTLE PINES, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 816,349	\$ 24,922	\$ -	\$ (791,427)
Public Safety	667,994	72,008	-	(595,986)
Public Works	3,776,975	238,973	802,366	(2,735,636)
Parks and Recreation	451,785	-	55,252	(396,533)
Community Development	281,590	-	-	(281,590)
Total Governmental Activities	<u>\$ 5,994,693</u>	<u>\$ 335,903</u>	<u>\$ 857,618</u>	<u>(4,801,172)</u>
GENERAL REVENUES				
Property Taxes				623,820
Specific Ownership Taxes				48,117
Sales Taxes				990,758
Use Taxes				896,491
Franchise Fees				411,274
Intergovernmental Revenues not Restricted to Specific Programs				10,733
Annexation Fees				257,105
TOTAL GENERAL REVENUES				<u>3,238,298</u>
CHANGE IN NET POSITION				<u>(1,562,874)</u>
NET POSITION, Beginning				<u>73,685,615</u>
NET POSITION, Ending				<u>\$ 72,122,741</u>

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

CITY OF CASTLE PINES, COLORADO

BALANCE SHEET
GOVERNMENTAL FUND
 December 31, 2012

	<u>GENERAL</u>
ASSETS	
Cash	\$ 2,490,775
Accounts Receivable	362,549
Property Taxes Receivable	627,397
Prepaid Expenditures	<u>3,410</u>
TOTAL ASSETS	<u>\$ 3,484,131</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 77,222
Deferred Property Taxes	<u>627,397</u>
TOTAL LIABILITIES	<u>704,619</u>
FUND BALANCE	
Nonspendable Prepaid Expenditures	3,410
Restricted for Emergencies	133,000
Restricted for Parks and Open Space	126,624
Unrestricted, Unassigned	<u>2,516,478</u>
TOTAL FUND BALANCE	<u>2,779,512</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,484,131</u>

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

Total Fund Balance of the Governmental Fund	\$ 2,779,512
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	69,348,484
Long-term liabilities, including accrued compensated absences, are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(5,255)</u>
Total Net Position of Governmental Activities	<u>\$ 72,122,741</u>

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

CITY OF CASTLE PINES, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended December 31, 2012

	<u>GENERAL</u>
REVENUES	
Taxes	\$ 2,559,186
Franchise Fees	411,274
Licenses and Permits	34,009
Charges For Services	229,886
Fines and Forfeitures	72,008
Intergovernmental	868,351
Annexation Fees	<u>257,105</u>
 TOTAL REVENUES	 <u>4,431,819</u>
EXPENDITURES	
General Government	808,826
Public Safety	667,994
Public Works	1,244,775
Parks and Recreation	154,678
Community Development	<u>281,590</u>
 TOTAL EXPENDITURES	 <u>3,157,863</u>
 NET CHANGE IN FUND BALANCE	 <u>1,273,956</u>
FUND BALANCE, Beginning	<u>1,505,556</u>
FUND BALANCE, Ending	\$ <u><u>2,779,512</u></u>

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

Net Change in Fund Balance of the Governmental Fund	\$ 1,273,956
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$2,859,072) exceeded capital outlay \$21,988 in the current year.	(2,837,084)
Some expenses reported in the statement of activities do not require the use of the current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in accrued compensated absences.	<u>254</u>
Change in Net Position of Governmental Activities	\$ <u><u>(1,562,874)</u></u>

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

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Castle Pines (the "City") was incorporated on February 12, 2008, as a statutory municipality as defined in State statutes. The City is governed by a Mayor and six-member council elected by the residents.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the City, organizations for which the City is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the City. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the City. Legally separate organizations for which the City is financially accountable are considered part of the reporting entity. Financial accountability exists if the City appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens, on the City.

Based on the application of this criteria, the City does not include additional organizations within its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

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*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for the governmental fund.

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 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.

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes and intergovernmental revenues associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the City. 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.

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

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

The *General Fund* is the City's primary operating fund. It is currently used to account for all financial activities of the City.

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - Investments are reported at fair value.

Accounts Receivable - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include equipment, land, park improvements, and all infrastructure assets owned by the City, are reported in the government-wide financial statements. Infrastructure assets include streets, curbs and sidewalks, and drainage and traffic systems. Land and infrastructure assets were donated to the City by Douglas County upon the City's incorporation. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value 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 asset lives are not capitalized.

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Infrastructure	15 - 30 years
Park Improvements	20 years
Buildings and Improvements	20 - 30 years
Equipment	3 - 10 years
Vehicles	3 - 5 years

Deferred Revenues - Deferred revenues include property taxes earned but levied for a subsequent year.

Compensated Absences - Full time employees are allowed to accumulate up to a maximum of 10 days of unused vacation time, which must be used within the first three months of the subsequent year. Upon separation of employment, employees will be compensated for any unused vacation time. These compensated absences are recognized as current salary costs when paid in the governmental fund. A long-term liability has been reported in the government-wide financial statements for these accrued compensated absences.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The City has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available, the City uses restricted fund balance first.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent year. 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 City on a monthly basis.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance for these risks of loss.

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 2: CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

At December 31, 2012, the City had no investments. However, the City is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, concentration and custodial risk criteria in which local governments may invest, which include the following. State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for an extended period of time.

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

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, is summarized below.

	<u>Balances</u> 12/31/11	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/12
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 814,943	\$ -	\$ -	\$ 814,943
Total Capital Assets, Not Being Depreciated	<u>814,943</u>	<u>-</u>	<u>-</u>	<u>814,943</u>
Capital Assets, Being Depreciated				
Infrastructure	75,077,086	-	-	75,077,086
Park Improvements	4,528,345	-	-	4,528,345
Vehicles and Equipment	<u>818,181</u>	<u>21,988</u>	<u>-</u>	<u>840,169</u>
Total Capital Assets, Being Depreciated	<u>80,423,612</u>	<u>21,988</u>	<u>-</u>	<u>80,445,600</u>

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3: CAPITAL ASSETS (Continued)

	<u>Balances</u> 12/31/11	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/12
Less Accumulated Depreciation				
Infrastructure	(8,893,479)	(2,540,994)	-	(11,434,473)
Park Improvements	(113,209)	(226,417)	-	(339,626)
Vehicles and Equipment	(46,299)	(91,661)	-	(137,960)
Total Accumulated Depreciation	<u>(9,052,987)</u>	<u>(2,859,072)</u>	<u>-</u>	<u>(11,912,059)</u>
Total Capital Assets, Being Depreciated, Net	<u>71,370,625</u>	<u>(2,837,084)</u>	<u>-</u>	<u>68,533,541</u>
Governmental Activities Capital Assets, Net	<u>\$ 72,185,568</u>	<u>\$ (2,837,084)</u>	<u>\$ -</u>	<u>\$ 69,348,484</u>

Depreciation expense was charged to the programs of the City as follows:

Governmental Activities	
General Government	\$ 7,777
Public Works	2,543,194
Parks and Recreation	<u>308,101</u>
Total	<u>\$ 2,859,072</u>

NOTE 4: LONG-TERM DEBT

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

	<u>Balance</u> 12/31/11	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 12/31/12	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated Absences	<u>\$ 5,509</u>	<u>\$ 4,316</u>	<u>\$ 4,570</u>	<u>\$ 5,255</u>	<u>\$ 5,255</u>

Compensated absences will be liquidated with revenues of the General Fund.

NOTE 5: RETIREMENT COMMITMENTS

Defined Benefit Pension Plan

Plan Description - The City contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the City are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained by contacting Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado, 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Defined Benefit Pension Plan (Continued)

Funding Policy - The contribution requirements of Plan members and the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries. The City's contribution rate for the years ended December 31, 2012 and 2011, was 13.7% of covered salaries. A portion of the City's contribution (1.02% of covered salaries) was allocated to the Health Care Trust Fund (See Note 6). The City's contributions to the LGDTF for the years ended December 31, 2012 and 2011, were \$47,433 and \$32,964, respectively, equal to the required contributions.

Defined Contribution Pension Plan

Plan Description - Employees of the City that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the Plan provisions to the State Legislature. PERA issues a publicly available annual financial report for the Plan. That report may be obtained as described previously.

Funding Policy - The Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the CRS, as amended. In addition, the City has agreed to match employee contributions up to 3% of covered salaries. For the year ended December 31, 2012, the City and Plan members contributed \$6,889 and \$9,319, respectively, to the Plan.

NOTE 6: POST-EMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The City contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The City is required to contribute at a rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions are required. The contribution requirements for the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions of the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The City's apportionment to the HCTF for the years ended December 31, 2012 and 2011, was \$3,531 and \$2,454, respectively, equal to the required amounts.

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 7: COMMITMENTS AND CONTINGENCIES

The Canyons Annexation and Development Agreement

During 2009, the City approved an annexation and development agreement with the developer of a planned development known as The Canyons. To defray the cost to the City of providing municipal services during the predevelopment phase and to the future development, the developer paid \$1,976,400 to the City during the year ended December 31, 2009.

As part of the agreement, the City agreed to grant future sales and use tax credits to retailers and building permit applicants within the development. The developer will collect public improvement fees in lieu of the sales and use taxes to finance the construction of infrastructure in the development.

Castle Pines North Metropolitan District

In February, 2010, the City Council agreed to proceed with the dissolution of the Castle Pines North Metropolitan District, which provides water, wastewater, storm drainage and parks maintenance to City residents. However, the application for dissolution was withdrawn in February, 2012.

Reimbursement and License Agreement

In October, 2009, the City entered into a reimbursement and license agreement with the Castle Pines Parks Authority (the "Parks Authority") and the developer of the Lagae Ranch subdivision (the "Developer") to complete grading activities on property adjacent to a public park. As part of the agreement, the Parks Authority advanced a total of \$277,607 to the City, and the City completed the grading activities.

The Developer agreed to reimburse the City for the grading costs. In addition, the Developer agreed to pay interest on any unpaid amounts at rates ranging from 4% to 18% per annum. When the City received reimbursement from the Developer, the City was required to remit such amounts to the Parks Authority. In September, 2012, the Developer paid \$338,010 directly to the Parks Authority in full settlement of the advance plus unpaid accrued interest. Accordingly, the receivable and offsetting liability related to this agreement were removed from the financial statements.

Claims and Judgements

The City participates in state and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. At December 31, 2012, the City believes that any subsequent audits will not have a material effect on the overall financial position of the City.

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which limits state and local government taxing powers and imposes spending limitations.

Pursuant to the incorporation election held in November, 2007, any proceeds from sales and use taxes, property taxes, and the investment income thereon shall be retained, collected and spent by the City without regard to any spending, revenue-raising or other limitation contained in Article X, Section 20, without limiting in any year the amount of other revenue that may be collected and spent by the City.

In November, 2012, voters within the City authorized the City to retain and spend City revenues derived from any and all sources in excess of the spending or other limitations set forth in Article X, Section 20, beginning with revenues received in 2011. The Amendment is subject to many interpretations, but the City believes it is in substantial compliance with the Amendment.

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2012, the emergency reserve of \$133,000 was reported as restricted fund balance in the General Fund.

CITY OF CASTLE PINES, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2012

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Taxes	\$ 2,231,250	\$ 2,559,186	\$ 327,936
Franchise Fees	395,000	411,274	16,274
Licenses and Permits	10,600	34,009	23,409
Charges For Services	157,300	229,886	72,586
Fines and Forfeitures	40,000	72,008	32,008
Intergovernmental	742,205	868,351	126,146
Annexation Fees	-	257,105	257,105
	<u>3,576,355</u>	<u>4,431,819</u>	<u>855,464</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
City Council	94,680	83,212	11,468
City Manager	156,000	154,336	1,664
General Operations	182,800	157,331	25,469
Legal Services	165,000	124,437	40,563
Finance	146,600	145,267	1,333
City Clerk	137,678	111,865	25,813
Municipal Court	38,200	32,378	5,822
Public Safety	676,250	667,994	8,256
Public Works	1,292,000	1,244,775	47,225
Parks and Recreation	167,725	154,678	13,047
Community Development	282,800	281,590	1,210
Contingency	150,000	-	150,000
	<u>3,489,733</u>	<u>3,157,863</u>	<u>331,870</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCE	86,622	1,273,956	1,187,334
FUND BALANCE, Beginning	<u>1,279,272</u>	<u>1,505,556</u>	<u>226,284</u>
FUND BALANCE, Ending	<u>\$ 1,365,894</u>	<u>\$ 2,779,512</u>	<u>\$ 1,413,618</u>

See the accompanying Independent Auditors' Report.

CITY OF CASTLE PINES, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2012

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

State statutes require that all funds have legally adopted budgets and appropriations. Total expenditures may not exceed the amount appropriated at the fund level. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

- Management submits to the City 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 15, the budget is legally enacted through passage of a resolution.
- Revisions that alter the total expenditures of any fund must be approved by the City Council.
- All appropriations lapse at year end.

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

LOCAL HIGHWAY FINANCE REPORT		City or County: City of Castle Pines
		YEAR ENDING : December 2012
This Information From The Records Of : City of Castle Pines	Prepared By: Jan Ferrell, Deputy City Treasurer Phone: 303 705 0200	

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	442,409
3. Other local imposts (from page 2)	529,606
4. Miscellaneous local receipts (from page 2)	0
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)	972,015
B. Private Contributions	
C. Receipts from State government (from page 2)	272,760
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	1,244,775

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	0
2. Maintenance:	691,275
3. Road and street services:	
a. Traffic control operations	89,957
b. Snow and ice removal	218,338
c. Other	
d. Total (a. through c.)	308,295
4. General administration & miscellaneous	89,250
5. Highway law enforcement and safety	155,955
6. Total (1 through 5)	1,244,775
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)	1,244,775

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		1,244,775	1,244,775		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	494,906	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses	34,700	f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	34,700	h. Other	
c. Total (a. + b.)	529,606	i. Total (a. through h.)	0
	(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	272,760	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		d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	272,760	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

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

Notes and Comments: