

Town of Poncha Springs, Colorado
Financial Statements and Report of
Independent Certified Public Accountants
December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Poncha Springs, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Poncha Springs, Colorado as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–10 and 36–38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Poncha Springs, Colorado basic financial statements. The combining and individual nonmajor fund financial statements, schedules, proprietary fund budget to actual, and local highway financial report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules, proprietary fund budget to actual, and local highway financial report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Blair and Associates, P.C.

Cedaredge, Colorado
April 24, 2013

TOWN OF PONCHA SPRINGS
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2012

As management of the Town of Poncha Springs (the "Town"), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$ 3,391,656 (i.e. net position) as of December 31, 2012, an increase of \$ 64,799 in comparison to the prior year.
- Governmental funds reported combined ending fund balances of \$ 623,009, a decrease of \$ 52,291 in comparison with the prior year.
- The Town's fund balance for the General Fund was \$ 553,636, an increase of \$95,678 in comparison to the prior year.
- Total long-term liabilities decreased by \$ 12,000 during the 2012 fiscal year with no new debt issued.
- General property, sales and franchise taxes totaled \$ 417,744, or 92% of general revenues.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

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

The **statement of net position** presents information on all the Town's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the Town'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 reported in this statement for some items will result in cash flows in future periods (e.g. uncollected taxes and earned but unused personal time).

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The Governmental Activities of the Town include general government administration, public works, and culture and recreation. The Business-type Activities of the Town include the following utilities: water and sewer.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into two categories: governmental funds and proprietary funds.

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 *short-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 short-term financing requirements. The accounting method is called *modified accrual* accounting.

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 activities in the *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 short-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 *governmental funds* and *governmental activities*.

The Town maintains two major government funds, the General Fund and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and Capital Projects Fund.

Proprietary Funds – The Town maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses a separate enterprise fund to account for each of its utility funds: Water and Sewer Fund.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted previously, net position may serve over time as a useful indicator of the Town's financial position. For the year ended December 31, 2012, the Town's combined assets exceeded liabilities by \$ 3,391,656. Of this amount, \$ 707,092 is unrestricted and available to meet the Town's ongoing financial obligations.

By far the largest portion of net position is invested in capital assets (net of related debt) of \$ 2,670,264 (78% of net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the net investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the Town's governmental and business-type net position for 2012:

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Assets				
Current and other assets	\$ 712,539	\$ 769,492	\$ 291,412	\$ 414,906
Capital assets	1,214,167	1,059,927	1,647,294	1,392,609
Total assets	<u>\$ 1,926,706</u>	<u>\$ 1,829,419</u>	<u>\$ 1,938,706</u>	<u>\$ 1,807,515</u>
Current liabilities	\$ 89,531	\$ 94,192	\$ 193,028	\$ 11,492
Non-current liabilities				
Loans and compensated absences	16,197	17,393	175,000	187,000
Total liabilities	<u>105,728</u>	<u>111,585</u>	<u>368,028</u>	<u>198,492</u>
Net position				
Net investment in capital assets	1,197,970	1,042,534	1,472,294	1,205,609
Restricted	14,300	14,300	-	-
Unrestricted	608,708	661,000	98,384	403,414
Total net position	<u>\$ 1,820,978</u>	<u>\$ 1,717,834</u>	<u>\$ 1,570,678</u>	<u>\$ 1,609,023</u>

An additional portion of net position, \$ 14,300, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$ 707,092 (21% of net position), may be used to meet the government's ongoing obligations to citizens and creditors.

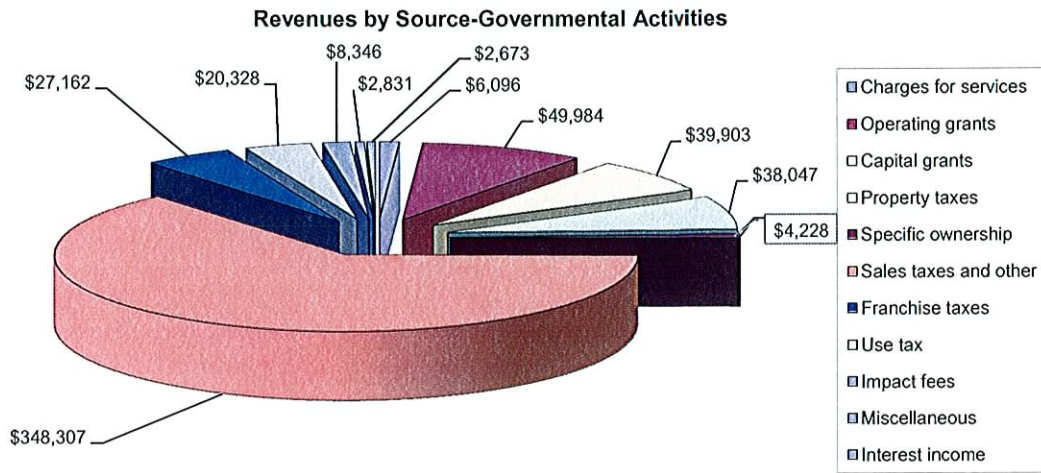
Change in Net Assets

Governmental and business-type activities increased the Town's net position by \$ 64,799 in 2012.

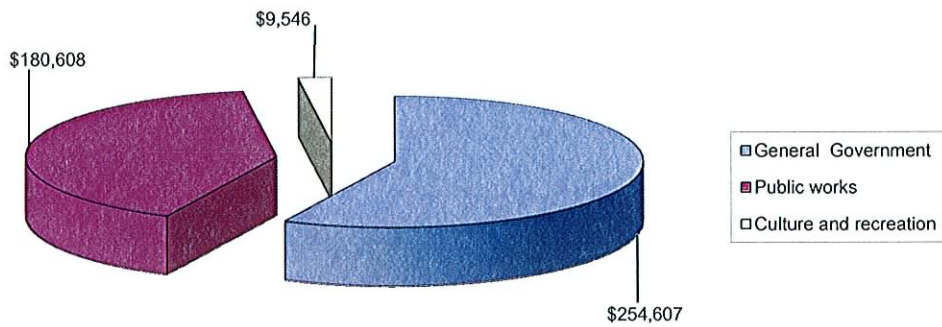
	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Revenues				
Program revenues				
Charges for services	\$ 6,096	\$ 4,834	\$ 158,061	\$ 157,308
Operating grants	49,984	147,147	-	-
Capital grants	39,903	-	32,150	12,100
General Revenues				
Property taxes	38,047	42,696	-	-
Specific ownership	4,228	3,664	-	-
Sales taxes and other	348,307	364,991	-	-
Franchise taxes	27,162	31,009	-	-
Use tax	20,328	6,771	-	-
Miscellaneous	2,831	6,254	1,385	1,259
Interest income	2,673	3,750	-	-
Impact fees	8,346	2,728	-	-
Totals	<u>547,905</u>	<u>613,844</u>	<u>191,596</u>	<u>170,667</u>
Expenses				
General government	254,607	279,432	-	-
Public works	180,608	181,007	229,941	240,582
Culture and recreation	9,546	5,664	-	-
Total expenses	<u>444,761</u>	<u>466,103</u>	<u>229,941</u>	<u>240,582</u>
Increase in net position	103,144	147,741	(38,345)	(69,915)
Beginning	<u>1,717,834</u>	<u>1,570,093</u>	<u>1,609,023</u>	<u>1,678,938</u>
Ending	<u>\$ 1,820,978</u>	<u>\$ 1,717,834</u>	<u>\$ 1,570,678</u>	<u>\$ 1,609,023</u>

Governmental Activities

Governmental activities increased the Town's net position by \$ 103,144.



Expenses by Department-Governmental Activities



Business-type Activities

Business-type activities for the year resulted in a decrease in net position of \$ 38,345. Charges for services accounted for 82% of total revenues.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of 2012, the Town's governmental funds reported combined ending fund balances of \$ 623,009, a decrease of \$ 52,291 in comparison with the prior year. Of the combined ending fund balances for all governmental funds 74% of this total amount, \$ 460,469, constitutes unassigned fund balance, which is available for appropriation at the Town's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is already committed to meet a State constitution mandated emergency reserve of \$ 14,300.

The Town has two major governmental funds the General Fund, which is the primary operating fund for the Town, and the Capital Projects Fund used for capital acquisitions. At the end of 2012, assigned fund balance of the Capital Projects Fund was \$ 41,000. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The fund balance of the Town's General Fund increased by \$ 95,678 during 2012.

Proprietary funds. The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Town has two enterprise funds: Water Fund and Sewer Fund. At the end of 2012, these funds represented the following net position amounts:

Fund:	Water	Sewer
Unrestricted net position	\$ 98,384	\$ -
Total net position	\$ 1,570,678	\$ -
Increase (Decrease) in net position	\$165,453	\$(203,798)

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town budgeted \$ 584,390 for 2012 expenditures. Actual expenditures were \$538,304. There were no amendments to the original budget for the general fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's net investment in capital assets for its governmental and business-type activities as of December 31, 2012, was \$ 2,861,461, increase of \$ 408,925 from the prior year. As required for this year by GASB 34, the net investment in capital assets includes land, buildings, building improvements, and equipment.

Capital assets activity for the year ended December 31, 2012 was as follows:

Governmental Activities	Balance January 1, 2012	Additions	Dispositions	Balance December 31, 2012
Capital assets not being depreciated				
Land	\$ 578,189	\$ -	\$ -	\$ 578,189
Capital assets being depreciated				
Buildings	227,947	-	-	227,947
Improvements other than buildings	33,531	-	-	33,531
Infrastructure	252,629	172,621	-	425,250
Equipment	189,682	-	-	189,682
	<u>703,789</u>	<u>172,621</u>	<u>-</u>	<u>876,410</u>
Less accumulated depreciation				
Buildings	(46,499)	(5,609)	-	(52,108)
Infrastructure	(38,352)	(8,190)	-	(46,542)
Equipment	(137,200)	(4,582)	-	(141,782)
	<u>(222,051)</u>	<u>(18,381)</u>	<u>-</u>	<u>(240,432)</u>
Capital assets being depreciated, net	<u>481,738</u>	<u>154,240</u>	<u>-</u>	<u>635,978</u>
Total governmental activities capital assets	<u>\$ 1,059,927</u>	<u>\$ 154,240</u>	<u>\$ -</u>	<u>\$ 1,214,167</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town of Poncha Springs receives most of its revenue as “pass through” funds from other entities and taxes. For example, the Town receives a share of the Chaffee County Sales Tax and funds from the Highway User Tax Fund and Mineral Leasing and Severance payments. Most of these revenue sources are vulnerable to changes in the general economy as well as legislative changes that can redistribute funds.

The Town's portion of the County Sales Tax has seen some improvement. The Town's sales tax has remained stagnant and we anticipate this trend to continue for the next year. Revenue from the Highway User Tax Fund has increased because of fee increases made by the State. The Town will budget this number very conservatively for the next year. Grant funds for the Town's water system will be carried over to the 2013 budget with some uncertainty as to what improvements will be constructed. We will discuss this DOLA Water grant at budget sessions to see what is in the Town's best interest. The CDOT grant will once again be carried over to complete the County Road 120 Trail. This trail runs from Salida to the Poncha Springs Visitor's Center on Highway 285.

The town's transfer of the sewer system to the City of Salida has been completed. However there is still some financial obligation to Salida that has not been totally resolved. These issues will be addressed during the preparation of the 2013 budget documents.

The demise of Friend Ranch LLC has left outstanding financial obligations the Town will be forced to utilize un-appropriated surplus funds to cover short falls in expenses. We are hopeful that legal complications on the property will be resolved and the Town can negotiate a cost recovery program to help rebuild funds expended. Unforeseen legal costs could impact the current budget in a detrimental fashion.

Due to ongoing conditions of the economy and the uncertainty of some revenue sources, the main capital projects may be forced to be postponed during the current budget cycle.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Town of Poncha Springs. For additional information or questions related to this report please contact the following:

**Town Administrator
Town of Poncha Springs
PO Box 190
Poncha Springs, Colorado 81242
719-539-6882**

BASIC FINANCIAL STATEMENTS

**Town of Poncha Springs
Statement of Net Position
December 31, 2012**

	Governmental Activities	Business -Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 472,398	\$ 273,490	\$ 745,888
Property taxes receivable	36,300	-	36,300
Accounts receivables	-	17,922	17,922
Internal balances	177,585	(177,585)	-
Due from other governments	26,256	-	26,256
Capital assets, net	1,214,167	1,647,294	2,861,461
Total assets	1,926,706	1,761,121	3,687,827
LIABILITIES			
Accounts payable	1,430	5,800	7,230
Accrued interest expense	-	8,020	8,020
Deferred revenue	-	1,623	1,623
Prepaid deposits	51,801	-	51,801
Non current liabilities			
Due within one year	-	12,000	12,000
Due in more than one year	16,197	163,000	179,197
Total liabilities	69,428	190,443	259,871
Deferred Inflows of Resources			
Deferred property tax revenue	36,300	-	36,300
NET POSITION			
Invested in capital assets, net of related debt	1,197,970	1,472,294	2,670,264
Reserve for emergencies	14,300	-	14,300
Unrestricted	608,708	98,384	707,092
Total net position	\$ 1,820,978	\$ 1,570,678	\$ 3,391,656

The accompanying notes are an integral part of this statement.

**Town of Poncha Springs
Statement of Activities
For the Year Ended December 31, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Service and Fees	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 254,607	\$ 6,096	\$ -	\$ -
Public Works	180,608	-	42,617	-
Culture and Recreation	9,546	-	7,367	39,903
Total governmental activities	<u>444,761</u>	<u>6,096</u>	<u>49,984</u>	<u>39,903</u>
Business-type activities:				
Water	211,941	158,061	-	32,150
Sewer	18,000	-	-	-
Total business- type activities	<u>229,941</u>	<u>158,061</u>	<u>-</u>	<u>32,150</u>
Total primary government	<u>\$ 674,702</u>	<u>\$ 164,157</u>	<u>\$ 49,984</u>	<u>\$ 72,053</u>

General Revenues

Taxes:
Property taxes
Specific ownership
Sales taxes and miscellaneous
Franchise taxes
Impact fees
Use tax
Miscellaneous
Investment earnings
Total General Revenues

Changes in Net Position
Net Position-January 1
Net Position-December 31

Net (Expense) Revenue and Changes in Net Postion
Primary Government

Governmental	Business-Type	
Activities	Activities	Total
\$ (248,511)	\$ -	\$ (248,511)
(137,991)	-	(137,991)
37,724	-	37,724
<u>(348,778)</u>	<u>-</u>	<u>(348,778)</u>
-	(21,730)	(21,730)
-	(18,000)	(18,000)
<u>-</u>	<u>(39,730)</u>	<u>(39,730)</u>
<u>(348,778)</u>	<u>(39,730)</u>	<u>(388,508)</u>
38,047	-	38,047
4,228	-	4,228
348,307	-	348,307
27,162	-	27,162
8,346	-	8,346
20,328	-	20,328
2,831	1,385	4,216
2,673	-	2,673
<u>451,922</u>	<u>1,385</u>	<u>453,307</u>
103,144	(38,345)	64,799
1,717,834	1,609,023	3,326,857
<u>\$ 1,820,978</u>	<u>\$ 1,570,678</u>	<u>\$ 3,391,656</u>

The accompanying notes are an integral part of this statement.

**Town of Poncha Springs
Governmental Funds
Balance Sheet
December 31, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 403,025	\$ 41,000	\$ 28,373	\$ 472,398
Taxes receivable	36,300	-	-	36,300
Due from other funds	177,586	-	-	177,586
Due from other governments	26,256	-	-	26,256
Total assets	<u>\$ 643,167</u>	<u>\$ 41,000</u>	<u>\$ 28,373</u>	<u>\$ 712,540</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 1,430	\$ -	\$ -	\$ 1,430
Prepaid deposits	51,801	-	-	51,801
Total liabilities	<u>53,231</u>	<u>-</u>	<u>-</u>	<u>53,231</u>
Deferred Inflows of Resources				
Deferred property tax revenue	<u>36,300</u>	<u>-</u>	<u>-</u>	<u>36,300</u>
Fund balances:				
Restricted:				
Reserve for emergencies	14,300	-	-	14,300
Parks and recreation	-	-	28,373	28,373
Committed	-	41,000	-	41,000
Assigned	78,867	-	-	78,867
Unassigned	460,469	-	-	460,469
Total fund balance	<u>553,636</u>	<u>41,000</u>	<u>28,373</u>	<u>623,009</u>
Total liabilities and fund balance	<u>\$ 643,167</u>	<u>\$ 41,000</u>	<u>\$ 28,373</u>	<u>\$ 712,540</u>

The accompanying notes are an integral part of this statement.

**Town of Poncha Springs
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
December 31, 2012**

Total fund balance, governmental funds \$ 623,009

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of capital assets	\$ 1,454,603	
Less accumulated depreciation	<u>(240,437)</u>	1,214,166

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Compensated absences	<u>(16,197)</u>
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Net Position of Governmental Activities in the Statement of Net Position \$ 1,820,978

The accompanying notes are an integral part of this statement.

**Town of Poncha Springs
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 438,072	\$ -	\$ -	\$ 438,072
Intergovernmental	43,769	-	-	43,769
Licenses and permits	5,096	-	-	5,096
Grants	-	39,903	-	39,903
Charges for services	140	-	7,367	7,507
Miscellaneous	13,358	-	201	13,559
Total revenues	<u>500,435</u>	<u>39,903</u>	<u>7,568</u>	<u>547,906</u>
Expenditures				
Current:				
General government	253,611	-	116	253,727
Public works	167,963	-	-	167,963
Culture and recreation	2,078	-	-	2,078
Capital outlay	114,652	61,149	628	176,429
Total expenditures	<u>538,304</u>	<u>61,149</u>	<u>744</u>	<u>600,197</u>
Excess of revenues over expenditures	<u>(37,869)</u>	<u>(21,246)</u>	<u>6,824</u>	<u>(52,291)</u>
Other Financing (Uses)				
Transfers In (Out)	-	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(37,869)	(21,246)	6,824	(52,291)
Fund balance, January 1	457,958	126,405	90,937	675,300
Residual transfer	133,547	(64,159)	(69,388)	-
Fund balance, December 31	<u>\$ 553,636</u>	<u>\$ 41,000</u>	<u>\$ 28,373</u>	<u>\$ 623,009</u>

The accompanying notes are an integral part of this statement.

Town of Poncha Springs
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Year Ended December 31, 2012

Net change in fund balances - total governmental funds \$ (52,291)

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

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 capital outlays exceeded depreciation in the current period.

Fixed assets current additions	\$ 172,621	
Depreciation expense	(18,381)	
Excess of capital outlay over depreciation	154,240	154,240

Reduction of compensated absences is not reported as an expenditure in the governmental funds but reduces long-term liabilities in the statement of net position.		1,195
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Change in net position of governmental funds \$ 103,144

The accompanying notes are an integral part of this statement.

**Town of Poncha Springs
Statement of Net Position
Enterprise Funds
Year Ended December 31, 2012**

	Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Funds
Assets			
Current Assets:			
Cash and cash equivalents	\$ 273,490	\$ -	\$ 273,490
Accounts receivable, net	17,922	-	17,922
Total current assets	<u>291,412</u>	<u>-</u>	<u>291,412</u>
Capital assets:			
Land and improvements	517,988	-	517,988
Buildings	5,837	-	5,837
Wells	324,652	-	324,652
Utility system	1,407,966	-	1,407,966
Equipment	304,207	-	304,207
Less accumulated depreciation	(913,356)	-	(913,356)
Total capital assets	<u>1,647,294</u>	<u>-</u>	<u>1,647,294</u>
Total assets	<u>\$ 1,938,706</u>	<u>\$ -</u>	<u>\$ 1,938,706</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 5,800	\$ -	\$ 5,800
Due to other funds	177,585	-	177,585
Accrued interest expense	8,020	-	8,020
Deferred revenues	1,623	-	1,623
Current portion of long-term debt	12,000	-	12,000
Total current liabilities	<u>205,028</u>	<u>-</u>	<u>205,028</u>
Long-term liabilities	<u>163,000</u>	<u>-</u>	<u>163,000</u>
Net Position			
Invested in capital assets, net of related debt	1,472,294	-	1,472,294
Unrestricted	98,384	-	98,384
Total net position	<u>\$ 1,570,678</u>	<u>\$ -</u>	<u>\$ 1,570,678</u>

The accompanying notes are an integral part of this statement.

Town of Poncha Springs
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
Year Ended December 31, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 158,061	\$ -	\$ 158,061
Total operating revenues	<u>158,061</u>	<u>-</u>	<u>158,061</u>
Operating expenses:			
Personnel services	69,755	-	69,755
Contractual services	59,708	-	59,708
Utilities	12,224	-	12,224
Other supplies and expenses	7,110	-	7,110
Bad debts	-	15,119	15,119
Depreciation	54,244	2,881	57,125
Total operating expenses	<u>203,041</u>	<u>18,000</u>	<u>221,041</u>
Operating income (loss)	<u>(44,980)</u>	<u>(18,000)</u>	<u>(62,980)</u>
Non-operating revenues (expenses):			
Miscellaneous	1,385	-	1,385
Interest expense	(8,900)	-	(8,900)
Total non-operating revenues (expenses)	<u>(7,515)</u>	<u>-</u>	<u>(7,515)</u>
Income (loss) before transfers and capital contributions	(52,495)	(18,000)	(70,495)
Capital contributions-Tap fees	<u>32,150</u>	<u>-</u>	<u>32,150</u>
Change in net position	(20,345)	(18,000)	(38,345)
Total net position, January 1	1,405,225	203,798	1,609,023
Residual transfer	185,798	(185,798)	-
Total net position, December 31	<u>\$ 1,570,678</u>	<u>\$ -</u>	<u>\$ 1,570,678</u>

The accompanying notes are an integral part of this statement.

**Town of Poncha Springs
Statement of Cash Flows
Enterprise Funds
Year Ended December 31, 2012**

	Water Fund	Sewer Fund	Total Enterprise Funds
Cash flows from operating activities			
Cash received from charges for services	\$ 162,461	\$ -	\$ 162,461
Cash payments for goods and services	(73,946)	-	(73,946)
Cash payments to employees for services	(69,755)	-	(69,755)
Net cash provided (used) by operating activities	<u>18,760</u>	<u>-</u>	<u>18,760</u>
Cash flows from non-capital financing activities			
Transfers	185,798	(185,798)	-
Miscellaneous	1,385	-	1,385
Net cash provided (used) by non-capital financing activities	<u>187,183</u>	<u>(185,798)</u>	<u>1,385</u>
Cash flows from capital and related financing activities			
Tap fees	32,150	-	32,150
Loan from General Fund	175,934	(2,637)	173,297
Acquisition of capital assets	(313,309)	1,500	(311,809)
Principal paid on loans and leases	(12,000)	-	(12,000)
Interest expense	(8,900)	-	(8,900)
Net cash provided (used) by capital and related financing activities	<u>(126,125)</u>	<u>(1,137)</u>	<u>(127,262)</u>
Net increase (decrease) in cash and equivalents	79,818	(186,935)	(107,117)
Cash balances, January 1	<u>193,672</u>	<u>186,935</u>	<u>380,607</u>
Cash balances, December 31	<u>\$ 273,490</u>	<u>\$ -</u>	<u>\$ 273,490</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (44,980)	\$ (18,000)	\$ (62,980)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	54,244	2,881	57,125
Assets (increase) decrease:			
Accounts receivables	5,238	15,427	20,665
Liabilities increase (decrease):			
Accounts payable	5,546	(308)	5,238
Deferred revenues	(838)	-	(838)
Accrued interest expense	(450)	-	(450)
Total adjustments	<u>63,740</u>	<u>18,000</u>	<u>81,740</u>
Net cash provided (used) by operating activities	<u>\$ 18,760</u>	<u>\$ -</u>	<u>\$ 18,760</u>

The accompanying notes are an integral part of this statement.

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Poncha Springs, Colorado (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The Town is a statutory municipality with a mayor – trustee form of government with seven elected Trustee members. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town of Poncha Springs (the primary government). The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respect governing body.

B. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the Town and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

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

C. Fund Financial Statements

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 1 - Summary of Significant Accounting Policies - (continued)

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

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

The Town reports the following major governmental funds:

- The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.
- The Capital Projects Fund, which accounts for grants and other revenues to be used for capital projects.

The remaining governmental funds are aggregated and presented as non-major funds. Those funds include:

- The Conservation Trust Fund, which accounts for State of Colorado lottery funds to be used for parks and recreation services and capital investment.
- Cemetery Fund which accounts for proceeds for plots and markers sales to be used for maintenance of cemetery.
- Chaffee County Trust Fund which accounts for trust funds from Chaffee County.
- Economic Development Fund which accounts for funds to be used for economic development.

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interests in the activities and sources of funding supporting these operations. The Town applies all applicable Financial Accounting Standards Board pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary operations except those that conflict with GASB pronouncements.

Note 1 - Summary of Significant Accounting Policies - (continued)

The Town reports the following major enterprise fund business-type activities:

- Water and Sewer Funds, which account for all operations of the Town's water and sewer services. They are primarily financed by user charges.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. Revenues are recorded when earned and expenses are recorded when a 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.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due, and compensated absences which are recognized when the obligations are expected to be liquidated with expendable available resources.

Those revenues susceptible to accrual are interest revenue and charges for services. Entitlement revenues are not susceptible to accrual because generally, they are not measurable until received. Grant revenues are recognized as they are earned.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows of the enterprise funds, cash and cash equivalents consist of operating and restricted cash and highly liquid securities with an initial maturity of three months or less.

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 1 - Summary of Significant Accounting Policies - (continued)

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Property Taxes

Property taxes for the current year are levied and attached as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable at December 31. However, since the taxes are not available to pay current liabilities, the receivable is recorded as deferred revenue in the governmental and enterprise funds.

H. Capital Assets

Capital assets, which include property, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the Town as assets that have a useful life of one or more years, and for which the initial, individual value equals or exceeds \$ 5,000.

All purchased assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Depreciation</u>	<u>Life</u>
Transmission lines	50-70 years
Buildings	40 years
Storage tanks	25-40 years
Wells	10-30 years
Meters and pits	30 years
Equipment	5 years
Infrastructure	15-40 years

Note 1 - Summary of Significant Accounting Policies - (continued)

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capitalized assets as their useful life often extends beyond most other capital assets and are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities. Prior to GASB 34 governments were not required to report general infrastructure assets.

I. Long-Term Liabilities

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

The long-term compensated absences are serviced from revenues of the General Fund from future appropriations.

J. Compensated Absences

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused general leave benefits. Employees are allowed to accumulate benefits up to predetermined maximums and are compensated for these accumulated benefits either through paid time off or at termination or retirement.

K. Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Note 1 - Summary of Significant Accounting Policies - (continued)

L. Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At year end, outstanding balances between funds are reported as “due to/from other funds.” Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

M. Encumbrances

The Town does not use an encumbrance system for budgetary control.

N. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

The governmental funds balance sheet includes reconciliation between fund balances total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The enterprise fund statement of net position and statement of revenues, expenses and changes in net position also includes reconciliation to the government-wide statement of net position and activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the governmental fund statements during the consolidation of governmental activities.

Note 3 - Tax, Spending and Debt Limitations

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 governments, excluding “enterprises.”

The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the amendment.

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending. A portion of the General Fund’s fund balance is classified as restricted for emergencies as required by the Amendment.

Note 4 - Budgets

The Town adheres to the following procedures in establishing budgetary data reflected in the financial statements:

- A. Each year, the Town Administrator gives public notice of the budget calendar for the next fiscal year. The Town Administrator, prepares a proposed budget for the ensuing fiscal year and submits it to the Trustees no later than forty-five days prior to any date required by state law for the certification to the County of the tax levy.
- B. The budget provides a complete financial plan of all Town funds and activities for the ensuing fiscal year indicating anticipated revenues, proposed operating and capital expenditures, a provision for contingencies, and anticipated net surplus or deficit for the ensuing fiscal year.

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 4 – Budgets - (continued)

- C. A public hearing on the proposed budget is held by the Trustees in early November.
- D. The Trustees adopt the budget by resolution on or before the final day established by law for the certification of the ensuing year's tax levy to the County. Adoption of the budget by the Trustees shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated and shall constitute a levy of the property tax therein proposed.
- E. If during the fiscal year the Town Administrator determines that there are expenses in excess of those estimated in the budget, the Trustees by resolution may make supplemental appropriations for the year up to the amount of such excess. To meet an emergency affecting public property, health, peace or safety, the Trustees may make emergency appropriations. If at any time during the fiscal year it appears probable to the Town Administrator that the revenues available will be insufficient to meet the amount appropriated, the Town Administrator reports to the Trustees, indicating the estimated amount of deficit, any remedial action already taken, and a recommendation as to any other steps to be taken. Any time during the fiscal year the Town Administrator may transfer part or all of any unencumbered appropriation balance within a department.
- F. Budget appropriations lapse at the end of each year.
- G. Expenditures may not exceed appropriations at the fund level. Budget amounts included in the financial statements are based on the final amended budget. Revisions made to the original budgeted expenditures for each fund are as follows:

	Original Budget	Total Revisions	Final Budget
General	\$ 584,390	\$ -	\$ 584,390
Water	197,800	125,000	322,800
Capital Projects	629,642	-	629,642
Conservation Trust	25,000	-	25,000
	\$ 1,436,832	\$ 125,000	\$ 1,561,832

- H. Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for long-term receivables and advances and capital lease financing which are budgeted when liquidated rather than when the receivable/liability is incurred. Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 5 - Deposits and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool 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 the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2012, the bank balance of the Town's deposits was \$ 589,571 of which \$ 500,000 was covered by federal depository insurance and \$89,571 was collateralized under PDPA.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks' commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The Town's investment policy follows Colorado statutes. At December 31, 2012 the Town's investments included certificates of deposit and funds held in Colotrust.

The Town had invested \$ 177,790 in Colotrust an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of Colotrust consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identified the investments owned by Colotrust. These pools are not required to and are not registered with the SEC. Colotrust's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 5 - Deposits and Investments - (continued)

The Town maintains a cash pool that is available to the General Fund, Special Revenue Funds and Enterprise Funds.

Cash and cash equivalents are summarized as follows:

Cash on hand and with treasurer	\$ 50
Demand deposits	302,921
Certificates of deposits	265,128
Money market funds held by ColoTrust	<u>177,790</u>
	<u>\$ 745,889</u>

Note 6 - Interfund Transactions

	Due to	Due from
General Fund	\$ 177,585	\$
Water Fund		174,948
Sewer Fund		<u>2,637</u>
Total	<u>\$ 177,585</u>	<u>\$177,585</u>

Note 7 - Long-term Liabilities

	January 1, 2012	Additions	Reductions	December 31, 2012	Due within one year
Governmental Activities					
Compensated absences	\$ 17,393	\$ -	\$ (1,196)	\$ 16,197	\$ -
Total	<u>\$ 17,393</u>	<u>\$ -</u>	<u>\$ (1,196)</u>	<u>\$ 16,197</u>	<u>\$ -</u>
Enterprise Activities					
Loans payable	\$ 187,000	\$ -	\$ (12,000)	\$ 175,000	\$ 12,000
Total	<u>\$ 187,000</u>	<u>\$ -</u>	<u>\$ (12,000)</u>	<u>\$ 175,000</u>	<u>\$ 12,000</u>

The following is a description of each individual issue:

\$ 255,000 bonds payable to U.S. Department of Agriculture; interest rate of 5%; due in annual installments ranging from \$ 19,950 to \$ 35,150 including interest through February 2023; debt is collateralized by net revenues of water and sewer fund and the debt is serviced by the water and sewer fund.

\$ 175,000

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 7 - Long-term Liabilities - (continued)

Presented below is a summary of the debt service requirements to maturity, including interest of \$56,550.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2013	12,000	8,750
2014	13,000	8,150
2015	14,000	7,500
2016	14,000	6,800
2017	15,000	6,100
2018-2022	88,000	18,300
2023-2027	19,000	950
Total	<u>\$ 175,000</u>	<u>\$ 56,550</u>

Note 8 - Retirement Plans

Defined Contribution Plan

The Town has a defined contribution plan for its employees which is administered by Nexus Financial Programs, Inc. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. All permanent employees are eligible to participate in the plan from the date of employment. The Town make a basic contribution of 5% of the employee's salary and will match an additional 3% if the employee chooses to contribute. Employees may make additional voluntary contributions. Participants vest in employer contributions and in earnings, losses and changes in fair market value of Plan assets at a rate of 20% per year. Any nonvested Town contributions forfeited by an employee who leaves the Town's employment are remitted to the Town.

The Town's total payroll in 2012 was \$ 290,814. The total payroll covered by the plan was \$ 273,563. A contribution of \$ 26,433 was made to the plan in 2012. This contribution consisted of the Town's contribution of \$ 19,135 and the employee's contributions of \$ 7,298.

Note 9 - Risk Management

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.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a public entity risk pool currently operating as a common risk management and insurance program for property/casualty and workers' compensation coverage. CIRSA is to be self-sustaining through member premiums and reinsures through commercial companies for claims in excess of certain limits for each insured event. CIRSA members are subject to a supplemental assessment in the event of a deficiency.

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 10 - Capital Assets

Capital assets activity for the year ended December 31, 2012 was as follows:

Governmental Activities	Balance 1, 2012	January Additions	Dispositions	Balance December 31, 2012
Capital assets not being depreciated				
Land	\$ 578,189	\$ -	\$ -	\$ 578,189
Capital assets being depreciated				
Buildings	227,947	-	-	227,947
Improvements other than buildings	33,531	-	-	33,531
Infrastructure	252,629	172,621	-	425,250
Equipment	189,682	-	-	189,682
	<u>703,789</u>	<u>172,621</u>	<u>-</u>	<u>876,410</u>
Less accumulated depreciation				
Buildings	(46,499)	(5,609)	-	(52,108)
Infrastructure	(38,352)	(8,190)	-	(46,542)
Equipment	(137,200)	(4,582)	-	(141,782)
	<u>(222,051)</u>	<u>(18,381)</u>	<u>-</u>	<u>(240,432)</u>
Capital assets being depreciated, net	<u>481,738</u>	<u>154,240</u>	<u>-</u>	<u>635,978</u>
Total governmental activities capital assets	<u>\$ 1,059,927</u>	<u>\$ 154,240</u>	<u>\$ -</u>	<u>\$ 1,214,167</u>

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 10 - Capital Assets-continued

Business-Type Activities	Balance January 1, 2012	Additions	Dispositions	Balance December 31, 2012
Capital assets not being depreciated				
Land	\$ 244,930	\$ 273,058	\$ -	\$ 517,988
Capital assets being depreciated				
Buildings	5,837	-	-	5,837
Transmission system	1,184,721	14,200	-	1,198,921
Storage tanks	209,045	-	-	209,045
Wells	324,652	-	-	324,652
Equipment	304,207	-	-	304,207
Less accumulated depreciation	(856,231)	(57,125)	-	(913,356)
Capital assets being depreciated, net	1,172,231	(42,925)	-	1,129,306
Total business-type activities capital assets	\$ 1,417,161	\$ 230,133	\$ -	\$ 1,647,294

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

General government	\$ 2,076
Public works	12,645
Culture and recreation	3,660
Total	<u>\$ 18,381</u>

Note 11 - Reconciliation of Budget Basis to GAAP Basis for Enterprise Funds

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
GAAP-based expenses	\$	\$ 214,822	\$
Add (deduct):			
Depreciation		(57,125)	
Acquisition and construction of capital assets		138,512	
Accrued interest		450	
Bond principal retirement		12,000	
Total budgetary-based Expenditures	<u>\$ 322,800</u>	<u>\$ 308,659</u>	<u>\$ 14,141</u>

Town of Poncha Springs
Notes to Basic Financial Statements
December 31, 2012

Note 12 - New GASB Standards

GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, implemented this year provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The Town has determined that property taxes revenue that are related to a future period have been recorded as deferred inflows.

GASB 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the Town beginning with its year ending December 31, 2012. This statement requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows resources, deferred inflows of resources, or current-period outflows and inflows.

Note 13 – Residual Transfers

The following residual transfers were made in 2012:

	In	Out
General Fund	\$ 133,547	\$ -
Water Fund	185,798	-
Sewer Fund	-	185,798
Capital Projects Fund	-	64,159
Cemetery Fund	-	6,827
Chaffee County Fund	-	2,975
Economic Development Fund	-	10,055
Impact Fees Fund	-	49,531
Total	\$ 319,345	\$ 319,345

REQUIRED SUPPLEMENTARY INFORMATION

Town of Poncha Springs
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
Year Ended December 31, 2012

	Original Budget	Final Budget Budget	Actual	Variance Favorable (Unfavorable)
Taxes				
Sales	\$ 278,000	\$ 278,000	\$ 344,530	\$ 66,530
Property	36,300	36,300	38,047	1,747
Specific Ownership	3,900	3,900	4,228	328
Franchise	26,000	26,000	27,162	1,162
Use tax	5,000	5,000	20,328	15,328
Cigarette/other	2,450	2,450	3,777	1,327
Total Taxes	<u>351,650</u>	<u>351,650</u>	<u>438,072</u>	<u>86,422</u>
Intergovernmental				
Highway users tax	43,800	43,800	42,617	(1,183)
Other	1,400	1,400	1,152	(248)
Total intergovernmental	<u>45,200</u>	<u>45,200</u>	<u>43,769</u>	<u>(1,431)</u>
Licenses and permits	<u>5,100</u>	<u>5,100</u>	<u>5,096</u>	<u>(4)</u>
Charges for services	<u>150</u>	<u>150</u>	<u>140</u>	<u>(10)</u>
Other				
Interest	3,050	3,050	2,472	(578)
Development fees	1,000	1,000	325	(675)
Sale of Assets	70,000	70,000	596	(69,404)
Impact fees	4,092	4,092	8,346	4,254
Cemetery plot sales	-	-	1,000	1,000
Miscellaneous	300	300	619	319
Total other	<u>78,442</u>	<u>78,442</u>	<u>13,358</u>	<u>(65,084)</u>
Total revenues	<u>\$ 480,542</u>	<u>\$ 480,542</u>	<u>\$ 500,435</u>	<u>\$ 19,893</u>

Town of Poncha Springs
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Salaries	\$ 136,600	\$ 136,600	\$ 134,951	\$ 1,649
Trustee's	21,000	21,000	21,000	-
Employee benefits	41,500	41,500	38,277	3,223
Supplies	14,550	14,550	9,732	4,818
Purchased services	44,500	44,500	36,292	8,208
Fixed charges	10,650	10,650	10,728	(78)
Grant related expenses	1,200	1,200	700	500
Miscellaneous	3,000	3,000	1,931	1,069
Building Materials	1,500	1,500	-	1,500
Intergovernmental Services	5,000	5,000	-	5,000
Total general government	<u>279,500</u>	<u>279,500</u>	<u>253,611</u>	<u>25,889</u>
Public Works				
Salaries	99,600	99,600	99,543	57
Employee benefits	25,840	25,840	27,307	(1,467)
Supplies	18,500	18,500	18,094	406
Purchased services	28,850	28,850	23,019	5,831
Miscellaneous	100	100	-	100
Total public works	<u>172,890</u>	<u>172,890</u>	<u>167,963</u>	<u>4,927</u>
Visitors' Center				
Supplies	500	500	644	(144)
Purchased services	2,500	2,500	1,434	1,066
Total visitors' center	<u>3,000</u>	<u>3,000</u>	<u>2,078</u>	<u>922</u>
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay	<u>129,000</u>	<u>129,000</u>	<u>114,652</u>	<u>14,348</u>
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>584,390</u>	<u>584,390</u>	<u>538,304</u>	<u>46,086</u>
Excess revenues over expenditures	<u>\$ (103,848)</u>	<u>\$ (103,848)</u>	<u>\$ (37,869)</u>	<u>\$ 65,979</u>

**Town of Poncha Springs
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Property sales	\$ -	\$ -	\$ -	\$ -
Grants	588,681	588,681	39,903	
Total revenues	<u>588,681</u>	<u>588,681</u>	<u>39,903</u>	<u>-</u>
Expenditures				
Current:				
Capital outlay	629,642	629,642	61,149	568,493
Total expenditures	<u>629,642</u>	<u>629,642</u>	<u>61,149</u>	<u>568,493</u>
Excess (deficiency) of revenues over expenditures	(40,961)	(40,961)	(21,246)	568,493
Other financing sources (uses)				
Operating transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>(40,961)</u>	<u>(40,961)</u>	<u>(21,246)</u>	<u>19,715</u>

Town of Poncha Springs
Combining Balance Sheet
Other Governmental Funds
Year Ended December 31, 2012

	Conservation Trust Fund	Cemetery Fund	Chaffee County Fund
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	28,373	-	-
Total assets	\$ 28,373	\$ -	\$ -
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balances (deficits):			
Unreserved:	28,373	-	-
Total fund balances (deficits)	28,373	-	-
Total liabilities and fund balances	\$ 28,373	\$ -	\$ -

Economic Development Fund	Impact Fees Fund	Total Other Governmental Funds
\$ -	\$ -	\$ 7,367
-	-	-
-	-	201
-	-	7,568
-	-	-
-	-	-
-	-	116
-	-	628
-	-	744
-	-	6,824
-	-	-
-	-	-
-	-	6,824
10,055	49,531	90,937
(10,055)	(49,531)	(69,388)
\$ -	\$ -	\$ 28,373

Economic Development Fund	Impact Fees Fund	Total Other Governmental Funds
\$ -	\$ -	\$ -
-	-	28,373
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,373</u>
\$ -	\$ -	\$ -
-	-	-
-	-	28,373
-	-	28,373
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,373</u>

Town of Poncha Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
Year Ended December 31, 2012

	<u>Conservation Trust Fund</u>	<u>Cemetery Fund</u>	<u>Chaffee County Fund</u>
REVENUES			
Intergovernmental	\$ 7,367	\$ -	\$ -
Miscellaneous	-	-	-
Interest earnings	201	-	-
Total revenues	<u>7,568</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
Public safety	-	-	-
Culture and recreation	-	-	-
Miscellaneous	116	-	-
Capital outlay	628	-	-
Total expenditures	<u>744</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>6,824</u>	<u>-</u>	<u>-</u>
Other Financing (Uses)			
Transfers In (Out)	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	6,824	-	-
Fund balance (deficit), January 1	21,549	6,827	2,975
Residual transfer	-	(6,827)	(2,975)
Fund balance (deficit), December 31	<u>\$ 28,373</u>	<u>\$ -</u>	<u>\$ -</u>

**Town of Poncha Springs
Conservation Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Lottery	\$ 6,400	\$ 6,400	\$ 7,367	\$ 967
Interest	100	100	201	101
Total revenues	<u>6,500</u>	<u>6,500</u>	<u>7,568</u>	<u>1,068</u>
 Expenditures				
Repairs	1,000	1,000	117	883
Capital Outlay	24,000	24,000	628	23,372
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>745</u>	<u>24,255</u>
 Other financing sources (uses)				
Operating transfer out	<u>(41,000)</u>	<u>(41,000)</u>	<u>-</u>	<u>-</u>
 Excess of revenues over (under) expenditures	<u>\$ (59,500)</u>	<u>\$ (59,500)</u>	<u>\$ 6,823</u>	<u>\$ 66,323</u>

Town of Poncha Springs
Water Fund
Schedule of Revenues, Expenditures and Changes in Available
Resources-Actual and Budget
(Non-GAAP Budgetary Basis)
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Water charges	\$ 148,000	\$ 148,000	\$ 158,061	\$ 10,061
Connection fees	18,000	18,000	32,150	14,150
Miscellaneous	8,950	8,950	1,385	(7,565)
Total revenues	<u>174,950</u>	<u>174,950</u>	<u>191,596</u>	<u>16,646</u>
Expenditures				
Water:				
Salaries and wages	54,000	54,000	53,843	157
Employee benefits	18,450	18,450	15,912	2,538
Repairs and supplies	2,000	2,000	3,972	(1,972)
Postage	1,000	1,000	1,068	(68)
Utilities	12,500	12,500	12,224	276
Water storage and leasing	18,500	18,500	39,924	(21,424)
Water treatment/testing	8,000	8,000	5,904	2,096
Professional fees	14,000	14,000	13,880	120
Capital outlay	46,900	171,900	138,512	33,388
Debt service payments	21,350	21,350	21,350	-
Miscellaneous	1,100	1,100	2,070	(970)
Total Water	<u>197,800</u>	<u>322,800</u>	<u>308,659</u>	<u>14,141</u>
Excess of revenues over (under) expenditures	<u>\$ (22,850)</u>	<u>\$ (147,850)</u>	<u>\$ (117,063)</u>	<u>\$ 30,787</u>

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Poncha Springs YEAR ENDING : December 2012
This Information From The Records Of (example - City of _ or County of Town of Poncha Springs)	Prepared By: Greg Smith Public Works Director Phone: 7195396882

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
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	111,472
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	600
2. General fund appropriations	184,529	b. Snow and ice removal	1,200
3. Other local imposts (from page 2)	0	c. Other	1,356
4. Miscellaneous local receipts (from page 2)	10,210	d. Total (a. through c.)	3,156
5. Transfers from toll facilities		4. General administration & miscellaneous	126,850
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	200
a. Bonds - Original Issues		6. Total (1 through 5)	241,678
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	194,739	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	46,939	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	241,678	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)	241,678

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
I. 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
		241,678	241,678		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	116
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	596
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	8,346
6. Total (1. through 5.)	0	h. Other	1,152
c. Total (a. + b.)	0	i. Total (a. through h.)	10,210
	(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	42,899	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	4,040	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.)	4,040	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	46,939	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:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			111,472
(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	111,472
			(Carry forward to page 1)

Notes and Comments: