Performance, Integrity, Teamwork, Accountability and Service

THE "PROUD TO BE" CITY LA CIUDAD "ORGULLOSA DE SER" "HOKORI NO" MACHI

LETTER OF TRANSMITTAL

Date: January 10, 2013

To: Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

From: Leann Perino – Finance Director

Subject: Letter of Budget Transmittal

Attached is a copy of the 2013 budget for the City of Fort Lupton in Weld County, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on December 10, 2012. If there are any questions on the budget, please contact Claud Hanes at

(303) 857-6694
130 S. McKinley Ave.
Fort Lupton, CO 80621
lperino@fortlupton.org

Leann Perino

I, Leann Perino, Finance Director certify that the attached is a true and accurate copy of the adopted 2013 budget of the City of Fort Lupton.

Performance, Integrity, Teamwork, Accountability and Service

THE "PROUD TO BE" CITY LA CIUDAD "ORGULLOSA DE SER" "HOKORI NO" MACHI

LETTER OF TRANSMITTAL

Date: December 10, 2012

To: The Honorable Mayor and City Council

From: Leann Perino – Finance Director

Subject: Budget Letter of Transmittal

The 2013 Annual Budget is being submitted as balanced. It recognizes that some major policy decisions will have to be made during the work sessions.

The budget message contains a narrative describing certain assumptions and a status report on major goals completed or in process.

We look forward to working with you during our Budget Workshop Session.

Very truly yours,

Leann Perino

Leann Perino
Finance Director

CITY OF FORT LUPTON

18 36

COLORADO

CITY OF FORT LUPTON

Budget Message

December 10, 2012

Honorable Mayor & City Council Members:

In accordance with Colorado Revised Statutes and the ordinances and policies of the City Council, I am pleased to present the Requested Budget for the 2013 fiscal year and the Proposed Six Year Capital Improvements Program. The budget is intended to serve the community, elected officials, management, and staff as:

1. A plan of financial operations estimating the proposed expenditures for the next fiscal year and the proposed means of financing those expenditures.
2. An operational plan for the use and deployment of manpower, materials, and other resources during the next fiscal year.

OVERVIEW

Fort Lupton's economic forecast has improved. Severance Tax and Mineral Lease income are above projections and departments have kept expenditures down in 2012 improving the outlook. 2013 is projected to be another slow building year with ten single family units and five commercial units.

The budget focuses on improving organizational stability, emphasizing short and long-term planning, addressing critical water & utility needs and increasing reserves.

Maintaining adequate fund balances is crucial for the City and the 2013 budget does maintain positive with most of the department capital request included. With the need of major capital acquisition necessary to maintain the City serviceability, it is necessary to pursue alternate payment methods to extend the equity balance as far into the future as possible. It is imperative that we maintain our reserves in 2012 *where possible and prudent.* However, we also need to address our needs at the same time. Thus, in some funds we have experienced a decline of reserves, (Street Sales Tax Fund, Storm Water Drainage Fund, Recreation Center Fund, Utility Fund, Cemetery Fund, and Memorial Fund), while in other funds we will be addressing critical water needs and utility plant concerns (Water Sales Tax & Utility Fund).

Fort Lupton continues to be staged to launch growth as the economy improves. The key to reaping these benefits, at least in part, centers on providing growth-oriented services such as water and sewer

to essential parts of the community; maintaining city streets, infrastructure and utility plants; implementing smart growth opportunities; and ensuring that the Coyote Creek Golf Course operations continue to be self-sufficient.

The proposed budget for 2013 has been developed with the following goals in mind:

1. ***To address the goals and objectives of the City Council as further defined at the 2009 spring planning retreat.***
2. ***Focus on financial stability by increasing or maintaining reserves where prudent.***
3. ***Address critical infrastructure improvements in the Utility Fund, especially by providing water/sewer access to new development areas.***
4. ***Address our water augmentation challenges and growth needs as detailed in the Water Master Plan.***

Key Strategies include limiting the amount of new programs, balancing revenues with expenditures and rebuilding reserves while at the same time providing the highest level of services to the citizens of Fort Lupton

Although it is very difficult to achieve every goal listed above, the proposed budget reflects considerable effort toward achieving these objectives. The City is committed to addressing the issues and to improve our financial stability by increasing reserves; improving efficiency and effectiveness in city operations, and by emphasizing a strategic long-term planning by balancing a Six Year Capital Improvements Program within realistic projections.

Major Initiatives

Recreation Center:

The $6.7 million Recreation Center that was adopted by the voters in 2002 was completed in May of 2004 as well as an adjacent 10 acre park site. This has had a significant impact on the quality of life for the entire community. For 2013, we are striving to maintain a balance with revenue collections and expenditure projections. Management has been proactive and is attempting to adjust O & M expenses to correspond with usage and revenues. Usage volume this fall will be critical in meeting the revenue projections for both 2012 & 2013. The voter approved operation mill levy will continue to subsidize the current fee structure and as with last year the 2013 mill levy will include both the debt service and general operation mill levy for the Recreation Center. The mill levy values increased by 32.7% in 2013 to cover costs of a bond refinance that will, over the life of the debt, reduce the debt interest.

Tiered Utility Rates:

In 2006, the Utility Enterprise Board implemented a simple three tiered rate utility billing for the City of Fort Lupton. The financial objectives were to achieve sufficient revenues to meet debt service coverage requirements, operations and maintenance for the utility plants, and provide for future capital needs.

Interim Growth Plan:

The City continues to be hopeful that growth will occur and have been working with surrounding entities on boundaries. The City has provided utility service to the South to promote growth, as well as proposed development to the North.

Salary Adjustment:

In 2012 the City began a merit based plan to replace the pay grade and step plan. Based on merit pay raises will range from 1% to 8%. A 5.9% increase in health insurance has also been incorporated in the 2013 budget.

Challenges, Opportunities & Estimates

Coyote Creek Golf Course:

Escalante Golf LLC, continues to maintain profit at Coyote Creek Golf Course and the course is showing a small profit which will result in payments to the Bond holders. Per the settlement, capital outlay is forbidden until the bond debt is relieved, so a more creative approach to keep the property in shape will be utilized.

Revenues:

As indicated previously, the city continues to face some fiscal constraints due to segments of the regional economy. The three major areas are as follows:

1. Construction-related revenues, such as building use taxes and impact fees.
2. Intergovernmental revenues, such as the highway use taxes and other potential state and federal assistance.
3. Water & sewer revenues due to decrease consumption from first the drought.

While some decreases have been offset by other increases, the total impact in 2012 demands us to maintain a conservative approach in our revenue estimates. We will be projecting a 2% increase in sales tax revenue for 2013 due the economic forecast.

Personnel Compensation:

The City has experienced an increased in interest in development in 2012 resulting in the addition of a part time planner and a part time economic development specialist. The increase in annexations in the City has required an increase the public works department in 2012 to maintain the acquired infrastructure. The City intends to add an Assistant City Administrator in 2013.

Storm Drainage Master Plan:

The City implemented a storm drainage fee in May 2007, and the fund has a projected accumulated a reserve of $346,769 at the end of 2013. These funds can be used to address the next tier of issues identified by either our Engineer or Public Works Director.

Reserves:

The economy has started to turn, and with an increase in sales tax, mineral and severance tax in 2012 the reserves in the general fund have increased in 2012. The City has increased capital expenditures in 2013 to meet equipment and infrastructure needs that were put on hold in the slow economic years. These expenditures have decreased the general fund reserves in 2013.

COUNCIL GOALS

During the spring 2008 council retreat, the city council outlined various goals it wished to see implemented during the fiscal year and as part of the proposed budget. This section highlights the status of those requests:

1. Continue to Improve Drainage, Sewer, Water & Streets
   Status: The 2013 budget allows for effort in this area.

2. Economic Development Strategy.
   Status: With continued support of the Fort Lupton Development Corp., we can be ready when development is proposed to us. We have increased our planning and economic development department to meet the development needs over the next year. A great portion of the funding of the direct development will come from the developers.

3. Develop Long Range Cash Flow & Debt Analysis.
   Status: Although the economic status of the City has improved it is important to maintain the cash investments to enhance revenue.

4. Revenue Enhancements.
   Status: Revenues will be evaluated as an on-going process to evaluate what new sources may be available.

5. Develop Sidewalk Replacement Program.
   Status: Each year, budget is set aside to address this issue but it will be a long term solution as funds are available.

6. Downtown Development.
   Status: This needs to be a grassroots effort from local businesses in conjunction with the City, who is developing an Urban Renewal Authority.

7. Purchase Land for Expansion of Cemetery (west Side).
   Status: Given limited resources in this fund, expansion is not feasible at this time. Evaluation will be made for future effort in this area.

REVENUES

Overall, the proposed budget for fiscal year 2013, including all funds, transfers, reserves and financings, totals $16,281,333, reflecting a increase of $254,898 in comparison to the 2012 fiscal year projections of $16,026,435. This reflects a sales tax increase for 2013 of 2.0%. Taxes & assessments revenue continues to dominate the City's financial picture, accounting for 57% of total General Fund revenues (net of reserves). Historically, the rate of growth for sales taxes has exceeded the national rate of inflation and the Boulder/Denver CPI primarily due to industrial and residential growth but a strong leveling has occurred since the recession. Overall, our revenue projections remain conservative due to regional economic projections on housing and employment, anticipated state pass through funds.

The individual funds ***operating revenues*** *excluding reserves, transfers and financing proceeds* for 2013 are projected as follows:

- General Fund revenues are projected at $5,269,625 for 2013.
- Utility Fund revenues are projected at $5,899,738 for 2013.
- Cemetery and Perpetual Care Fund projection is $53,250 for 2013.
- Conservation Fund revenue is projected at $65,150 for 2013.
- Street Sales Tax Fund revenue for 2013 is projected at $333,888.
- CPR Fund projections are $497,078 for 2013.
- Water Sales Tax Fund operating revenues are projected for 2013 at $666,447.
- Recreation Center Fund projected revenue for 2013 is $1,642,458.
- Golf Fund is projecting $889,865 in gross revenue for 2013.

EXPENDITURES

The proposed budget for fiscal year 2013 for all funds including transfers and reserves totals $16,281,333, reflecting an increase of $254,898 in comparison to the 2012 fiscal year projections of $16,026,435 primarily due to capital projects. However, if reserves, transfers, and debt payments and debt financing were backed-out, true operating & capital expenditures in the 2013 proposed budget would total $16,912,272.

RESERVES

Total ending 2013 reserves without the golf course are projected at approximately $4,458,644. The golf course 2013 ending reserve/fund balance is estimated at ($5,982,927). The estimated total ending fund reserves without the golf course for 2013 represent an overall decrease of $1,769,801.

The primary reasons for the decrease are the expenditures for personnel and capital projects particularly in Utility, Recreation Fund & Street Sales Tax Fund & Water Sales Tax Fund. At the current time, the City Reserve Polices, exclusive of various impact fees and contributions are as follows:

1. TABOR requires that the city set aside a cumulative 3% of fiscal year spending across all funds. It does not limit the ability of the government to designate the revenue source or other reserve contingencies, such as debt reserves.

2. Recreation Fund, Utility Enterprise Fund, Storm Drainage Fund and Golf Course Fund – require a 10% fund balance. The Golf Course Fund and the Recreation Center Fund do not currently meet this policy.

3. Pursuant to the legal purposes for which they were created and in compliance with Resolution No. 94-67, each year, before the City may use any impact fees, it must be so stated in the Budget Resolution or Supplemental Resolution as to its intended purpose. The budget resolution does list the uses included in the proposed budget.

4. Please See reserve analysis for further specific details.

DEBT SERVICE

Overall, debt service for 2013 is $2,006,470 down from $2,282,519. By state laws we cannot budget more expenditures than we have revenue and beginning fund balance; therefore, all of the golf warrants have been classified as short term liabilities since **2004** in financial statements & budget estimates because of their default

Status. These payments will once again be classified as short term in the 2012 financial statements unless some debt relief can be obtained. The $3,000,000 1997 water bonds will be fully refunded in 2012 saving the city $262,250 in debt payments in 2013. In 2013 the $4,200,000 1992 sewer bonds and the $200,000 Centrifuge loan will be fully refunded saving the Utility Fund $341,443 in debt payments in 2014.

CAPITAL IMPROVEMENTS

The proposed budget includes a total of $3,790,292 in capital equipment and projects, representing projects in public works, public safety, parks and recreation, utility improvements, and capital equipment. Although not all proposed projects could be funded, the key to the Six Year Capital Program remains that the plan is realistically balanced in all years through taxes, general revenues, grants and contributions.

Major initiatives in the 2013 Capital Improvements Plan, include $512,982 in the General Fund for computer equipment, vehicles and infrastructure projects, $470,000 in Street Sales Tax Fund for street infrastructure projects, $401,838 in Water Sales Tax fund for purchase of water & water storage. $1,557,500 is included in the Utility Fund for the improvements; $250,000 in the Storm Water Fund to address projects. Capital includes $110,000 in Conservation Trust; $45,000 in Culture, Parks & Recreation Fund for equipment and facility improvements.

Revenue constraints, reserves and debt payments will keep capital spending for the next several years at a conservative level as but major capital upgrades are becoming necessary.

ASSESSED VALUATION AND PROPERTY TAX MILLAGE

The 2013 budget proposal includes 15.14 mills generating $1,499,965 in revenue, for the support of departments in the General Fund such as Public Works, Parks, Building & Planning, Public Safety and administrative operations. The most recent total assessed property valuation for the city is $99,073,970.

The 2013 budget will also include 7.947 mills for debt service and 4.680 mills for operations and maintenance for the Recreation Center Enterprise Fund as approved by the voters in 2002. The total of these 12.627 mills is expected to bring in $1,251,007.

The Fort Lupton City Council and its staff should be proud of their accomplishments this past year which were made possible through the assistance and cooperation of active and concerned citizens. We look forward to working with you this next year as we strive to provide the maximum efficiency and service to the citizens of Fort Lupton.

Respectfully submitted,

Leann Perino

Leann Perino
Finance Director

CITY OF FORT LUPTON
18
36
COLORADO

CITY OF FORT LUPTON
PRINCIPAL OFFICIALS

CITY COUNCIL

TOMMY HOLTON
Mayor
At-Large

SHANNON RHODA
Council Member
Ward 1

KEVIN SCHWICKRATH
Council Member
Ward 1

ZO HUBBARD
Treasurer
Ward 2

S. DAVID NORCROSS
Council Member
Ward 2

CHRIS CROSS
Mayor Pro-Tem
Ward 3

BOB MCWILLIAMS
Council Member
Ward 3

LEGAL AND COURT

ANDREW AUSMUS
City Attorney

LOUIS A. GRESH
Municipal Court Judge

CITY ADMINISTRATION

CLAUD HANES
City Administrator

KENNETH PONCELOW
Public Safety Director

NANETTE FORNOF
City Clerk

LEANN PERINO
Finance Director

THOM VINCENT
Wastewater/Water Plant Operator
OMI

MONTY SCHUMAN
Parks & Recreation Director

JEANELLE ANDERSEN
Court Coordinator

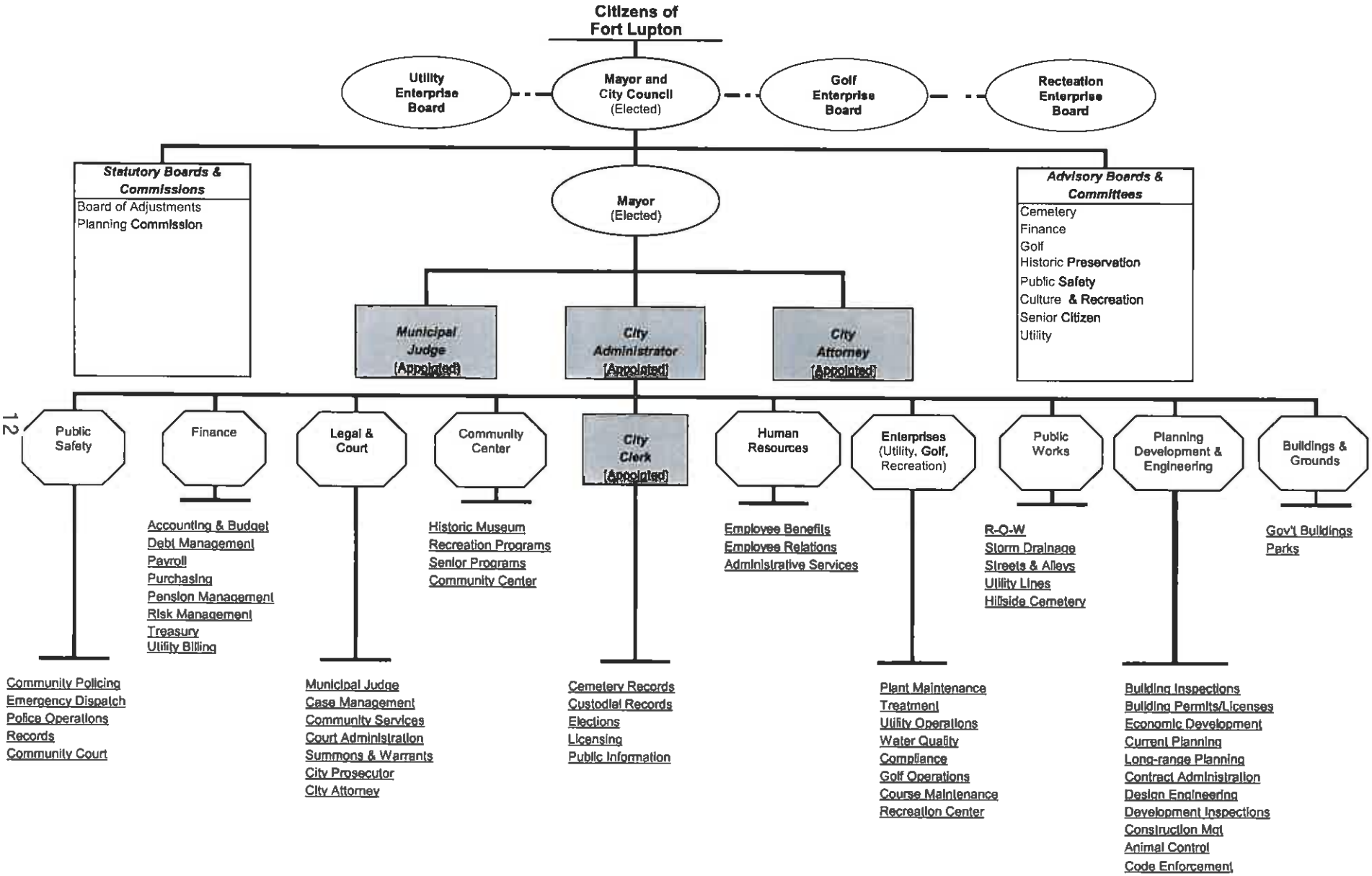
RAMON HERNANDEZ
Public Works Manager

JEANELLE ANDERSEN
Human Resource Manager

PAT MAREK
Golf Course Manager
Escalante Golf LLC

TODD HODGES
City Planner

CITY OF FORT LUPTON
2013 ORGANIZATIONAL CHART



By Function ○ - City Departments. ▢ - Appointed Officials. ⬭ - Elected Officials.

CITY OF FORT LUPTON
GUIDE TO USING THE 2013 FINANCIAL PLAN

The 2013 Financial Plan is a relatively large document and is organized logically according to a budgetary structure established by the City of Fort Lupton. At times, this may prove difficult to review and follow; therefore, this section has been added to assist readers with using this document.

The **Introduction** section contains important information that helps the reader to better understand the structure and issues facing the City. It includes the ***Budget Message*** from our Finance Director which discusses major initiatives, concerns and issues considered in developing the budget. This section also includes the **Principal Officials** of the city, the **Organizational Chart**, the **Structure and Budgetary Organization**, the **Legal Requirements**, the **Budget Calendar**, the **Summary of Accounting Policies** and the **General Budget Process**. The **Revenue/Budget Summary** section is useful when looking at a "Fund-by-Fund" analysis to get a general feel for overall changes. Each fund is included. More detailed information can be found by delving into the body of the document under the heading of each individual fund and a general description of each fund can be found under the area entitled ***"Structure and Budgetary Organization"*** found in the Introduction section. Also included in the Revenue/Budget Summary section are **Revenue Assumptions** which itemize the most significant revenue sources included in the budget. The **Miscellaneous** section at the back of the book contains A **Glossary of Budget Terms** and a **Glossary of Acrynyms** to explain to the reader terms that are used throughout this book. It also contains a **Chart of Accounts** for the City of Fort Lupton and the **resolution** adopted by the City Council approving this budget.

The body of the document includes detailed information for each individual fund. In these sections, listed by fund type, the reader can find graphs on the revenues and expenditures budgeted by category and a Departmental Budget Summary depicting significant changes from the previous year. Also, each organizational unit or program includes a Budget Unit Summary that can be helpful when trying to understand the purpose of that particular program.

Finally, an important note to consider when reviewing this document is that there are often interrelated parts that are included in different sections. For example, debt service payments are necessarily budgeted in each individual fund; however, there is an important section entitled ***Debt Information*** under its tab that includes a detail debt maturity schedule for each debt and summary graphics showing the maturity schedules. Also, major capital projects, identified as those projects costing more than $5,000 and having a useful life of at least three years, are also budgeted in each individual fund. Once again, a more detailed discussion of the entire capital improvements program is found under the tab entitled **Six Year Capital Improvements Program**. This section includes a detailed summary of each project and its placement in the six year plan.

CITY OF FORT LUPTON
STRUCTURE AND BUDGETARY ORGANIZATION

ORGANIZATION

The City of Fort Lupton was incorporated in 1890 as a statutory city. Under the State of Colorado, the current Council-Mayor form of government consists of a Mayor who is elected at-large, six Council members, all of whom are elected from wards and a full-time City Administrator who is appointed by the City Council and who works under the general direction of the Mayor.

The City provides a full range of municipal services, including police protection, street and drainage systems, a historic museum, parks and recreational amenities, community development, a municipal golf course, and water and wastewater services.

An organization chart showing all City entities is provided in this section.

BUDGETARY STRUCTURE

The financial transactions of the City are budgeted and recorded in individual funds categorized as follows: Governmental Fund Type, Proprietary Fund Type and Fiduciary Fund Type. A graphical synopsis showing all City funds is provided at the end of this section. The funds listed under each category are as follows:

Governmental Fund Types: Governmental funds are used to account for all or most of the City's general activities and are budgeted on the modified accrual basis of accounting.

1) General Fund

The General Fund is the general operating fund of the City and is used to account for operations traditionally associated with a city which is not required for in another fund. This fund is used to account for the activities of elected officials, general government, public works, and public safety. Per GASB regulations, the Street Sales Tax Fund and the Water Sales Tax Fund are now reported as part of the General Fund.

2) Special Revenue Funds

Special Revenue Funds account for revenue from specific taxes or other earmarked revenue sources which by law are designated to finance particular functions or activities of government and can include certain Intergovernmental revenue in the form of state and federal grant funds. The Special Revenue Funds included in this budget are as follows:

Contingency Fund

This fund will be started in 2013 with a transfer of $500,000 from the General Fund. It will also receive 2% of general fund property tax revenues each year going forward. It is being established to provide funds in case of an emergency and can only be spent upon City Council approval.

Street Sales Tax Fund

This Fund was created in November, 1991 to account for the proceeds of a one-half cent sales tax for the design, engineering, construction and major repairs to curb, gutters, sidewalks, streets and alleys. This ten year tax expired in December, 2001 and again in December, 2011 and was renewed for a ten year period by the electorate, until December, 2021.

Culture, Parks & Recreation Sales Tax Fund

This Fund was created in November, 1991 to account for the proceeds of a one-half cent sales tax to provide recreation, parks, and cultural opportunities and services to the public and for the acquisition or construction of a Community Center. This original ten year tax expired in December, 2001 and was renewed for a twenty year period by the electorate, until December, 2021.

Conservation Trust Fund

This Fund accounts for lottery proceeds received from the State for the acquisition, development, and maintenance of new conservation sites or for capital improvements or maintenance for recreational purposes on any public site, pursuant to Colorado Revised Statutes. Funds are distributed from the State based on a formula approved by voters in November, 1992.

Water Sales Tax Fund

This Fund was created in November, 1991 to account for the proceeds of a one cent sales tax for the acquisition, conveyance, and treatment of water by the City in conjunction with its membership in the Northern Colorado Water Conservancy District, and the construction of the infrastructure and improvements related thereto. This fifteen year tax expired in December, 2006 and was renewed for a twenty year period by the electorate until December 2026.

Cemetery and Perpetual Care Fund

The Hillside Cemetery is operated by revenues received from the sale of plots, grave openings/closings, perpetual care, etc. The Fund was established in 1985 to accumulate enough interest earnings from perpetual care income held in trust to operate the cemetery to the extent that General Fund assistance would not be necessary.

Memorial Trust Fund

The Memorial Trust Fund is operated strictly by donations received for specific projects or programs for the Hillside Cemetery. The Fund was established in 2001 to receive and administer donations, endowments, etc. for various cemetery improvements.

2) <u>Proprietary Fund Types</u>

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful for sound financial administration. The City budgets proprietary type funds using the accrual basis of accounting except in its treatment of capital expenditures and debt service.

a) **Enterprise Funds**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, in that the costs of providing goods or services to the general public are financed through user charges. Enterprise Funds included in this budget are as follows:

Utility Enterprise Fund

The Water and Sewer Funds were originally created in 1993 to account for the financing and operation of the water system which renders services on a user charge basis to the general public. These Funds were consolidated in December, 1998 and includes the operations of the distribution systems, the treatment plants, the well system, the sewer lift stations and the water tanks.

Storm Water Drainage Fund

The Storm Water Drainage Fund was created in 2007 to account for the financing and operation of the water system which renders services on a user charge basis to the general public. These Funds are used for engineering, construction and maintenance of the storm drainage system.

Recreation Enterprise Fund

This Fund was created in 2003 as a special revenue fund to account for the financing and operation of the new recreation center which renders services on a user charge basis to the general public. In 2004 a recreation enterprise fund/board was created to account for this activity. The recreation center was constructed utilizing General Obligation Bonds approved in 2002. There is both a debt service and operation mil levy. In May of 2004 the center was opened to the general public.

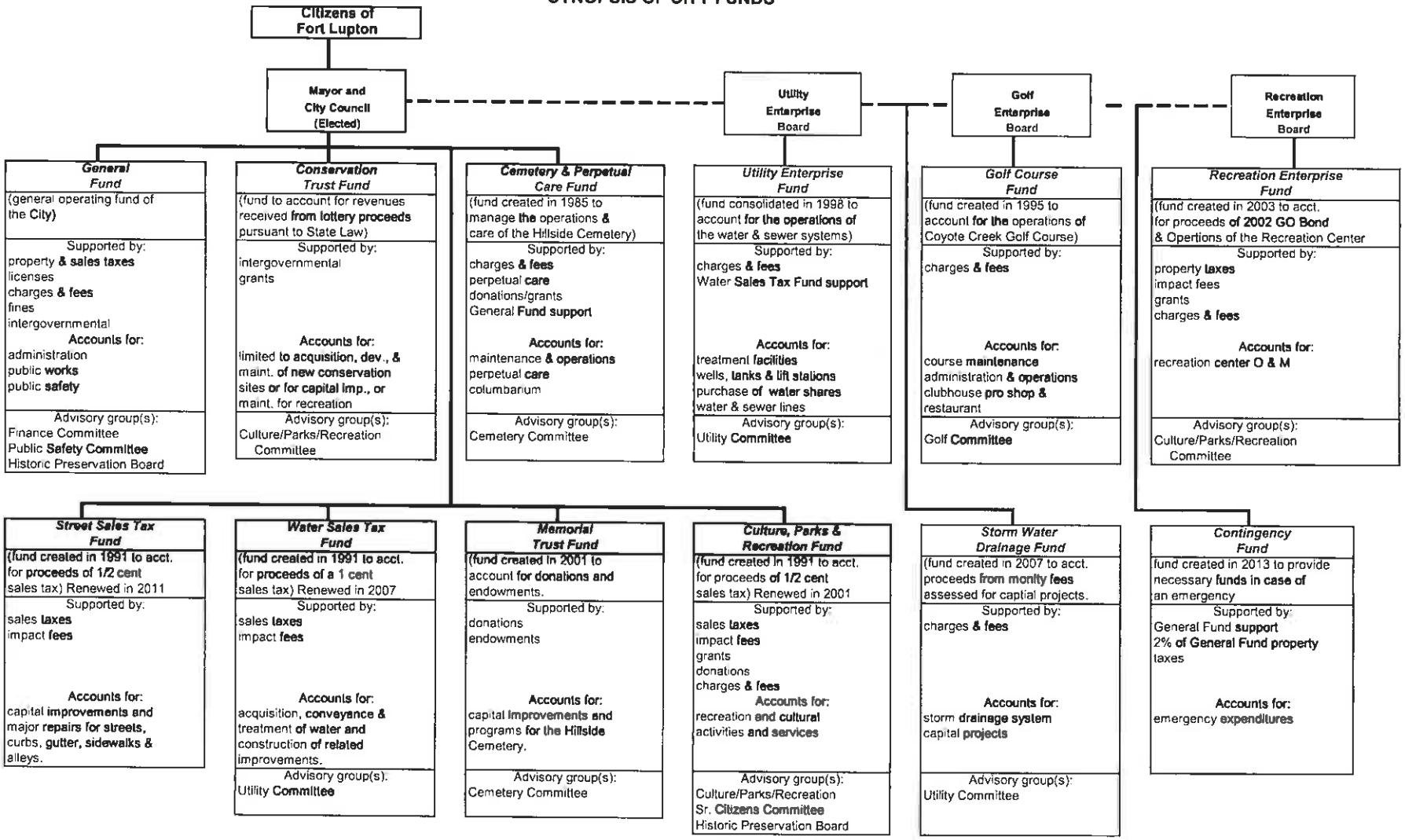
Golf Enterprise Fund

This Fund was created in 1995 to account for the financing and operation of the new municipal golf course which renders services on a user charge basis to the general public. The course was constructed utilizing Revenue Anticipation Warrants in 1996-1998 and was opened to the general public on May 1, 1999.

b) **Internal Service Funds**

The City has no such funds.

CITY OF FORT LUPTON
SYNOPSIS OF CITY FUNDS



CITY OF FORT LUPTON
LEGAL REQUIREMENTS

BUDGET SUBMISSION

Pursuant to Colorado Revised Statutes Title 29, Article 1, "Local Government Budget Law of Colorado", each local government is required to adopt a balanced annual budget (C.R.S.29-1-103) by the end of the year. Each budget shall be submitted to the governing body by October 15th of each year and shall present a complete financial plan by fund and by spending agency within each fund for the budget year setting forth the following:

a. All proposed expenditures for administration, operations, maintenance, debt service, and capital projects to be undertaken by any spending agency during the budget year;

b. Anticipated revenues for the budget year;

c. Estimated beginning and ending fund balances;

d. Corresponding actual figures for the prior fiscal year and estimated figures projected through the end of the current fiscal year;

e. A written budget message describing the important features of the proposed budget, including a statement of the budgetary basis of accounting used and a description of the services to be delivered during the budget year; and

f. Explanatory schedules or statements classifying the expenditures by object and the revenues by source.

No budget adopted pursuant to this section shall provide for expenditures in excess of available revenues and beginning fund balances.

After submission of the budget, a public notice must be published containing the following information:

a. The date and time of the hearing at which the adoption of the proposed budget will be considered;

b. A statement that the proposed budget is available for inspection by the public at a designated public office located within the boundaries of the local government;

c. A statement that any interested elector of the local government may file any objections to the proposed budget at any time prior to the final adoption of the budget by the governing body.

The budget shall be adopted on or before the first day of the fiscal year. If it fails to adopt a budget by this date, then ninety percent of the amount appropriated in the current fiscal year for operation and maintenance expenses shall be deemed re-appropriated for the budget year. (C.R.S. 29-1-108 (4))

BUDGET ADMINISTRATION

If after adoption of the budget, the City Council receives unanticipated revenues from any other source other than its property tax mill levy, the Council may authorize the expenditure of such funds by enacting a supplemental budget and appropriation. (C.R.S. 29-1-109 (1)(b))

In the event that revenues are lower than anticipated in the adopted budget, the governing body may adopt a revised appropriation ordinance or resolution. (C.R.S. 29-1-109 (1)(c))

BUDGET AMENDMENTS

Budget amendments are changes to the original budget ordinance that affect different programs or functions or a department, division, office or agency.

At any time during the fiscal year, the City Council may transfer part or all of any unencumbered appropriation between one fund or spending agency to another. (C.R.S. 29-1-109 (1)(a))

Transfers of appropriations up to $1,500 within the same spending agency may be made with the approval of the City Administrator. (Resolution No. 98-006 (2))

Transfers of appropriations between $1,500 and $3,000 within the same spending agency may be made with the approval of the Mayor. (Resolution No. 98-006 (3))

Transfers of appropriations exceeding $3,000 within the same spending agency requires Council approval through an Action Memorandum. (Resolution No. 98-006 (4))

No transfer of appropriations may be made from an account (line-item) that would result in that account (line-item) exceeding its own appropriation nor from any other program that would result in that program exceeding its own total appropriation. (Resolution No. 98-006 (5))

LAPSE OF APPROPRIATIONS

All unexpended appropriations, or unencumbered appropriations if the encumbrance basis of budgetary accounting is adopted, expire at the end of the fiscal year. (C.R.S. 29-1-108 (6))

CONTINGENCY EXPENDITURES

In case of emergency which could not have been reasonably foreseen at the time of adoption of the budget, the governing body may authorize the expenditure of funds in excess of the appropriation by ordinance or resolution duly adopted by a majority vote of such governing body at a public meeting. (C.R.S. 29-1-111)

FILING OF BUDGET

No later than thirty days following the beginning of the fiscal year of the budget adopted, the governing body shall cause a certified copy of such budget, including the budget message, to be filed with the State of Colorado. (C.R.S. 29-1-113 (1))

BUDGET CALANDER

January 1	Beginning of the fiscal year
June 1	Begin preparation of department budget worksheets
August 17	Department heads begin budgeting
September 7	Departments submit preliminary budget to finance department
September 24	Capital retreat
October 15	Proposed budget submitted to council (29-1-105), C.R.S.)
October 20	Budget retreat
December 10	Final budget submitted to council
December 10	Council adopts budget
December 10	Certification of Mill Levy (39-5-128(1), C.R.S.)
January 31	Certified copy of budget filed with State of CO (29-1-113(1), C.R.S.)

SUMMARY OF ACCOUNTING POLICIES

Budgetary Accounting Basis

The State of Colorado constitution requires all local governments annually adopt a balanced budget meaning expenditures cannot exceed revenues and fund balances.

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. For both accounting and budgetary purposes, the following basis is applied.

Governmental Funds utilize the modified accrual basis of accounting. Revenues are recorded in the year in which they are both measurable and available. Revenues are measurable when the amount of the transaction can be determined. Revenues are available when they are collectible within the current period or shortly thereafter. Generally expenditures are recorded when the liability is incurred.

Proprietary Funds use the accrual basis of accounting. Revenues are recognized when earned and measurable. Expenses are recognized when the liabilities are incurred. The State of Colorado requires capital expenses be budgeted and appropriated in Proprietary funds.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP), except for the following: bond principal payments and capital improvements are treated as expenses in the proprietary funds.

Amendments to the Budget Process

Supplemental Appropriations may be made during the fiscal year if there are revenues in excess of those estimated in the budget. The Council by ordinance may make supplemental appropriations for the year up to the amount of such excess.

Transfers of unencumbered appropriations between departments may be made by Council through a resolution.

Pooled Cash

The City has a single checking account for all cash transactions, with separate accounting into each fund. An overdraft in one fund will not result in returned checks with the single checking accounts. At December 31, 2011, the checking account of the City shows a positive bank balance. Any fund that issued checks in excess of its available funds from the checking account is treated as having borrowed cash from other funds.

Capital Assets

The accounting and reporting applied to the fixed assets associated with a fund are determined by its measurement focus as discussed above.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets, including water rights, fire hydrants, water and sewer lines from sub-dividers and property owners, are recorded at estimated fair market value at the time received.

Acquisitions of capital assets are recorded as capital outlay expenditures within the governmental funds.

Capital assets used by proprietary funds are capitalized in the appropriate proprietary fund. Depreciation is charged as an expense against their operations and accumulated depreciation is reported on proprietary fund balance sheets.

Depreciation has been provided using the straight-line method over the estimated useful lives as follows:

Plant and Improvements	50-100 years
Machinery and Equipment	5-10 years
Streets	20 years
Bridges	15 years

Revenues – Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions

Non-exchange transactions in which the City receives value without directly giving equal value in return, include property taxes, specific ownership taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first

permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Basis of Accounting

Since property taxes are levied in December (i.e., there is a legal claim) for the next calendar year's operations, the total levy is reported as taxes receivable and deferred revenue.

Those revenues susceptible to accrual are property taxes, use tax, tobacco tax, highway user tax, and franchise fees. Sales taxes collected and held by the state for the current year on behalf of Fort Lupton are also recognized as revenue. Fines, permits and license revenues are not susceptible to accrual generally they are not measurable until received in cash.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Budget and Budgetary Accounting

Fort Lupton follows these procedures in establishing the budgetary data reflected in the financial statements:

(1) Prior to October 15th the City Administrator submits the City Council a proposed operating budget for the next fiscal year commencing the following

January 1st. The operating budget included proposed expenditures and the means of financing them.

(2) Public hearings are conducted at a special meeting and at regular City Council meetings to obtain taxpayer comments.

(3) Prior to December 14th, the budget is legally enacted through passage of a resolution by the City Council.

(4) The last date to certify tax levies to the County Commissioners is December 15th.

(5) A certified copy of the budget must be filed with the State of Colorado Division of Local Government by January 30th. Additionally, through staff action budget amounts up to $3,000 can be transferred among programs and departments within a fund: however, any revisions that alter the total expenditures of any fund or exceeds $3,000 must be approved by the City Council through supplemental appropriations.

(6) Formal budgetary integrations are employed as a management control device during the year for all funds.

(7) Budgets for the governmental funds and the proprietary funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

(8) Unused appropriations lapse at the end of each fiscal year.

Property Taxes

Under Colorado law, all property taxes become due and payable in the year following that in which they are levied. Property taxes are recognized as revenue when received by the County Treasurer. The 2013 fiscal year property tax calendar for Weld County was as follows:

Lien Date	December 31
Certification Date	December 15
Tax bills mailed	by January 31
First installment due	February 28
Second installment due	June 16
If paid in full, due	April 30
Tax sale - 2011 delinquent property taxes	October 31

Accumulated Unpaid Vacation and Sick Leave

Under terms of City personnel policies, City employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee who was hired prior to February 14, 2001 is paid for accumulated vacation days up to a maximum of 30 days. They are also paid 50% of their

accumulated sick leave up to a maximum of 90 days. An employee hired after February 14, 2001 is paid for accumulated vacation days up to a maximum of 30 days. They are paid 25% of accumulated sick leave up to a maximum of 90 days.

Inventory

Inventory is valued at cost (first-in, first-out) in the proprietary funds. Inventory in all other funds is not recorded, as it is not significant. The cost is recorded as expenditure when the individual inventory items are purchased.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance

Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the City, these revenues are charges for services. Operating expenses are necessary costs incurred to provide the good or services.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses section in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated.

GENERAL BUDGET PROCESS

The City's fiscal year begins on January 1st and ends on December 31st of each year. In March or April, the Budget Calendar is developed and approved by the Council. In July or August, the Budget Preparation Manual is sent to the various Departments and Program Administrators to officially begin the annual budget process and this includes preliminary direction from the City Administrator regarding appropriate budget guidelines and strategy.

In September, the City begins actively soliciting input from the community.

In September, preliminary revenue projections are due. One-on-One meetings, if necessary, are held between the Finance Director and the departments responsible for the requests, generally for clarification and to ensure completeness only.

In October, final documentation for the Budget Workbook is due and distributed. Also, a public hearing is held on the Proposed Budget and is followed by the first Budget Retreat between Council, City Administrator and necessary departmental and administrative staff.

After the Budget Retreat but before the December meeting where the budget is adopted, staff gathers additional information that was requested by City Council and presents it at regular City Council meetings and the City Council makes additional budget decisions based on that data.

In December, the Budget Resolution and the Resolution certifying the Mill Levy to the County are submitted to be approved by Council and includes a final public hearing.

CITY OF FORT LUPTON
18
36
COLORADO