

Town of Collbran, Colorado

Financial Statements
and
Supplementary Information

December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Town of Collbran, Colorado

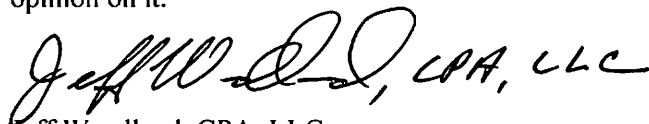
We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Collbran, Colorado as of and for the year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Collbran, Colorado's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Town of Collbran, Colorado as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Town has not presented Management's Discussion and Analysis that generally accepted accounting principles in the United States of America require as supplemental information, but not part of the basic financial statements.

The budgetary comparison information in Sections E and F is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have not audited this information and express no opinion on it.


Jeff Wendland, CPA, LLC

Fruita, Colorado
July 22, 2010

Town of Collbran, Colorado
Statement of Net Assets
December 31, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments - Unrestricted	\$ 805,902	\$ -	\$ 805,902
Cash and investments - Restricted	-	-	-
Internal balances	-	-	-
Receivables, net:		-	
Property tax	26,280	-	26,280
User fee	-	24,036	24,036
Due from other governments	112,578	-	112,578
Other current assets	-	-	-
Capital assets, net	763,159	1,582,911	2,346,070
Total Assets	<u>1,707,919</u>	<u>1,606,947</u>	<u>3,314,866</u>
Liabilities:			
Accounts payable	30,744	22,186	52,930
Accrued interest payable	8,172	-	8,172
Property taxes assessed, but not collectible until subsequent year	26,280	-	26,280
Accrued expenses and deposits	8,250	7,786	16,036
Accrued compensated absences:			
Due within one year	-	-	-
Due in more than one year	9,450	1,403	10,853
Revenue bonds payable:			
Due within one year	85,000	-	85,000
Due in more than one year	425,000	-	425,000
Judgment payable	25,000	-	25,000
Total Liabilities	<u>617,896</u>	<u>31,375</u>	<u>649,271</u>
Net Assets:			
Invested in capital assets, net of related debt	313,159	1,582,911	1,896,070
Restricted for emergencies	35,100	-	35,100
Unrestricted	741,765	(7,339)	734,426
Total Net Assets	<u>\$ 1,090,024</u>	<u>\$ 1,575,572</u>	<u>\$ 2,665,596</u>

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

Town of Collbran, Colorado
Statement of Activities
For the Year Ended December 31, 2009

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services and Fees</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs:							
Governmental Activities:							
General government	\$ 360,692	\$ 12,151	\$ 33,712	\$ 18,647	\$ (296,182)		\$ (296,182)
Public safety	154,915	484	-	-	(154,431)		(154,431)
Public works	134,505	-	-	-	(134,505)		(134,505)
Municipal court	18,883	-	-	-	(18,883)		(18,883)
Culture and recreation	83,430	5,739	6,292	104,786	33,387		33,387
Interest on long-term debt	27,447	-	-	-	(27,447)		(27,447)
Total Governmental Activities	<u>779,872</u>	<u>18,374</u>	<u>40,004</u>	<u>123,433</u>	<u>(598,061)</u>		<u>(598,061)</u>
Business-type Activities:							
Water	205,020	147,930	1,024	309,500		\$ 253,434	253,434
Sewer	194,565	92,614	2,770	4,500		(94,681)	(94,681)
Total Business-type Activities	<u>399,585</u>	<u>240,544</u>	<u>3,794</u>	<u>314,000</u>		<u>158,753</u>	<u>158,753</u>
Total	<u>\$ 1,179,457</u>	<u>\$ 258,918</u>	<u>\$ 43,798</u>	<u>\$ 437,433</u>	<u>(598,061)</u>	<u>158,753</u>	<u>(439,308)</u>
General Revenues:							
Taxes:							
Property tax, levied for general purposes					24,065	-	24,065
Sales tax and use tax					523,234	-	523,234
Cigarette tax					815	-	815
Franchise tax					15,004	-	15,004
Severance tax					29,227	-	29,227
Specific ownership tax					3,715	-	3,715
Mineral leasing tax					14,186	-	14,186
Earnings on investments					3,373	-	3,373
Transfers in (out)					(415,326)	415,326	-
Total General Revenues and Transfers					<u>198,293</u>	<u>415,326</u>	<u>613,619</u>
Change in Net Assets					<u>(399,768)</u>	<u>574,079</u>	<u>174,311</u>
Net Assets - Beginning					<u>1,489,792</u>	<u>991,493</u>	<u>2,481,285</u>
Net Assets - Ending					<u>\$ 1,090,024</u>	<u>\$ 1,565,572</u>	<u>\$ 2,655,596</u>

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

Town of Collbran, Colorado
Balance Sheet
Governmental Funds
December 31, 2009

	General Fund	Capital Projects Fund	Conservation Trust Fund	Total
Assets:				
Cash and investments - Unrestricted	\$ 805,902	\$ -	\$ -	\$ 805,902
Due from other governments	95,970	-	16,608	112,578
Due from (to) other fund	30,616	(18,319)	(12,297)	-
Other receivables	-	-	-	-
Property taxes assessed, but not collectible until subsequent year	26,280	-	-	26,280
Total Assets	\$ 958,768	\$ (18,319)	\$ 4,311	\$ 944,760
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 30,745	\$ -	\$ -	\$ 30,745
Accrued expenses	8,250	-	-	8,250
Property taxes assessed, but not collectible until subsequent year	26,280	-	-	26,280
Judgment payable	25,000	-	-	25,000
Total Liabilities	90,275	-	-	90,275
Fund Balance:				
Reserved for emergencies	35,100	-	-	35,100
Unreserved fund balance	833,393	(18,319)	4,311	819,385
Total Fund Balance	868,493	(18,319)	4,311	854,485
Total Liabilities and Fund Balance	\$ 958,768	\$ (18,319)	\$ 4,311	\$ 944,760

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	763,159
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(527,620)
Net Assets of Governmental Activities	\$ 1,090,024

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

Town of Collbran, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Conservation Trust Fund</u>	<u>Total</u>
Revenues:				
Taxes	\$ 498,683	\$ 111,563	\$ -	\$ 610,246
Intergovernmental	15,098	-	108,578	123,676
Earnings on investments	2,051	-	1,322	3,373
Other revenues	56,035	-	2,500	58,535
Total Revenues	<u>571,867</u>	<u>111,563</u>	<u>112,400</u>	<u>795,830</u>
Expenditures:				
General government	323,603	-	-	323,603
Public safety	143,544	-	-	143,544
Public works	133,607	-	-	133,607
Municipal court	18,883	-	-	18,883
Culture and recreation	66,493	-	130,078	196,571
Debt service:				
Bond fees	-	400	-	400
Bond interest	-	26,163	-	26,163
Bond principal	-	85,000	-	85,000
Total Expenditures	<u>686,130</u>	<u>111,563</u>	<u>130,078</u>	<u>927,771</u>
Excess (Deficiency) of Revenues Over Expenditures	(114,263)	-	(17,678)	(131,941)
Transfers to Proprietary Funds	<u>(415,326)</u>	<u>-</u>	<u>-</u>	<u>(415,326)</u>
Change in Fund Balances	(529,589)	-	(17,678)	(547,267)
Fund Balance - Beginning	<u>1,398,082</u>	<u>(18,319)</u>	<u>21,989</u>	<u>1,401,752</u>
Fund Balance - Ending	<u>\$ 868,493</u>	<u>\$ (18,319)</u>	<u>\$ 4,311</u>	<u>\$ 854,485</u>

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

Town of Collbran, Colorado
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental
Funds to the Statement of Activities
For the Year Ended December 31, 2009

Net Change in Fund Balance of Governmental Funds **\$ (547,267)**

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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation during the year. 61,500

Repayment of revenue bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of repayments. 85,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 999

Change in Net Assets of Governmental Activities **\$ (399,768)**

Town of Collbran, Colorado
Statement of Net Assets
Proprietary Funds
December 31, 2009

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets:			
Current Assets:			
User fee receivable	\$ 14,403	\$ 9,633	\$ 24,036
Total Current Assets	<u>14,403</u>	<u>9,633</u>	<u>24,036</u>
Non-current Assets:			
Capital assets, at cost	1,789,122	1,584,048	3,373,170
Accumulated depreciation	(733,574)	(1,056,685)	(1,790,259)
Total Non-current Assets	<u>1,055,548</u>	<u>527,363</u>	<u>1,582,911</u>
Total Assets	<u>1,069,951</u>	<u>536,996</u>	<u>1,606,947</u>
Liabilities:			
Current Liabilities:			
Accounts payable	4,702	18,886	23,588
Deposits	6,766	1,020	7,786
Total Liabilities	<u>11,468</u>	<u>19,906</u>	<u>31,374</u>
Invested in capital assets, net of related debt	1,055,548	527,363	1,582,911
Unrestricted	2,935	(10,273)	(7,338)
Total Net Assets	<u>\$ 1,058,483</u>	<u>\$ 517,090</u>	<u>\$ 1,575,573</u>

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

Town of Collbran, Colorado
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
User charges	\$ 147,930	\$ 92,614	\$ 240,544
Other operating revenue	1,025	1,695	2,720
Total Operating Revenues	<u>148,955</u>	<u>94,309</u>	<u>243,264</u>
Operating Expenses:			
Salaries and benefits	33,173	20,327	53,500
Professional services	58,581	73,763	132,344
Supplies and chemicals	14,035	2,424	16,459
Utilities	15,927	24,572	40,499
Repairs and maintenance	3,930	3,246	7,176
Depreciation	41,869	39,356	81,225
Other	37,505	20,877	58,382
Total Operating Expenses	<u>205,020</u>	<u>184,565</u>	<u>389,585</u>
Operating Income (Loss)	(56,065)	(90,256)	(146,321)
Capital Contributions	4,500	4,500	9,000
Grants & Contributions	305,000	1,075	306,075
Transfers from General Fund	<u>352,187</u>	<u>63,139</u>	<u>415,326</u>
Change in Net Assets	605,622	(21,542)	584,080
Net Assets - Beginning	<u>452,861</u>	<u>538,632</u>	<u>991,493</u>
Net Assets - Ending	<u>\$ 1,058,483</u>	<u>\$ 517,090</u>	<u>\$ 1,575,573</u>

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

Town of Collbran, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash received from customers	\$ 151,489	\$ 94,601	\$ 246,090
Cash payments for goods and services	(193,536)	(122,610)	(316,146)
Cash payments to employees	(38,197)	(25,351)	(63,548)
Net Cash Provided (Used) by Operating Activities	<u>(80,244)</u>	<u>(53,360)</u>	<u>(133,604)</u>
Cash Flows From Capital and Related Financing Activities:			
Capital contributions - Tap Fees	4,500	4,500	9,000
Grant income	305,000	1,075	306,075
Transfers from General Fund	352,187	63,139	415,326
Cash paid for capital assets	(302,743)	(13,660)	(316,403)
Net Cash (Used) by Capital and Related Financing Activities	<u>358,944</u>	<u>55,054</u>	<u>413,998</u>
Net Change in Cash and Cash Equivalents	278,700	1,694	280,394
Cash and Cash Equivalents (Deficit) - Beginning	<u>(278,700)</u>	<u>(1,694)</u>	<u>(280,394)</u>
Cash and Cash Equivalents (Deficit) - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating Income (loss)	\$ (56,065)	\$ (90,256)	\$ (146,321)
Adjustments to Reconcile:			
Depreciation	41,869	39,356	81,225
(Increase) decrease in accounts receivable	2,534	292	2,826
(Increase) decrease in other current assets	26,935		
Increase (decrease) in accounts payable	(95,517)	(2,752)	(98,269)
Total Adjustments	<u>(24,179)</u>	<u>36,896</u>	<u>(14,218)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (80,244)</u>	<u>\$ (53,360)</u>	<u>\$ (133,604)</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

Town of Collbran, Colorado
Schedule of Revenues
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2009

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Taxes:			
General property	\$ 30,400	\$ 24,065	\$ (6,335)
Sales Taxes	590,201	411,671	(178,530)
Cigarette	793	815	22
Franchise	5,920	15,004	9,084
Severance	32,981	29,227	(3,754)
Specific ownership	3,485	3,715	230
Mineral Lease	13,817	14,186	369
Total Taxes	<u>677,597</u>	<u>498,683</u>	<u>(179,283)</u>
Intergovernmental:			
Highway users	8,051	11,448	3,397
County road and bridge	790	625	(165)
Motor vehicle registration	644	953	309
Library reimbursement	-	-	-
Grants	-	18,647	18,647
Motor vehicle use tax	1,240	632	(608)
County Grant	1,400	1,440	40
Total Intergovernmental	<u>12,125</u>	<u>33,745</u>	<u>21,620</u>
Earnings on Investments	<u>10,000</u>	<u>2,051</u>	<u>(7,949)</u>
Other Revenues:			
Fines and penalties	11,068	13,368	2,300
Land use/development fees	2,754	700	(2,054)
Miscellaneous	3,259	17,728	14,469
Rodeo grounds	1,500	1,606	106
Summer recreation	2,500	2,486	(14)
Donations	-	1,500	1,500
Total Other Revenues	<u>21,081</u>	<u>37,388</u>	<u>16,307</u>
Total Revenues	<u>\$ 720,803</u>	<u>\$ 571,867</u>	<u>\$ (149,305)</u>

Town of Collbran, Colorado
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2009

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
General Government:			
Personnel services	\$ 131,612	\$ 112,307	\$ 19,305
Supplies	15,000	15,238	(238)
Other services and charges	307,513	188,205	119,308
Capital outlay	14,350	7,853	6,497
Total General Government	<u>468,475</u>	<u>323,603</u>	<u>144,872</u>
Public Safety:			
Personnel services	122,533	107,223	15,310
Supplies	6,750	20,346	(13,596)
Other services and charges	34,300	13,975	20,325
Capital outlay	-	2,000	(2,000)
Total Public Safety	<u>163,583</u>	<u>143,544</u>	<u>20,039</u>
Public Works:			
Personnel services	85,776	68,583	17,193
Supplies	20,000	15,539	4,461
Other services and charges	36,200	45,304	(9,104)
Capital outlay	4,000	4,181	(181)
Total Public Works	<u>145,976</u>	<u>133,607</u>	<u>12,369</u>
Municipal Court:			
Personnel services	8,985	4,086	4,899
Supplies	750	128	622
Other services and charges	17,850	14,669	3,181
Total Municipal Court	<u>27,585</u>	<u>18,883</u>	<u>8,702</u>
Culture and Recreation:			
Personnel services	14,199	36,993	(22,794)
Supplies	2,600	10,564	(7,964)
Other services and charges	26,448	18,936	7,512
Capital outlay	-	-	-
Total Culture and Recreation	<u>43,247</u>	<u>66,493</u>	<u>(23,246)</u>
Total Expenditures	<u>\$ 848,866</u>	<u>\$ 686,130</u>	<u>\$ 162,736</u>

OTHER SUPPLEMENTARY INFORMATION

Town of Collbran, Colorado
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
Capital Projects Fund
For the Year Ended December 31, 2009

	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Sales tax	\$ 115,430	\$ 111,563	\$ (3,867)
Expenditures:			
Debt service:			
Bond fees	400	400	-
Bond interest	30,030	26,163	3,867
Bond principal	85,000	85,000	-
Total Expenditures	115,430	111,563	3,867
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ -

Town of Collbran, Colorado
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
Special Revenue Fund - Conservation Trust Fund
For the Year Ended December 31, 2009

	<u>Original Budget</u>	<u>Supplemental Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Revenues:					
Intergovernmental:					
State lottery	\$ 6,500	\$ -	\$ 6,500	\$ 6,292	\$ -
Earnings on investments	-	-	-	1,322	1,322
Grants received	-	-	-	104,786	104,786
Total Revenues	<u>6,500</u>	<u>-</u>	<u>6,500</u>	<u>112,400</u>	<u>106,108</u>
Expenditures:					
Culture and recreation:					
Recreation expenditures	25,000	-	25,000	742	24,258
Capital Outlay	-	104,330	104,330	129,336	(25,006)
Total Expenditures	<u>25,000</u>	<u>104,330</u>	<u>129,330</u>	<u>130,078</u>	<u>(748)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources(Uses)	<u>\$ (18,500)</u>	<u>\$ (104,330)</u>	<u>\$(122,830)</u>	<u>\$(17,678)</u>	<u>\$105,360</u>

Town of Collbran, Colorado
Schedule of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual
With Reconciliation to GAAP Basis
Proprietary Funds - Water Fund
For the Year Ended December 31, 2009

	<u>Original and Final Budget</u>	<u>Supplemental Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Operating Revenues:					
User charges	\$ 110,000	-	\$ 110,000	\$ 147,930	\$ 37,930
Operating Expenses:					
Salaries and benefits	34,596	-	34,596	33,173	1,423
Professional services	20,000	-	20,000	58,581	(38,581)
Supplies and chemicals	21,500	-	21,500	14,035	7,465
Utilities	16,000	-	16,000	15,927	73
Repairs and maintenance	16,000	-	16,000	3,930	12,070
Other	40,150	-	40,150	37,505	2,645
Capital outlay	164,121	153,379	317,500	302,744	14,756
Total Operating Expenses	<u>312,367</u>	<u>153,379</u>	<u>465,746</u>	<u>465,895</u>	<u>(149)</u>
Net Income (Loss) - Non-GAAP Basis Before Capital Contributions	(202,367)	(153,379)	(355,746)	(317,965)	37,781
Other receipts	300	-	300	1,025	725
Capital Contributions - Tap Fees	4,500	-	4,500	4,500	-
Grant Income	150,000	-	150,000	305,000	155,000
Transfers from General Fund	-	-	-	352,187	352,187
Net Income (Loss) - Non-GAAP Basis	<u>\$ (47,567)</u>	<u>\$ (153,379)</u>	<u>\$ (200,946)</u>	344,747	<u>\$ 545,693</u>
Reconciliation to GAAP Basis:					
Capital Outlay				302,744	
Depreciation				(41,869)	
Total GAAP Basis Adjustments				<u>260,875</u>	
Net Income - GAAP Basis				<u>\$ 605,622</u>	

Town of Collbran, Colorado
Schedule of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual
With Reconciliation to GAAP Basis
Proprietary Funds - Sewer Fund
For the Year Ended December 31, 2009

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Operating Revenues:			
User charges	\$ 76,000	\$ 92,614	\$ 16,614
Other revenues	250	1,695	(1,445)
Total Operating Revenues	<u>76,250</u>	<u>94,309</u>	<u>15,169</u>
Operating Expenses:			
Salaries and benefits	34,078	20,327	13,751
Professional services	20,000	73,763	(53,763)
Supplies and chemicals	4,000	2,424	1,576
Utilities	26,000	24,572	1,428
Repairs and maintenance	2,500	3,246	(746)
Other	18,650	20,877	(2,227)
Capital outlay	190,304	41,185	149,119
Total Operating Expenses	<u>295,532</u>	<u>186,394</u>	<u>109,138</u>
Net Income (Loss) - Non-GAAP Basis			
Before Capital Contributions	(219,282)	(92,085)	(93,969)
Capital Contributions - Tap Fees	4,500	4,500	-
Grant Income	150,000	1,075	148,925
Transfers from General Fund	<u>-</u>	<u>63,139</u>	<u>-</u>
Net Income (Loss) - Non-GAAP Basis	<u>\$ (64,782)</u>	<u>(23,371)</u>	<u>\$ 54,956</u>
Reconciliation to GAAP Basis:			
Capital outlay		41,185	
Depreciation		(39,356)	
Total GAAP Basis Adjustments		<u>1,829</u>	
Net (Loss) - GAAP Basis		<u>\$ (21,542)</u>	

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009

I. Summary of Significant Accounting Policies

The Town of Collbran, Colorado (the "Town") was incorporated under Colorado statutes in 1908. An elected Mayor and Town Board are responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes. The Town's major operations include public safety, public works, and culture and recreation.

The Town's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. The Town has elected to apply FASB pronouncements after that date to its business-type activities and enterprise funds that do not conflict with GASB pronouncements. The more significant accounting policies established by GAAP used by the Town are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the Town, and (b) organizations for which the Town is financially accountable. The Town is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the Town. Organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the Town is not financially accountable for any other entity nor is the Town a component unit of any other government.

B. Government-wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's public safety, public works, municipal court, culture and recreation, and administration are classified as governmental activities. The Town's water and sewer utilities are classified as business-type activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (public safety, public works, utilities, etc.). The functions are also supported by general government revenues (property and sales taxes, specific ownership taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

I. Summary of Significant Accounting Practices (continued)

C. Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The Town reports the following 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 another fund.

The *Conservation Trust Fund* accounts for lottery proceeds required to be expended solely on park and recreation improvements.

The *Capital Projects Fund* accounts for the construction or acquisition of capital facilities. Receipts for these purposes arise from the sale of bonds, grants from other governments, and transfers from other funds.

The Town reports the following proprietary or business-type funds:

The *Water Fund* accounts for the delivery of water to the citizens of the Town.

The *Sewer Fund* accounts for sewer service to the citizens of the Town.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The Town's policy is to first use restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

1. Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers and applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

F. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

2. Investments

Investments are stated at fair market value.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. No allowance is recorded at December 31, 2009, as all accounts are considered to be collectible.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental unit until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

5. Interfund Receivables and Payables

Balances at year-end between funds are reported as "due to / from other funds" in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as "internal balances" in the government-wide financial statements.

6. Capital Assets

Capital assets, which include land, treatment plants, reservoirs, distribution systems, buildings and improvements, equipment, vehicles, and infrastructure assets (only infrastructure acquired after January 1, 2003), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost of \$750 or more (\$3,000 for infrastructure) and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Infrastructure assets are being capitalized prospectively beginning in 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets.

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

Assets	Years
Reservoirs and treatment plants	40
Land Improvements	10-20
Distribution systems	15-40
Buildings and improvements	30
Equipment and vehicles	3-15
Street improvements	5-12

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities in the government-wide financial statements. Vested or accumulated vacation leave of the proprietary fund type is recorded as an expense and liability of that fund as the benefits accrue to employees. In accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits estimated to be paid upon termination.

8. Tap Fees

Accounting and Financial Reporting for Non-exchange Transactions, GASB 33, requires that government entities that receives tap fees record the tap fees as revenue for accounting periods beginning after June 15, 2000. Accordingly, the Town has reported tap fees for the year ended December 31, 2007 as revenue in the accompanying financial statements.

9. Use of Estimates

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

10. Legal Provisions and Authorization for Deposits

The Town pools deposits and investments of all funds. Each fund's share of the pool is readily identified by the Town's internal records. The Town is governed by state statutes as to the type of institutions and investments with which it may deposit funds and transact business.

11. Proprietary Funds

As required by GASB 20, the Town has elected to follow for its proprietary funds, all (1) GASB pronouncements and (2) FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins (ARBS) issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Government Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund Balance Sheet includes reconciliation between *fund balance - total governmental funds* and *net assets of governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains

"Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." This \$527,620 difference is related to revenue bonds payable of \$510,000, interest payable of \$8,172 and long term portion of compensated absences of \$9,450.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance includes reconciliation between *net change in fund balances of governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains "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 as depreciation expense." The details of this \$61,500 difference are capital outlays of \$143,370 less depreciation expense of \$81,870.

Another element of that reconciliation explains, "Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." This difference of \$999 is a decrease in accrued interest expense of \$1,493 and an increase in accrued paid leave of \$494.

III. Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for the proprietary funds. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

As required by Colorado Statutes, the Town followed the required timetable noted below in preparing, approving, and enacting its budget for 2009.

1. For the 2009 budget year, prior to August 25, 2008, the County Assessor sent to the Town an assessed valuation of all taxable property within the Town's boundaries.
2. The Town Administrator, or other qualified person appointed by the Board, submitted to the Board, on or before October 15, 2008, a recommended budget which detailed the necessary property taxes along with other available revenues to meet the Town's operating requirements.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

III. Stewardship, Compliance and Accountability (continued)

A. Budgetary information (continued)

3. Prior to December 15, 2008, a public hearing was held for the budget, the Board certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the Town may make the following changes: a) it may transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2008 were collected in 2009 and taxes certified in 2009 will be collected in 2010. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1 %) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly know as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The Town has reserved \$35,100 which is the approximate required reserve at December 31, 2009.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

III. Stewardship, Compliance and Accountability (continued)

B. TABOR Amendment (continued)

The Town's voters approved the following ballot question which will allow the Town to collect, retain, and expend the full proceeds of the Town's sales tax, use tax, property tax, state grants, and other revenues from the date of November 8, 1994 and thereafter:

Shall the Town of Collbran, Mesa County, Colorado, without any increase in the property tax mill levy and sales and use tax rates, be authorized to increase its revenue and expenditure limitations established under Article X, Section 20 of the Colorado Constitution (commonly known as Amendment 1 and/or the TABOR Amendment) during 1994 and each subsequent year; to receive and expend state grants; and to receive and expend all sales tax, use tax and property tax revenues for capital projects and other basic municipal services without limiting in any year the amount of other revenues that may be collected and spent by the Town of Collbran.

The Town's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

IV. Detailed Notes on All Funds

A. 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. The 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.

Colorado statutes specify instruments that local governments may invest, and include:

- Obligations of the U.S. and certain U.S. government agencies securities
- Certain international agency securities
- General obligation and revenue bonds for 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
- Guaranteed investment contracts

Interest Rate Risk

The Town limits its investments to savings accounts and investment pools (explained below) where each share is equal to one dollar and the Town avoids interest rate risk.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Credit Risk. State law and Town policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The Town's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The Town invests most funds in 2a7-like pools and thus avoids a concentration of credit risk.

Pools. The Town has invested in Colorado Local Government Liquid Asset Trust and Colorado Surplus Asset Fund Trust ("C-SAFE"). The trusts are investment vehicles established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund and each share is equal in value to \$1. Investments of the trusts 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 the trusts in connection with their direct investment and withdrawal functions. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the trusts.

A summary of the Town's cash and investments at December 31, 2008, is shown below:

<u>Type</u>	<u>Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Checking		\$ 127,164	\$ 127,164	\$ -
<i>Investments:</i>				
Csafe	AAAm	328,238	328,238	-
ColoTrust	AAAm	350,500	350,500	-
		<u>805,902</u>	<u>805,902</u>	<u>-</u>

B. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The \$26,280 of deferred revenue is property taxes levied in 2009 but not available until 2010.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Governmental funds:				
Equipment	\$ 294,135	\$ 14,034	\$ -	\$ 308,169
Buildings	537,070		-	537,070
Improvements	352,194	129,336	-	481,530
Infrastructure	202,280		-	202,280
Bond Issue costs	19,440	-	-	19,440
Total	1,405,121	143,370	-	1,548,489
Less depreciation and amortization	(837,107)	(81,870)	-	(918,977)
Net	568,014	61,500	-	629,512
Land	133,647	-	-	133,647
Total - Governmental Funds	701,661	61,500	-	763,159
Proprietary Funds:				
Water				
Equipment	85,523	-	-	85,523
Water system	766,569	-	-	766,569
Reservoirs	84,363	-	-	84,363
Water Treatment Plant	476,299	376,368	-	852,667
Total	1,412,754	376,368	-	1,789,122
Less depreciation	(691,705)	(41,869)	-	(733,574)
Net	721,050	334,499	-	1,055,548
Construction in progress	102,218		102,218	-
Total - Water Fund	823,268	334,499	102,218	1,055,548
Sewer				
Equipment	56,756	13,660	-	70,416
Sewer System	1,442,521	27,526	-	1,470,047
Total	1,499,278	41,186	-	1,540,463
Less Depreciation	(1,017,329)	(39,356)	-	(1,056,685)
Net	481,949	1,830	-	483,778
Land	43,585	-	-	43,585
Construction in progress	27,569		27,569	-
Total - Sewer Fund	553,103	1,830	27,569	527,363
Total Proprietary Funds	1,376,371	336,329	129,787	1,582,911
Total fixed assets - net - all funds	\$ 2,078,032	\$ 397,829	\$ 129,787	\$ 2,346,070

Depreciation and amortization of \$81,870 and \$81,225 were charged to the governmental and proprietary funds, respectively, in the government-wide statement of activities.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables as of December 31, 2009 were as follows:

	Receivable	Payable
General Fund	\$ 30,616	\$ -
Conservation Trust Fund	-	12,297
Water Fund	-	-
Sewer Fund	-	-
Capital Projects Fund	-	18,319
Total	\$ 30,616	\$ 30,616

The interfund balances stated above resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The Town's Board of Trustees adopted a resolution to transfer amounts from the General Fund to the Water Fund and Sewer Fund to clear long-standing balances in the interfund accounts.

E. Long-term Liabilities – Governmental Activities

1. Sales tax revenue bonds

In March, 2007 the Town issued sales tax revenue bonds in the amount of \$720,000 at an interest rate of 4.55%. The proceeds of the bonds were used to retire Series 1996 sales tax revenue bonds.

The bonds were issued for the purpose of constructing paved streets, curbs, gutters, sidewalks, storm drainage improvements and related improvements in the area of the Town between Plateau Creek and High Street, and the east and west Town limits. The proceeds from the bond issuance were deposited into the Town's Capital Projects Fund.

Bond principal and interest payments are made from the Town's share of Mesa County sales and use taxes. Bond activity during 2009 was:

Bonds payable at December 31, 2008	\$595,000
Bonds retired during year	-85,000
Bonds payable at December 31, 2009	\$510,000

Future payments on the bonds are as follows:

Year	Principal	Interest	Total Payment
2010	95,000	22,181	117,181
2011	95,000	17,859	112,859
2012	95,000	13,536	108,536
2013	105,000	9,100	114,100
2014	100,000	4,323	104,323
2015	20,000	455	20,455
Total	\$ 510,000	\$ 67,454	\$ 577,454

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

IV. Detailed Notes on All Funds (continued)

2. Compensated Absences

The Town has a policy for the accumulation of sick pay up to certain limits. Vacation pay is accumulated from commencement of employment and may be used after six months of employment. Sick pay may be accumulated to a maximum of 120 days. Vacation pay may be accumulated up to 15 days.

The Town also accumulates compensatory leave which must be used or paid within 30 days. The estimated liability for accrued leave for Proprietary Fund employees is recorded on the proprietary funds; the estimated liability for General Fund employees is recorded in the governmental activities column in the government-wide financial statements.

V. Other information

A. Pension Plans

1. Defined Contribution Plan – IRC Section 401 (a)

The Town offers a defined contribution pension plan which covers all permanent paid employees and elected officials of the Town. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate in the Plan from the date of employment. The Plan provides for contributions to be made by the Town and the employee of 8% each.

The Plan is administered by ICMA Retirement Corporation for one former employee and by the Colorado County Officials and Employees' Retirement Association (CCOERA) for all other employees and council members.

The total amount of the Town employees' covered payroll for the year ended December 31, 2009 was \$284,675, with a total payroll of \$305,910. The Town's required and actual contributions to the Plan for the year ended December 31, 2009 were \$22,744. The Town's contributions represent 8% of covered payroll.

The Town has no liability for losses under the Plan but does have the duty of care that would be required of an ordinary prudent investor.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

V. Other Information (continued)

A. Pension Plans (continued)

2. Deferred Compensation Plan – IRC Section 457

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the Plan participants and their beneficiaries.

The accrual basis of accounting is used for the Plan. Revenues are recognized when earned and expenditures are recognized when incurred. Investments are recorded at market value.

Plan investment purchases are determined by the Plan participant and therefore, the Plan's investment concentration varies between participants.

The Town has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor.

The Plan is administered by ICMA Retirement Corporation.

B. Risk Management

The Town is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The Town carries commercial coverage for these risks and claims and does not expect claims to exceed their coverage.

C. Contingencies - Claim

During the normal course of business, the Town may incur claims and other assertions against it from various agencies and individuals. Management of the Town and their legal representatives feel that these claims or assertions are inconsequential and/or not susceptible to reasonable estimation. Therefore no liabilities have been recorded for these possible claims or assertions.

D. Land Lease and Indemnity Agreement

The Town entered into an agreement with Grand Valley National Bank (the "Bank") on April 23, 2003, whereby the Town has leased certain real property to the Bank, paid for the demolition and removal of a structure on the property, and agreed to indemnify the Bank for any and all future costs associated with any environmental hazards which may exist on or beneath the property. The Bank has paid the Town \$60,000 for the lease for a term of 60 years, unless terminated sooner by purchase or otherwise. The Bank has paid the Town an additional \$90,000 for the indemnity agreement. The Bank has an option to purchase the property anytime during the term of the lease for an additional \$60,000.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2009
(Continued)

V. Other Information (continued)

E. Former Employees Award

In 2009 a case in which former employees sued the Town in regard to employment issues was retried in Mesa County District Court. The plaintiffs were issued a judgment in the amount of \$25,000. The Town does not expect to appeal the ruling and expects to pay the judgment amount in 2010.