

Town of Collbran, Colorado

Financial Statements

December 31, 2011

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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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Collbran, Colorado as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Collbran, Colorado as of December 31, 2011, 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.

Management's discussion and analysis and the budgetary comparison information in Sections E and F are not a required part of the basic financial statements but are 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
September 30, 2012

Town of Collbran, Colorado

Management's Discussion and Analysis

December 31, 2011

The financial managers of the Town of Collbran (the Town) present the following discussion and analysis of the Town's financial performance to provide an overview of the Town's financial activities for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the Town.

Financial Highlights

The Governmental Funds reported fund balances of \$1,005,790 at December 31, 2011, an increase of \$144,820 from December 31, 2010.

The Business-type Funds reported net assets of \$1,696,123 at December 31, 2011, an increase of \$74,707 from December 31, 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

The government-wide financial statements, fund financial statements and notes to the financial statements are discussed below.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. They are prepared using the full accrual basis of accounting.

The Statement of Net Assets presents information on all of the Town's assets and liabilities (both short-term and long-term, if any), with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, conservation trust, and capital projects. The business-type activities of the Town include water and sewer.

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the conservation trust fund, and capital projects fund.

The basic governmental fund financial statements can be found on pages C3 through C5 of this report.

Proprietary funds. The Town maintains proprietary funds commonly known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the business-type services provided by the Town.

The basic proprietary fund financial statements can be found on pages C6 through C8 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the Town's budgetary comparisons for the general fund. Required supplemental information can be found on pages E1 through E2 of this report. Schedules of Revenues and Expenditures – Budget and Actual for the Capital Projects Fund, Conservation Trust Fund, Water Fund, and Sewer Fund are presented immediately following the required supplemental information. They can be found on pages F1 through F4 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of the government's financial position. In the case of the Town, assets exceeded liabilities by \$3,004,883 at December 31, 2011 and by \$2,745,799 at December 31, 2010.

Government-wide Financial Analysis (continued)

The following summarized the Town's net assets at December 31:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	1,051,651	1,003,313	231,537	90,035	1,283,188	1,093,348
Capital assets, net of accumulated depreciation	628,097	691,141	1,488,558	1,551,321	2,116,655	2,242,462
Total assets	1,679,748	1,694,454	1,720,095	1,641,356	3,399,843	3,335,810
Current liabilities	145,988	243,993	23,972	19,940	169,960	263,933
Noncurrent liabilities	225,000	326,078			225,000	326,078
Total liabilities	370,988	570,071	23,972	19,940	394,960	590,011
Net assets:						
Invested in capital assets, net of related debt	308,097	276,141	1,488,558	1,551,321	1,796,655	1,827,462
Restricted for emergencies	25,500	25,500			25,500	25,500
Unrestricted	975,163	822,742	207,565	70,095	1,182,728	892,837
Total net assets	1,308,760	1,124,383	1,696,123	1,621,416	3,004,883	2,745,799

Most of the Town's assets are reflected in the investment in capital assets (i.e. land, buildings, equipment, and infrastructure). Capital assets account for 67% of the total assets. The Town will use these assets to provide services to the residents. Therefore, these assets are not an available source for funding of future spending.

Government-wide Financial Analysis (continued)

The following summarizes the change in the Town's net assets for the year ended December 31:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES:						
Program revenues:						
Charges for services and fees	23,596	18,730	351,651	241,272	375,247	260,002
Operating grants						
And contributions	32,415	27,162		1,980	32,415	29,142
Capital grants and contrib.	5,929	5,877	11,462	3,000	17,391	8,877
General revenues:						
Taxes	658,627	608,112			658,627	608,112
Earnings on investments	2,211	2,629			2,211	2,629
Total revenues	722,778	662,510	363,113	246,252	1,085,891	908,762
EXPENSES:						
General government	257,700	288,080			257,700	288,080
Public safety	90,444	117,647			90,444	117,647
Public works	90,569	62,838			90,569	62,838
Municipal court	16,002	13,506			16,002	13,506
Culture and recreation	50,763	52,047			50,763	52,047
Water			194,822	127,738	194,822	127,738
Sewer			98,174	96,871	98,174	96,871
Interest on long-term debt	19,513	23,836			19,513	23,836
Former employee judgment	8,820	45,997			8,820	45,997
Transfers	4,590	24,200	(4,590)	(24,200)	0	0
Total expenses	538,401	628,151	288,406	200,409	826,807	828,560
Increase (decrease) in net assets	184,377	34,359	74,707	45,843	259,084	80,202
Net assets January 1	1,124,383	1,090,024	1,621,416	1,575,573	2,745,799	2,665,597
Net assets December 31	1,308,760	1,124,383	1,696,123	1,621,416	3,004,883	2,745,799

Financial Analysis of the Town's Funds

As mentioned earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund has a fund balance of \$1,019,218 at December 31, 2011, an increase of \$144,857 from December 31, 2010. The unreserved portion of the fund balance in the amount of \$993,718 is available for spending.

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

Budgetary Highlights

The Budget to actual comparisons can be found on pages E1 through F4 of this report.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amount to \$2,116,665 (net of accumulated depreciation).

Town of Collbran, Colorado
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments - Unrestricted	\$ 928,724	\$ 196,974	\$ 1,125,698
Receivables, net:			
Property tax	21,186		21,186
User fee	-	32,611	32,611
Due from other governments	87,254	-	87,254
Other current assets	14,487	1,952	16,439
Capital assets, net	628,097	1,488,558	2,116,655
Total Assets	1,679,748	1,720,095	3,399,843
Liabilities:			
Accounts payable	16,278	13,549	29,827
Accrued interest payable	5,127	-	5,127
Customer deposits	-	10,423	10,423
Property taxes assessed, but not collectible until subsequent year	21,186	-	21,186
Accrued expenses and deposits	8,397	-	8,397
Revenue bonds payable:			
Due within one year	95,000	-	95,000
Due in more than one year	225,000	-	225,000
Total Liabilities	370,988	23,972	394,960
Net Assets:			
Invested in capital assets, net of related debt	308,097	1,488,558	1,796,655
Restricted for emergencies	25,500	-	25,500
Unrestricted	975,163	207,565	1,182,728
Total Net Assets	\$ 1,308,760	\$ 1,696,123	\$ 3,004,883

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

Town of Collbran, Colorado
Statement of Activities
For the Year Ended December 31, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Fees	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental Activities:							
General government	\$ 257,700	\$ 4,420	\$ 21,247	\$ -	\$ (232,033)		\$ (232,033)
Public safety	90,444	2,939	-	-	(87,505)		(87,505)
Public works	90,569	-	1,000	-	(89,569)		(89,569)
Municipal court	16,002	8,580	-	-	(7,422)		(7,422)
Culture and recreation	50,763	7,657	10,168	5,929	(27,009)		(27,009)
Interest on long-term debt	19,513	-	-	-	(19,513)		(19,513)
Former employee judgment	8,820	-	-	-	(8,820)		(8,820)
Total Governmental Activities	533,811	23,596	32,415	5,929	(471,871)		(471,871)
Business-type Activities:							
Water	194,822	221,028	-	-		\$ 26,206	26,206
Sewer	98,174	130,623	-	11,462		43,911	43,911
Total Business-type Activities	292,996	351,651	-	11,462		70,117	70,117
Total	\$ 826,807	\$ 375,247	\$ 32,415	\$ 17,391	(471,871)	70,117	(401,754)
General Revenues:							
Taxes:							
Property tax, levied for general purposes					26,273	-	26,273
Sales tax and use tax					590,690	-	590,690
Cigarette tax					698	-	698
Franchise tax					19,500	-	19,500
Severance tax					9,620	-	9,620
Specific ownership tax					2,635	-	2,635
Mineral leasing tax					9,211	-	9,211
Earnings on investments					2,211	-	2,211
Transfers in (out)					(4,590)	4,590	-
Total General Revenues and Transfers					656,248	4,590	660,838
Change in Net Assets					184,377	74,707	259,084
Net Assets - Beginning					1,124,383	1,621,416	2,745,799
Net Assets - Ending					\$ 1,308,760	\$ 1,696,123	\$ 3,004,883

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

Town of Collbran, Colorado
Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	Capital Projects Fund	Conservation Trust Fund	Total
Assets:				
Cash and investments - Unrestricted	\$ 923,833	\$ -	\$ 4,891	\$ 928,724
Due from other governments	87,254	-	-	87,254
Due from other funds	18,319	(18,319)	-	-
Other receivables	14,487	-	-	14,487
Property taxes assessed, but not collectible until subsequent year	21,186	-	-	21,186
Total Assets	\$ 1,065,079	\$ (18,319)	\$ 4,891	\$ 1,051,651
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 16,278	\$ -	\$ -	\$ 16,278
Accrued expenses	8,397	-	-	8,397
Property taxes assessed, but not collectible until subsequent year	21,186	-	-	21,186
Total Liabilities	45,861	-	-	45,861
Fund Balance:				
Restricted for recreation and culture	-	-	4,891	4,891
Restricted for emergencies	25,500	-	-	25,500
Unassigned fund balance	993,718	(18,319)	-	975,399
Total Fund Balance	1,019,218	(18,319)	4,891	1,005,790
Total Liabilities and Fund Balance	\$ 1,065,079	\$ (18,319)	\$ 4,891	\$ 1,051,651

**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.	628,097
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(325,127)
Net Assets of Governmental Activities	\$ 1,308,760

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, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Conservation Trust Fund</u>	<u>Total</u>
Revenues:				
Taxes	\$ 545,368	\$ 113,259	\$ -	\$ 658,627
Intergovernmental	13,804	-	5,929	19,733
Earnings on investments	2,211	-	-	2,211
Other revenues	42,207	-	-	42,207
Total Revenues	<u>603,590</u>	<u>113,259</u>	<u>5,929</u>	<u>722,778</u>
Expenditures:				
General government	229,472	-	-	229,472
Public safety	80,324	-	-	80,324
Public works	88,162	-	-	88,162
Municipal court	16,002	-	-	16,002
Culture and recreation	31,363	-	5,966	37,329
Debt service:				
Bond fees	-	400	-	400
Bond interest	-	17,859	-	17,859
Bond principal	-	95,000	-	95,000
Former employee judgement	8,820	-	-	8,820
Transfer to water fund	4,590	-	-	4,590
Total Expenditures	<u>458,733</u>	<u>113,259</u>	<u>5,966</u>	<u>577,958</u>
Excess (Deficiency) of Revenues Over Expenditures	144,857	-	(37)	144,820
Transfers to Proprietary Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balances	144,857	-	(37)	144,820
Fund Balance - Beginning	<u>874,361</u>	<u>(18,319)</u>	<u>4,928</u>	<u>860,970</u>
Fund Balance - Ending	<u>\$ 1,019,218</u>	<u>\$ (18,319)</u>	<u>\$ 4,891</u>	<u>\$ 1,005,790</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, 2011

Net Change in Fund Balance of Governmental Funds	\$ 144,820
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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 depreciation exceeded capital outlay during the year.	(63,045)
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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.	95,000
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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.	<u>7,601</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 184,376</u></u>
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Town of Collbran, Colorado
Statement of Net Assets
Proprietary Funds
December 31, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash	\$ 142,067	\$ 54,907	\$ 196,974
Prepays	851	1,101	1,952
User Fees receivable	10,390	13,367	23,757
Watershed permit fees receivable	8,854	-	8,854
Total Current Assets	<u>162,162</u>	<u>69,375</u>	<u>231,537</u>
Non-current Assets:			
Capital assets, at cost	1,827,368	1,625,250	3,452,618
Accumulated depreciation	(832,670)	(1,131,390)	(1,964,060)
Total Non-current Assets	<u>994,698</u>	<u>493,860</u>	<u>1,488,558</u>
Total Assets	<u>1,156,860</u>	<u>563,235</u>	<u>1,720,095</u>
Liabilities:			
Current Liabilities:			
Accounts payable	12,219	1,330	13,549
Deposits	7,056	3,367	10,423
Total Liabilities	<u>19,275</u>	<u>4,697</u>	<u>23,972</u>
Invested in capital assets, net of related debt	994,698	493,860	1,488,558
Unrestricted	142,887	64,678	207,565
Total Net Assets	<u>\$ 1,137,585</u>	<u>\$ 558,538</u>	<u>\$ 1,696,123</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, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
User charges	\$ 148,235	\$ 129,129	\$ 277,364
Other operating revenue	997	1,494	2,491
Total Operating Revenues	<u>149,232</u>	<u>130,623</u>	<u>279,855</u>
Operating Expenses:			
Salaries and benefits	13,363	9,658	23,021
Professional services	34,614	13,755	48,369
Supplies and chemicals	4,200	4,308	8,508
Utilities	13,590	26,663	40,253
Repairs and maintenance	2,738	1,043	3,781
Depreciation	49,910	36,948	86,858
Other	5,571	5,799	11,370
Total Operating Expenses	<u>123,986</u>	<u>98,174</u>	<u>222,160</u>
Operating Income (Loss)	25,246	32,449	57,695
Capital Contributions	-	-	-
Sewer repair contribution	-	11,462	11,462
Watershed permit fees	\$ 71,796	\$ -	\$ 71,796
Watershed permit costs	(70,836)	-	(70,836)
Transfers from General Fund	4,590	-	4,590
Total Capital Contributions	<u>5,550</u>	<u>11,462</u>	<u>17,012</u>
Change in Net Assets	30,796	43,911	74,707
Net Assets - Beginning	<u>1,106,789</u>	<u>514,627</u>	<u>1,621,416</u>
Net Assets - Ending	<u>\$ 1,137,585</u>	<u>\$ 558,538</u>	<u>\$ 1,696,123</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, 2011

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$ 213,232	\$ 132,353	\$ 345,585
Cash payments for goods and services	(124,611)	(67,788)	(192,399)
Cash payments to employees	(13,363)	(9,658)	(23,021)
Net Cash Provided (Used) by Operating Activities	75,258	54,907	130,165
Cash Flows From Capital and Related Financing Activities:			
Transfers from General Fund	4,590	-	4,590
Contribution for sewer repair		11,462	
Cash paid for capital assets	(12,633)	(11,462)	(24,095)
Net Cash (Used) by Capital and Related Financing Activities	(8,043)	-	(8,043)
Net Change in Cash and Cash Equivalents	67,215	54,907	122,122
Cash and Cash Equivalents (Deficit) - Beginning	74,852	-	74,852
Cash and Cash Equivalents (Deficit) - Ending	\$ 142,067	\$ 54,907	\$ 196,974
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating Income (loss)	\$ 26,206	\$ 32,449	\$ 58,655
Adjustments to Reconcile:			
Depreciation	49,910	36,948	86,858
(Increase) decrease in accounts receivable	(6,106)	(447)	(6,553)
(Increase) decrease in prepaids	(851)	(1,101)	(1,952)
Increase (decrease) in accounts payable	7,789	(4,244)	3,545
Increase (decrease) in customer deposits	(1,690)	2,177	487
Increase (decrease) in due to other funds	-	(10,875)	(10,875)
Total Adjustments	49,052	22,458	71,510
Net Cash Provided (Used) by Operating Activities	\$ 75,258	\$ 54,907	\$ 130,165

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, 2011

	Original And Final Budget	Actual	Final Budget Variance Positive (Negative)
Taxes:			
General property	\$ 28,089	\$ 26,273	\$ (1,816)
Sales Taxes	492,000	477,431	(14,569)
Cigarette	500	698	198
Franchise	19,543	19,500	(43)
Severance	3,000	9,620	6,620
Specific ownership	3,200	2,635	(565)
Mineral Lease	4,000	9,211	5,211
Total Taxes	<u>550,332</u>	<u>545,368</u>	<u>(4,964)</u>
Intergovernmental:			
Highway users	12,465	10,705	(1,760)
County road and bridge	800	788	(12)
Motor vehicle registration	800	845	45
Library reimbursement	-	-	-
Grants	51,440	10,173	(41,267)
Motor vehicle use tax	250	26	(224)
County Grant	-	-	-
Total Intergovernmental	<u>65,755</u>	<u>22,537</u>	<u>(43,218)</u>
Earnings on Investments	<u>-</u>	<u>-</u>	<u>-</u>
Other Revenues:			
Fines and penalties	12,000	8,581	(3,419)
Land use/development fees	3,100	1,198	(1,902)
Miscellaneous	8,651	-	(8,651)
Rodeo grounds	1,000	2,401	1,401
Summer recreation	200	20,480	20,280
Donations	-	3,025	3,025
Total Other Revenues	<u>24,951</u>	<u>35,685</u>	<u>10,734</u>
Total Revenues	<u>\$ 641,038</u>	<u>\$ 603,590</u>	<u>\$ (37,448)</u>

Town of Collbran, Colorado
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
General Government:			
Personnel services	\$ 149,059	\$ 137,344	\$ 11,715
Supplies	11,000	3,227	7,773
Other services and charges	64,746	88,901	(24,155)
Capital outlay	-	-	-
Total General Government	<u>224,805</u>	<u>229,472</u>	<u>(4,667)</u>
Public Safety:			
Personnel services	62,060	62,763	(703)
Supplies	11,500	9,148	2,352
Other services and charges	9,023	8,413	610
Capital outlay	1,000	-	1,000
Total Public Safety	<u>83,583</u>	<u>80,324</u>	<u>3,259</u>
Public Works:			
Personnel services	42,831	49,436	(6,605)
Supplies	15,000	15,005	(5)
Other services and charges	27,600	20,327	7,273
Capital outlay	50,000	3,394	46,606
Total Public Works	<u>135,431</u>	<u>88,162</u>	<u>47,269</u>
Municipal Court:			
Personnel services	2,511	3,907	(1,396)
Supplies	200	-	200
Other services and charges	8,100	12,095	(3,995)
Total Municipal Court	<u>10,811</u>	<u>16,002</u>	<u>(5,191)</u>
Culture and Recreation:			
Personnel services	8,403	4,957	3,446
Supplies	9,500	4,313	5,187
Other services and charges	19,430	17,599	1,831
Capital outlay	10,000	4,494	5,506
Total Culture and Recreation	<u>47,333</u>	<u>31,363</u>	<u>15,970</u>
Other:			
Former employee judgment	35,000	8,820	26,180
Transfer to Water Fund	-	4,590	(4,590)
Total Expenditures	<u>\$ 536,963</u>	<u>\$ 458,733</u>	<u>\$ 78,230</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Revenues:			
Sales tax	\$ 111,563	\$ 113,259	\$ 1,696
Expenditures:			
Debt service:			
Bond fees	400	400	-
Depreciation/ bond principal	79,093	95,000	-
Amortization of bond costs	2,777	2,777	-
Bond interest	24,670	15,082	9,588
Total Expenditures	<u>106,940</u>	<u>113,259</u>	<u>9,588</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,623</u>	<u>\$ -</u>	<u>\$ 11,284</u>

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, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Revenues:			
Intergovernmental:			
State lottery	\$ 5,800	\$ 5,929	\$ 129
Total Revenues	<u>5,800</u>	<u>5,929</u>	<u>129</u>
Expenditures:			
Culture and recreation:			
Recreation expenditures	5,736	5,966	(230)
Total Expenditures	<u>5,736</u>	<u>5,966</u>	<u>(230)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources(Uses)			
	<u>\$ 64</u>	<u>\$ (37)</u>	<u>\$ (101)</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Operating Revenues:			
User charges	\$ 140,000	\$ 148,235	\$ 8,235
Other revenues	921	997	76
Total Operating Revenues	<u>140,921</u>	<u>149,232</u>	<u>8,311</u>
Operating Expenses:			
Salaries and benefits	12,561	13,363	(802)
Professional services	31,250	34,614	(3,364)
Supplies and chemicals	10,000	4,200	5,800
Utilities	15,600	13,590	2,010
Repairs and maintenance	8,000	2,738	5,262
Other	7,923	5,571	2,352
Capital outlay	30,000	-	30,000
Total Operating Expenses	<u>115,334</u>	<u>74,076</u>	<u>41,258</u>
Net Income (Loss) - Non-GAAP Basis Before Capital Contributions	25,587	75,156	49,569
Capital Contributions			
Tap Fees	4,500	-	(4,500)
Grants	260,000	-	(260,000)
Grant expenditures	(260,000)	-	260,000
Transfers from General Fund	-	4,590	4,590
Watershed permits	10,000	71,796	61,796
Watershed permit costs	(10,000)	(70,836)	(60,836)
Net Income (Loss) - Non-GAAP Basis	<u>\$ 30,087</u>	<u>80,706</u>	<u>\$ 50,619</u>
Reconciliation to GAAP Basis:			
Capital outlay		-	
Depreciation		(49,910)	
Total GAAP Basis Adjustments		<u>(49,910)</u>	
Net Income - GAAP basis		<u>\$ 30,796</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, 2011

	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)
Operating Revenues:			
User charges	\$ 109,000	\$ 129,129	\$ 20,129
Other revenues	1,632	1,494	(138)
Total Operating Revenues	110,632	130,623	19,991
 Operating Expenses:			
Salaries and benefits	9,749	9,658	91
Professional services	12,250	13,755	(1,505)
Supplies and chemicals	2,500	4,308	(1,808)
Utilities	22,300	26,663	(4,363)
Repairs and maintenance	3,000	1,043	1,957
Other	8,823	5,799	3,024
Capital outlay	25,000	-	25,000
Total Operating Expenses	83,622	61,226	22,396
 Net Income (Loss) - Non-GAAP Basis			
Before Capital Contributions	27,010	69,397	42,387
 Capital Contributions			
Grants	260,000	11,462	(248,538)
Grant expenditures	(260,000)	-	260,000
Net Income (Loss) - Non-GAAP Basis	\$ 27,010	80,859	\$ 53,849
 Reconciliation to GAAP Basis:			
Capital outlay			
Depreciation		(36,948)	
Total GAAP Basis Adjustments		(36,948)	
Net Income - GAAP Basis		\$ 43,911	

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2011

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, 2011
(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, 2011
(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, 2011, as all accounts are considered to be collectible.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2011
(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, 2011
(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 collected no tap fees during the year ended December 31, 2011.

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, 2011
(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 \$325,127 difference is related to revenue bonds payable of \$320,000 and interest payable of \$5,127.

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 \$63,045 difference are depreciation expense of \$70,933 less capital outlays of \$7,888.

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 \$7,601 is a decrease in accrued interest expense of \$1,523 and a decrease in accrued paid leave of \$6,078.

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 2011.

1. For the 2011 budget year, prior to August 25, 2010, 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, 2010, 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, 2011
(Continued)

III. Stewardship, Compliance and Accountability (continued)

A. Budgetary information (continued)

3. Prior to December 15, 2010, 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 2010 were collected in 2011 and taxes certified in 2011 will be collected in 2012. 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 known 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 \$25,500 which is the approximate required reserve at December 31, 2011.

C. Fund Balance

The Town Board of Trustees has the authority to commit or assign the Town's net assets. There are currently no commitments or assignments of the Town's net assets. Restricted amounts are considered to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. When expenditures are incurred for which unassigned, committed and/or assigned fund balances are available the expenditure is allocated to committed funds, then assigned funds and the unassigned funds.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2011
(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, 2011
(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, 2011, are 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		\$ 294,863	\$ 294,863	\$ -
<i>Investments:</i>				
Csafe	AAAm	329,078	329,078	-
ColoTrust	AAAm	501,757	501,757	-
		<u>1,125,698</u>	<u>1,125,698</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 \$21,186 of deferred revenue is property taxes levied in 2011 but not available until 2012.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2011
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Governmental funds:				
Equipment	\$ 314,708	\$ 3,394	\$ -	\$ 318,102
Buildings	538,510	4,494	-	543,004
Improvements	481,531	-	-	481,531
Infrastructure	202,280	-	-	202,280
Bond Issue costs	19,440	-	-	19,440
Total	1,556,468	7,888	-	1,564,357
Less depreciation and amortization	(998,974)	(70,933)	-	(1,069,907)
Net	557,494	(63,045)	-	494,450
Land	133,647	-	-	133,647
Total - Governmental Funds	691,141	(63,045)	-	628,097
Proprietary Funds:				
Water				
Equipment	85,523	8,043	-	93,566
Water system	792,182	4,590	-	796,772
Reservoirs	84,363	-	-	84,363
Water Treatment Plant	852,667	-	-	852,667
Total	1,814,735	12,633	-	1,827,368
Less depreciation	(782,760)	(49,910)	-	(832,670)
Total - Water Fund	1,031,975	(37,277)	-	994,698
Sewer				
Equipment	70,416	-	-	70,416
Sewer System	1,499,787	11,462	-	1,511,249
Total	1,570,203	11,462	-	1,581,665
Less Depreciation	(1,094,442)	(36,948)	-	(1,131,390)
Net	475,761	(25,486)	-	450,275
Land	43,585	-	-	43,585
Total - Sewer Fund	519,346	(25,486)	-	493,860
Total Proprietary Funds	1,551,321	(62,763)	-	1,488,558
Total fixed assets - net - all funds	\$ 2,242,462	\$ (125,808)	\$ -	\$ 2,116,655

Depreciation and amortization of \$70,993 and \$86,858 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, 2011
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables as of December 31, 2011 were as follows:

	Receivable	Payable
General Fund	\$ 18,319	\$ -
Conservation Trust Fund	-	-
Water Fund	-	-
Sewer Fund	-	-
Capital Projects Fund	-	<u>18,319</u>
Total	\$ 18,319	\$ 18,319

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.

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 2011 was:

Bonds payable at December 31, 2010	\$415,000
Bonds retired during year	<u>-95,000</u>
Bonds payable at December 31, 2011	\$320,000

Future payments on the bonds are as follows:

Year	Principal	Interest	Total Payment
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	<u>\$ 320,000</u>	<u>\$ 27,414</u>	<u>\$ 347,414</u>

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2011
(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, 2011 was \$130,075 with a total payroll of \$177,186. The Town's required and actual contributions to the Plan for the year ended December 31, 2011 were \$10,406. 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, 2011
(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, 2011
(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. In 2011 the court awarded the plaintiffs an additional \$45,997 in attorneys' fees. These amounts were paid in 2011 and are reflected in the accompanying financial statements.