

Town of Collbran, Colorado

Financial Statements
and
Independent Auditor's Report

December 31, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Collbran, Colorado, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Collbran, Colorado's basic financial statements. The budgetary comparison information in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information in Section F is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above identified supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Jeff Wendland, CPA, LLC

Fruita, Colorado
July 29, 2014

Town of Collbran, Colorado

Management's Discussion and Analysis

December 31, 2013

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, 2013. 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 \$1,186,272 at December 31, 2013, an increase of \$87,975 from December 31, 2012.

The Business-type Funds reported a net position of \$1,717,165 at December 31, 2013, an increase of \$14,695 from December 31, 2012.

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 Position 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 position. 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (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 \$3,336,505 at December 31, 2013 and by \$3,159,827 at December 31, 2012.

Government-wide Financial Analysis (continued)

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	1,246,545	1,153,884	398,029	313,011	1,644,574	1,466,895
Capital assets, net of accumulated depreciation	554,990	587,665	1,335,009	1,414,726	1,889,999	2,002,391
Total assets	1,801,535	1,741,549	1,733,038	1,727,737	3,534,573	3,469,286
Current liabilities	144,593	142,910	15,873	25,267	160,466	168,177
Noncurrent liabilities	20,000	120,000			20,000	120,000
Total liabilities	164,593	262,910	15,873	25,267	180,466	288,177
Property taxes assessed, but not collectible until subsequent year	17,602	21,282			17,602	21,282
Total deferred inflows	17,602	21,282			17,602	21,282
Net position:						
Invested in capital assets, net of related debt	434,990	362,665	1,335,009	1,414,726	1,769,999	1,777,391
Restricted for emergencies	15,600	15,600			15,600	15,600
Unrestricted	1,168,750	1,079,092	382,156	287,744	1,550,906	1,366,836
Total net position	1,619,340	1,457,357	1,717,165	1,702,470	3,336,505	3,159,827

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 53% of the total assets as of December 31, 2013. (Capital assets accounted for 58% of the total assets as of December 31, 2012.) 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 position for the year ended December 31:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES:						
Program revenues:						
Charges for services and fees	14,341	21,249	269,073	261,827	283,414	283,076
Operating grants and contrib.	16,999	19,752			16,999	19,752
Capital grants and contrib.	24,124	7,067	4,257	34,434	28,381	41,501
General revenues:						
Taxes	657,997	670,463			657,997	670,463
Earnings on investments	2,448	2,785			2,448	2,785
Total revenues	715,909	721,316	273,330	296,261	989,239	1,017,577
EXPENSES:						
General government	251,321	255,446			251,321	255,446
Public safety	109,836	90,060			109,836	90,060
Public works	117,817	122,723			117,817	122,723
Municipal court	8,252	12,217			8,252	12,217
Culture and recreation	58,882	73,841			58,882	73,841
Water			148,492	182,214	148,492	182,214
Sewer			110,143	107,700	110,143	107,700
Interest on long-term debt	7,818	12,414			7,818	12,414
Former employee judgment Transfers						
Total expenses	553,926	566,701	258,635	289,914	812,561	856,615
Change in net position	161,983	154,615	14,695	6,347	176,678	160,962
Prior period adjustment		(6,018)				(6,018)
Net position January 1	1,457,357	1,308,760	1,702,470	1,696,123	3,159,827	3,004,883
Net position December 31	1,619,340	1,457,357	1,717,165	1,702,470	3,336,505	3,159,827

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 \$1,184,995 at December 31, 2013, an increase of \$80,351 from December 31, 2012. The unassigned portion of the fund balance in the amount of \$1,166,675 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, 2013, amount to \$1,889,999 (net of accumulated depreciation).

Town of Collbran, Colorado
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments - Unrestricted	\$ 1,119,287	\$ 366,741	\$ 1,486,028
Receivables, net:			
Property tax	17,602	-	17,602
User fee	-	28,014	28,014
Due from other governments	98,101	-	98,101
Other current assets	11,555	3,274	14,829
Capital assets, net	554,990	1,335,009	1,889,999
Total Assets	1,801,535	1,733,038	3,534,573
Liabilities:			
Accounts payable	32,273	8,871	41,144
Accrued interest payable	1,923	-	1,923
Customer deposits	-	7,002	7,002
Accrued expenses and deposits	10,397	-	10,397
Revenue bonds payable:			
Due within one year	100,000	-	100,000
Due in more than one year	20,000	-	20,000
Total Liabilities	164,593	15,874	180,467
Deferred Inflows:			
Property taxes assessed, but not collectible until subsequent year	17,602	-	17,602
Total Deferred Inflows	17,602	-	17,602
Net Assets:			
Invested in capital assets, net of related debt	434,990	1,335,009	1,769,999
Restricted for emergencies	15,600	-	15,600
Unrestricted	1,168,750	382,156	1,550,906
Total Net Position	\$ 1,619,340	\$ 1,717,165	\$ 3,336,505

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

Town of Collbran, Colorado
Statement of Activities
For the Year Ended December 31, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	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	\$ 251,321	\$ 5,845	\$ 13,149	\$ -	\$ (232,327)		\$ (232,327)
Public safety	109,836	323	2,000	-	(107,513)		(107,513)
Public works	117,817	-	-	-	(117,817)		(117,817)
Municipal court	8,252	2,777	-	-	(5,475)		(5,475)
Culture and recreation	58,882	5,396	1,850	24,124	(27,512)		(27,512)
Interest on long-term debt	7,818	-	-	-	(7,818)		(7,818)
Total Governmental Activities	<u>553,926</u>	<u>14,341</u>	<u>16,999</u>	<u>24,124</u>	<u>(498,462)</u>		<u>(498,462)</u>
Business-type Activities:							
Water	148,492	161,891	-	4,257		\$ 17,656	17,656
Sewer	110,143	107,182	-	-		(2,961)	(2,961)
Total Business-type Activities	<u>258,635</u>	<u>269,073</u>	<u>-</u>	<u>4,257</u>		<u>14,695</u>	<u>14,695</u>
Total	<u>\$ 812,561</u>	<u>\$ 283,414</u>	<u>\$ 16,999</u>	<u>\$ 28,381</u>	<u>(498,462)</u>	<u>14,695</u>	<u>(483,767)</u>
General Revenues:							
Taxes:							
Property tax, levied for general purposes					20,435	-	20,435
Sales tax and use tax					605,187	-	605,187
Cigarette tax					935	-	935
Franchise tax					20,493	-	20,493
Severance tax					5,871	-	5,871
Specific ownership tax					0	-	-
Mineral leasing tax					5,076	-	5,076
Earnings on investments					2,448	-	2,448
Total General Revenues and Transfers					<u>660,445</u>	<u>-</u>	<u>660,445</u>
Change in Net Position					161,983	14,695	176,678
Net Position - Beginning					1,457,357	1,702,470	3,159,827
Net Position - Ending					<u>\$ 1,619,340</u>	<u>\$ 1,717,165</u>	<u># \$ 3,336,505</u>

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

Town of Collbran, Colorado
Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	Capital Projects Fund	Conservation Trust Fund	Total
Assets:				
Cash and investments - Unrestricted	\$ 1,099,690		\$ 19,597	\$ 1,119,287
Due from other governments	98,101		-	98,101
Due from other funds	18,319	(18,319)	-	-
Prepaid expenses	2,720		-	2,720
Other receivables	8,835		-	8,835
Property taxes assessed, but not collectible until subsequent year	17,602		-	17,602
Total Assets	\$ 1,245,267	\$ (18,319)	\$ 19,597	\$ 1,246,545
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 32,273	\$ -	\$ -	\$ 32,273
Accrued expenses	10,397	-	-	10,397
Due to other funds	-	-	-	-
Total Liabilities	42,670	-	-	42,670
Deferred Inflows of Resources:				
Property taxes assessed, but not collectible until subsequent year	17,602	-	-	17,602
Total Deferred Inflows	17,602	-	-	17,602
Fund Balance:				
Nonspendable fund balance	2,720	-	-	2,720
Restricted for recreation and culture	-	-	19,597	19,597
Restricted for emergencies	15,600	-	-	15,600
Unassigned fund balance	1,166,675	(18,319)	-	1,148,356
Total Fund Balance	1,184,995	(18,319)	19,597	1,186,273
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 1,245,267	\$ (18,319)	\$ 19,597	\$ 1,246,545

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

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds.

554,990

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the funds.

(121,923)

Total Net Position - Governmental Activities

\$ 1,619,340

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, 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Conservation Trust Fund</u>	<u>Total</u>
Revenues:				
Taxes	\$ 543,497	\$ 114,500	\$ -	\$ 657,997
Intergovernmental	17,656	-	-	17,656
Earnings on investments	-	-	-	-
Other revenues	32,632	-	7,624	40,256
Total Revenues	<u>593,785</u>	<u>114,500</u>	<u>7,624</u>	<u>715,909</u>
Expenditures:				
General government	227,669	-	-	227,669
Public safety	107,591	-	-	107,591
Public works	112,871	-	-	112,871
Municipal court	8,252	-	-	8,252
Culture and recreation	57,051	-	-	57,051
Debt service:				
Bond fees	-	400	-	400
Bond interest	-	9,100	-	9,100
Bond principal	-	105,000	-	105,000
Total Expenditures	<u>513,434</u>	<u>114,500</u>	<u>-</u>	<u>627,934</u>
Change in Fund Balances	80,351	-	7,624	87,975
Fund Balance - Beginning	<u>1,104,644</u>	<u>(18,319)</u>	<u>11,972</u>	<u>1,098,297</u>
Fund Balance - Ending	<u>\$ 1,184,995</u>	<u>\$ (18,319)</u>	<u>\$ 19,596</u>	<u>\$ 1,186,272</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, 2013

Net Change in Fund Balance of Governmental Funds	\$ 87,975
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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.	(32,674)
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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 Position. This is the amount of repayments.	105,000
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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>1,682</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 161,983</u></u>
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Town of Collbran, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash	\$ 249,302	\$ 117,439	\$ 366,741
Prepays	3,252	22	3,274
User Fees receivable	11,297	16,717	28,014
Total Current Assets	<u>263,851</u>	<u>134,178</u>	<u>398,029</u>
Non-current Assets:			
Capital assets, at cost	1,841,237	1,639,813	3,481,050
Accumulated depreciation	(936,980)	(1,209,061)	(2,146,041)
Total Non-current Assets	<u>904,257</u>	<u>430,752</u>	<u>1,335,009</u>
Total Assets	<u>1,168,108</u>	<u>564,930</u>	<u>1,733,038</u>
Liabilities:			
Current Liabilities:			
Accounts payable	3,254	5,617	8,871
Deposits	5,370	1,632	7,002
Total Liabilities	<u>8,624</u>	<u>7,250</u>	<u>15,874</u>
Net Position:			
Invested in capital assets, net of related debt	904,257	430,752	1,335,009
Unrestricted	255,227	126,929	382,156
Total Net Position	<u>\$ 1,159,484</u>	<u>\$ 557,681</u>	<u>\$ 1,717,165</u>

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

Town of Collbran, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
User charges	\$ 159,877	\$ 104,680	\$ 264,557
Other operating revenue	2,014	2,502	4,516
Total Operating Revenues	<u>161,891</u>	<u>107,182</u>	<u>269,073</u>
Operating Expenses:			
Salaries and benefits	\$ 24,988	\$ 20,215	\$ 45,203
Professional services	31,464	14,000	45,464
Supplies and chemicals	6,509	4,170	10,679
Utilities	14,778	27,540	42,318
Repairs and maintenance	6,909	815	7,724
Depreciation	53,451	40,002	93,453
Other	6,783	3,401	10,184
Total Operating Expenses	<u>144,882</u>	<u>110,143</u>	<u>255,025</u>
Operating Income (Loss)	17,009	(2,961)	14,048
Capital Contributions			
Watershed permit fees	\$ 4,257	\$ -	\$ 4,257
Watershed permit costs	(3,610)	-	(3,610)
Total Capital Contributions	<u>647</u>	<u>-</u>	<u>647</u>
Change in Net Position	17,656	(2,961)	14,695
Net Position - Beginning	<u>1,141,828</u>	<u>560,642</u>	<u>1,702,470</u>
Net Position - Ending	<u>\$ 1,159,484</u>	<u>\$ 557,681</u>	<u>\$ 1,717,165</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, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash received from customers	\$ 163,775	\$ 119,915	\$ 283,690
Cash payments for goods and services	(72,705)	(63,852)	(136,557)
Cash payments to employees	(24,988)	(20,215)	(45,203)
Net Cash Provided (Used) by Operating Activities	<u>66,082</u>	<u>35,848</u>	<u>101,930</u>
Cash Flows From Capital and Related Financing Activities:			
Cash paid for capital assets	(5,936)	(7,800)	(13,736)
Cash received for watershed permits	4,257	-	4,257
Cash paid for watershed permits	(3,610)	-	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(5,289)</u>	<u>(7,800)</u>	<u>(13,089)</u>
Net Change in Cash and Cash Equivalents	60,793	28,048	88,841
Cash and Cash Equivalents - Beginning	188,509	89,391	277,900
Cash and Cash Equivalents - Ending	<u>\$ 249,302</u>	<u>\$ 117,439</u>	<u>\$ 366,741</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating Income (loss)	\$ 17,009	\$ (2,961)	\$ 14,048
Adjustments to Reconcile:			-
Depreciation	53,451	40,002	93,453
(Increase) decrease in accounts receivable	3,858	(3,812)	46
(Increase) decrease in prepaids	692	3,085	3,777
Increase (decrease) in accounts payable	(6,954)	(316)	(7,270)
Increase (decrease) in customer deposits	(1,974)	(150)	(2,124)
Increase (decrease) in due to other funds	-	-	87,882
Total Adjustments	<u>-</u>	<u>-</u>	<u>87,882</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 66,082</u>	<u>\$ 35,848</u>	<u>\$ 101,930</u>

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

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

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 conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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, 2013

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, deferred inflows, 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.

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.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

I. Summary of Significant Accounting Policies (continued)

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

3. 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.

E. 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.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. No allowance is recorded at December 31, 2013, as all accounts are considered to be collectible.

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 inflows.

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.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

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

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. Nonoperating revenues

The Town recognizes revenues for services provided to customers as operating revenue. Other receipts are accounted for as nonoperating revenue. Nonoperating revenues include:

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, 2013.

Watershed permit fees – The Town is reimbursed by applicants for the cost of evaluating and issuing permits to operate in the Town’s watershed.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

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. Net Position

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

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 Position

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 Position. 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 \$121,923 difference is related to revenue bonds payable of \$120,000 and interest payable of \$1,923.

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 \$32,674 difference are depreciation expense of \$59,038 less capital outlays of \$26,364.

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 is a decrease in accrued interest expense of \$1,682.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

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 2013.

1. For the 2013 budget year, prior to August 25, 2012, 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, 2012, a recommended budget which detailed the necessary property taxes along with other available revenues to meet the Town's operating requirements.
3. Prior to December 15, 2012, 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 2012 were collected in 2013 and taxes certified in 2013 will be collected in 2014. 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 \$15,600, which is the approximate required reserve at December 31, 2013.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

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.

C. Fund Balance

Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. In the fund financial statements, the following classifications describe the relative strength of the spending constraint.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expense and inventory), or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the Town's highest level of decision making authority, the Town Board of Trustees, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Town Board of Trustees.

Assigned fund balance – The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Town Board of Trustees or other individuals authorized to assign funds to be used for a specific purpose.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria. The Town will only report a positive unassigned fund balance in the General Fund.

There are currently no commitments or assignments of the Town's net assets. If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is Town policy to use restricted amounts first. Unrestricted fund balance will be used in the following order; committed, assigned, and unassigned.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

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.

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 (ColoTrust) 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.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments

A summary of the Town's cash and investments at December 31, 2013, 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		\$ 251,699	\$ 251,699	\$ -
<i>Investments:</i>				
CSafe	AAAm	580,415	580,415	-
ColoTrust	AAAm	653,843	653,843	-
		<u>1,485,957</u>	<u>1,485,957</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 \$17,602 of deferred inflows is property taxes levied in 2013 but not available until 2014.

C. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables as of December 31, 2013 were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 18,319	\$ --
Conservation Trust Fund	--	--
Water Fund	--	--
Sewer Fund	--	--
Capital Projects Fund	--	<u>18,319</u>
Total	\$ 18,333	\$ 18,333

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.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

IV. Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
Governmental funds:				
Equipment	\$ 342,862	\$ 19,864	\$ -	\$ 362,726
Buildings	543,003	6,500	-	549,503
Improvements	481,531	-	-	481,531
Infrastructure	202,280	-	-	202,280
Total	1,569,676	26,364	-	1,596,040
Less depreciation and amortization	(1,115,659)	(59,038)	-	(1,174,697)
Net	454,017	(32,674)	-	421,343
Land	133,647	-	-	133,647
Total - Governmental Funds	587,664	(32,674)	-	554,990
Proprietary Funds:				
Water				
Equipment	101,499	5,936	-	107,435
Water system	796,772	-	-	796,772
Reservoirs	84,363	-	-	84,363
Water Treatment Plant	852,667	-	-	852,667
Total	1,835,301	5,936	-	1,841,237
Less depreciation	(883,529)	(53,451)	-	(936,980)
Total - Water Fund	951,772	(47,515)	-	904,257
Sewer				
Equipment	76,099	7,800	-	83,899
Sewer System	1,512,329	-	-	1,512,329
Total	1,588,428	7,800	-	1,596,228
Less Depreciation	(1,169,059)	(40,002)	-	(1,209,061)
Net	419,369	(32,202)	-	387,167
Land	43,585	-	-	43,585
Total - Sewer Fund	462,954	(32,202)	-	430,752
Total Proprietary Funds	1,414,726	(79,717)	-	1,335,009
Total fixed assets - net - all funds	\$ 2,002,390	\$ (112,391)	\$ -	\$ 1,889,999

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business-type Activities
General Government	\$ 33,516	
Public Safety	2,245	
Public Works	4,946	
Parks and Recreation	18,331	
Water Fund		\$ 53,451
Sewer Fund		40,002
	<u>\$ 59,038</u>	<u>\$ 93,454</u>

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

IV. Detailed Notes on All Funds (continued)

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 2013 was:

Bonds payable at December 31, 2012	\$225,000
Bonds retired during year	<u>(105,000)</u>
Bonds payable at December 31, 2013	\$120,000

Future payments on the bonds are as follows:

Year	Principal	Interest	Total Payment
2014	100,000	4,323	104,323
2015	20,000	455	20,455
Total	<u>\$ 120,000</u>	<u>\$ 4,778</u>	<u>\$ 124,778</u>

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, but will be forfeited upon termination. Vacation pay may be accumulated up to 15 days and accrued vacation will be paid upon termination. The Town also accumulates compensatory leave which must be used or paid within 30 days. No significant liability for compensated absences existed at December 31, 2013.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

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, 2013 was \$134,141 with a total payroll of \$192,568. The Town's required and actual contributions to the Plan for the year ended December 31, 2013 were \$10,731. The Town's contributions represent 8% of covered payroll.

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

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.

Town of Collbran, Colorado
Notes to the Financial Statements
December 31, 2013

V. Other Information (continued)

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.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Collbran, Colorado
Schedule of Revenues
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2013

	Original And Final Budget	Actual	Final Budget Variance Positive (Negative)
Taxes:			
General property	\$ 21,284	\$ 20,435	\$ (849)
Sales Taxes	413,500	490,687	77,187
Cigarette	600	935	335
Franchise	-	20,493	20,493
Severance	8,000	5,871	(2,129)
Specific ownership	2,800	-	(2,800)
Mineral Lease	7,000	5,076	(1,924)
Total Taxes	<u>453,184</u>	<u>543,497</u>	<u>90,313</u>
Intergovernmental:			
Highway users	11,888	11,591	(297)
County road and bridge	800	613	(187)
Motor vehicle registration	800	849	49
Library reimbursement	-	2,788	2,788
Grants	106,440	-	(106,440)
Motor vehicle use tax	100	15	(85)
County Grant	-	1,800	1,800
Total Intergovernmental	<u>120,028</u>	<u>17,656</u>	<u>(102,372)</u>
Earnings on Investments	<u>-</u>	<u>-</u>	<u>-</u>
Other Revenues:			
Fines and penalties	9,000	2,777	(6,223)
Land use/development fees	2,000	1,757	(243)
Franchise fees	19,543	-	-
Miscellaneous	10,751	8,314	(2,437)
Rodeo grounds	1,200	1,153	(47)
Summer recreation	200	-	(200)
Donations	4,525	18,631	14,106
Total Other Revenues	<u>47,219</u>	<u>32,632</u>	<u>4,956</u>
Total Revenues	<u>\$ 620,431</u>	<u>\$ 593,785</u>	<u>\$ (7,103)</u>

Town of Collbran, Colorado
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)
General Government:			
Personnel services	\$ 131,556	\$ 127,564	\$ 3,992
Supplies	7,200	-	7,200
Other services and charges	117,158	90,241	26,917
Capital outlay	7,500	9,864	(2,364)
Total General Government	263,414	227,669	35,745
Public Safety:			
Personnel services	83,080	66,376	16,704
Supplies	12,500	16,755	(4,255)
Other services and charges	10,575	24,460	(13,885)
Capital outlay	4,000	-	4,000
Total Public Safety	110,155	107,591	2,564
Public Works:			
Personnel services	65,747	64,293	1,454
Supplies	18,000	25,997	(7,997)
Other services and charges	28,801	22,581	6,220
Capital outlay	50,000	-	50,000
Total Public Works	162,548	112,871	49,677
Municipal Court:			
Personnel services	3,805	3,487	318
Supplies	200	64	136
Other services and charges	11,850	4,701	7,149
Capital outlay	-	-	-
Total Municipal Court	15,855	8,252	7,603
Culture and Recreation:			
Personnel services	14,254	11,682	2,572
Supplies	8,900	3,805	5,095
Other services and charges	23,651	25,064	(1,413)
Capital outlay	7,500	16,500	(9,000)
Total Culture and Recreation	54,305	57,051	(2,746)
Total Expenditures	\$ 606,277	\$ 513,434	\$ 92,843

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, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Revenues:			
Sales tax	\$ 114,500	\$ 114,500	\$ -
Expenditures:			
Debt service:			
Bond fees	400	400	-
Depreciation/ bond principal	95,000	95,000	-
Amortization of bond costs	-		-
Bond interest	11,500	9,100	2,400
Total Expenditures	<u>106,900</u>	<u>104,500</u>	<u>2,400</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,600</u>	<u>\$ 10,000</u>	<u>\$ 2,400</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, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Revenues:			
Intergovernmental:			
State lottery	\$ 5,800	\$ 7,624	\$ 1,824
Other revenues	-	-	-
Total Revenues	<u>5,800</u>	<u>7,624</u>	<u>1,824</u>
Expenditures:			
Culture and recreation:			
Recreation expenditures	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources(Uses)	<u>\$ 5,800</u>	<u>\$ 7,624</u>	<u>\$ 1,824</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, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Operating Revenues:			
User charges	\$ 140,800	\$ 159,877	\$ 19,077
Other revenues	7,856	2,014	(5,842)
Total Operating Revenues	<u>148,656</u>	<u>161,891</u>	<u>13,235</u>
Operating Expenses:			
Salaries and benefits	25,990	24,988	1,002
Professional services	53,000	31,464	21,536
Supplies and chemicals	6,000	6,509	(509)
Utilities	15,800	14,778	1,022
Repairs and maintenance	8,500	6,909	1,591
Other	17,850	6,783	11,067
Capital outlay	25,000	5,936	19,064
Total Operating Expenses	<u>152,140</u>	<u>97,367</u>	<u>54,773</u>
Net Income (Loss) - Non-GAAP Basis Before Capital Contributions	(3,484)	64,524	68,008
Capital Contributions			
Tap Fees	4,500	-	(4,500)
Grants	100,000	-	(100,000)
Grant expenditures	(100,000)	-	100,000
Watershed permits	5,000	4,257	(743)
Watershed permit costs	(5,000)	(3,610)	1,390
Net Income (Loss) - Non-GAAP Basis	<u>\$ 1,016</u>	<u>65,171</u>	<u>\$ 64,155</u>
Reconciliation to GAAP Basis:			
Capital outlay		5,936	
Depreciation		(53,451)	
Total GAAP Basis Adjustments		<u>(47,515)</u>	
Net Income - GAAP basis		<u>\$ 17,656</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, 2013

	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)
Operating Revenues:			
User charges	\$ 111,000	\$ 104,680	\$ (6,320)
Other revenues	1,632	2,502	870
Total Operating Revenues	112,632	107,182	(5,450)
Operating Expenses:			
Salaries and benefits	21,609	20,215	1,394
Professional services	23,900	14,000	9,900
Supplies and chemicals	5,000	4,170	830
Utilities	26,850	27,540	(690)
Repairs and maintenance	5,750	815	4,935
Other	10,895	3,401	7,494
Capital outlay	18,000	7,800	10,200
Total Operating Expenses	112,004	77,941	34,063
Net Income (Loss) - Non-GAAP Basis			
Before Capital Contributions	628	29,241	28,613
Capital Contributions			
Grants	160,000	-	(160,000)
Grant expenditures	(160,000)	-	160,000
Net Income (Loss) - Non-GAAP Basis	\$ 628	29,241	\$ 28,613
Reconciliation to GAAP Basis:			
Capital outlay		7,800	
Depreciation		(40,002)	
Total GAAP Basis Adjustments		(32,202)	
Net Income - GAAP Basis		\$ (2,961)	