

**TOWN OF GREEN MOUNTAIN FALLS**

**Management's Discussion and Analysis,  
Basic Financial Statements and  
Supplemental Information**

**For the Year Ended December 31, 2014**

**And**

**Independent Auditors' Report**

# TOWN OF GREEN MOUNTAIN FALLS

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Trustees  
Town of Green Mountain Falls

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Green Mountain Falls, (the Town) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### 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.

### Auditors' 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 and each major fund of the Town as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 25 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.

*Stockman Kast Ryan & Co., LLP*

October 20, 2015

**TOWN OF GREEN MOUNTAIN FALLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# TOWN OF GREEN MOUNTAIN FALLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the Town of Green Mountain Falls (the Town) we offer readers of the Town's annual financial report this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2014. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

### FINANCIAL HIGHLIGHTS

- The Town's total assets of \$1,545,477 exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$1,348,968.
- The Town's total net position increased during the year by \$922,819.
- As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$69,379, a decrease of \$53,536 from the prior year.
- On February 23, 2012 a fire destroyed the town hall. As of December 31, 2014 the Town had received \$395,001 in insurance payments since the date of the fire.

### Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a: broad overview of the Town's finances as a whole, in a manner similar to a private-sector business and include two statements:

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

The *statement of activities* presents information reporting how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, culture and recreation; and judicial. Currently, the Town has no business-type activities.

## **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the Town's operations, focusing on its most significant funds, not the Town as a whole.

Governmental Funds: The activities of the Town are reported in the General Fund, which focuses on (1) how money flows into and out of the fund and (2) the balance left at year-end that is available for spending or reserves. Consequently, the governmental fund statement provides a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the Town's programs.

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. Thus, readers may better understand the long-term impact of the Town's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

## **Notes to the Basic Financial Statements**

The notes to the basic-financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Town. The Town adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate whether or not the Town complied with the budget.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. For the year ended December 31, 2014, the Town's assets exceeded liabilities and deferred inflows by \$1,348,968 resulting in a positive net position. The following reflects key financial information in a condensed format:

### **Financial Position**

	<b>2014</b>	<b>2013</b>
Assets:		
Current and other assets	\$ 248,763	\$ 182,748
Capital assets, net	<u>1,296,714</u>	<u>335,831</u>
Total assets	<u>1,545,477</u>	<u>518,579</u>
Liabilities:		
Long-term liabilities	8,856	32,597
Other liabilities	<u>37,913</u>	<u>59,833</u>
Total liabilities	<u>46,769</u>	<u>92,430</u>

	<b>2014</b>	<b>2013</b>
Deferred inflows	<u>149,740</u>	<u>                    </u>
Net position:		
Net investment in capital assets	1,279,589	303,234
Restricted	50,012	17,500
Unrestricted	<u>19,367</u>	<u>105,415</u>
Total net position	<u>\$ 1,348,968</u>	<u>\$ 426,149</u>

### **Condensed Statement of Activities**

	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 52,581	\$ 51,351
Operating grants and contributions	35,212	157,969
Capital grants and contributions	302,121	
General revenues:		
Property and other taxes	339,138	345,071
Other income	<u>28,109</u>	<u>2,330</u>
Total revenues	<u>757,161</u>	<u>556,721</u>
<b>EXPENSES</b>		
General government	153,363	111,381
Public safety	78,042	127,129
Public works	145,574	160,038
Culture and recreation	49,634	98,326
Judicial	<u>33,750</u>	<u>15,870</u>
Total expenses	<u>460,363</u>	<u>512,744</u>
Change in net position before extraordinary items	296,798	43,977
Extraordinary items:		
Fire reimbursements	644,888	123,243
Fire expenses	<u>(18,867)</u>	<u>(139,214)</u>
<b>CHANGE IN NET POSITION</b>	922,819	28,006
NET POSITION, beginning	<u>426,149</u>	<u>398,143</u>
NET POSITION, ending	<u>\$ 1,348,968</u>	<u>\$ 426,149</u>

### **ANALYSIS OF THE TOWN'S FUNDS**

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

The general fund is the operating fund of the Town. The fund balance for the general fund was \$69,379 at the end of the current fiscal year.

The contingency fund and parks fund were combined with the general fund in 2013. A final transfer was made from these funds to the general fund. The money that was included with these funds is maintained in separate bank accounts in the general fund.

## Budgetary Highlights

The Town's budget is prepared in accordance with state law. During the year, the Town amended its budget to account for the following activities as well as other factors:

- Receipt of \$143,054 in insurance proceeds for the February 2012 town hall fire.
- Receipt of \$493,524 in additional grant money.
- Receipt of \$50,000 in additional donations.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The Town's investment in capital assets for its governmental activities as of December 31, 2014 amounted to \$1,296,714. This investment in capital assets includes land, buildings, equipment, and vehicles.

	2014	2013	Difference
Land	\$ 164,395	\$ 52,514	\$ 111,881
Construction in process		28,359	(28,359)
Buildings	1,047,944	383,884	664,060
Land improvements	209,661		209,661
Machinery and equipment	333,894	276,981	56,913
Office equipment	10,730	10,730	
Vehicles	73,518	106,904	(33,386)
Accumulated depreciation	<u>(543,428)</u>	<u>(523,541)</u>	<u>(19,887)</u>
Capital assets, net	<u>\$ 1,296,714</u>	<u>\$ 335,831</u>	<u>\$ 960,883</u>

Major capital asset events during the current fiscal year included the following:

- Completion of construction of the new town hall in the amount of approximately \$695,000.
- Completion of a flood mitigation project in the amount of approximately \$210,000.

### Long-Term Debt

Outstanding debt at December 31, 2014 was \$17,125 and consisted of a capital lease payable.

	2014	2013	Difference
Capital leases	<u>\$ 17,125</u>	<u>\$ 32,597</u>	<u>\$ (15,472)</u>

## ECONOMIC FACTORS

The Town of Green Mountain Falls successfully obtained both land to purchase and grants to build a new Town Hall in 2013 and 2014. There was a ground breaking ceremony for the 2,200 square foot building on June 7, 2014. The building was completed and certificate of occupancy was granted on November 15, 2014. The cost of the project was \$748,096, and was financed with funds secured from a DOLA grant, insurance payments and a \$50,000 donation from Pikes Peak Regional Building Department.

The Fountain Creek flood damage repairs started in 2013 and were completed in 2014 in the amount of \$236,691. The parks system repairs from the flooding was paid with insurance proceeds in the amount of \$21,000 and completed in 2013.

The El Paso County and Teller County Assessors Offices assessed valuations decreased in 2014 and 2013 due to the surrounding burned hillsides. However, the assessed values have increased in 2015. Flooding continues to be a concern on Highway 24 within the Ute Pass corridor. Property owners continue to receive notices from their insurance companies addressing increased rates and mandatory fire/flood insurance.

The Town faced a large challenge of recruiting staff in 2014. After the April 1, 2014 election, ten employees resigned to include the Public Works Director after 10 years of service, the Town Clerk after 27 years of service and the Administrative Assistant after 18 years of service. Then there were the usual economic and operating fiscal challenges. The national recession, contraction of the credit market, lower property assessments and increasing unemployment rates put downward pressure on local tax revenues, making it difficult for local governments to sustain their current levels of public service. These factors were considered in preparing the Town's budget for 2014.

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Town's taxpayers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the town hall at Town of Green Mountain Falls, P.O. Box 524, Green Mountain Falls, Colorado 80819.

**TOWN OF GREEN MOUNTAIN FALLS**

**BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2014**

# TOWN OF GREEN MOUNTAIN FALLS

## STATEMENT OF NET POSITION DECEMBER 31, 2014

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### ASSETS

Cash and cash equivalents	\$	87,578
Receivables:		
Accounts, net		11,445
Property taxes		149,740
Capital assets:		
Non-depreciable		164,395
Depreciable, net		<u>1,132,319</u>
TOTAL ASSETS		<u>1,545,477</u>

### LIABILITIES

Accounts payable		29,644
Non-current liabilities:		
Due within one year		8,269
Due in more than one year		<u>8,856</u>
TOTAL LIABILITIES		<u>46,769</u>

### DEFERRED INFLOWS

Deferred property tax revenue		<u>149,740</u>
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### NET POSITION

Net investment in capital assets		1,279,589
Restricted		50,012
Unrestricted		<u>19,367</u>
TOTAL NET POSITION	\$	<u>1,348,968</u>

See notes to financial statements.

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# TOWN OF GREEN MOUNTAIN FALLS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

	Expenses	Program Revenue		Net Program Expense
		Charges for Services	Operating Grants and Contributions	
<b>FUNCTIONS / PROGRAMS</b>				
Governmental activities:				
General government	\$ 153,363	\$ 27,861	\$ 6,340	\$ (119,162)
Public safety	78,042		5,000	(8,082)
Public works	145,574		18,872	110,459
Culture and recreation	49,634	13,670	5,000	(30,964)
Judicial	33,750	11,050		(22,700)
<b>TOTAL</b>	<b>\$ 460,363</b>	<b>\$ 52,581</b>	<b>\$ 35,212</b>	<b>\$ (70,449)</b>
<b>GENERAL REVENUES</b>				
Taxes				339,138
Investment income				297
Miscellaneous				27,812
Total general revenues				367,247
<b>EXTRAORDINARY ITEMS</b>				
Town Hall fire reimbursements				644,888
Town Hall fire expense				(18,867)
Total extraordinary items				626,021
Change in net position				922,819
NET POSITION, Beginning of year				426,149
NET POSITION, End of year				\$ 1,348,968

See notes to financial statements.

# TOWN OF GREEN MOUNTAIN FALLS

## BALANCE SHEET – GOVERNMENTAL FUND DECEMBER 31, 2014

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	<b>General Fund</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 87,578
Receivables:	
Accounts, net	11,445
Property taxes	<u>149,740</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 248,763</u></u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 29,644</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenues	<u>149,740</u>
<b>FUND BALANCES</b>	
Restricted	50,012
Committed	13,870
Unassigned	<u>5,497</u>
Total fund balances	<u>69,379</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u><u>\$ 248,763</u></u>

See notes to financial statements.

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# TOWN OF GREEN MOUNTAIN FALLS

## RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2014

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TOTAL GOVERNMENTAL FUND BALANCES	\$ 69,379
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.	1,296,714
Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(17,125)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION	<u>\$ 1,348,968</u>

See notes to financial statements.

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# TOWN OF GREEN MOUNTAIN FALLS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUND FOR THE YEAR ENDED DECEMBER 31, 2014

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	<u>General Fund</u>
<b>REVENUES</b>	
Intergovernmental	\$ 723,008
Taxes	339,138
Licenses and permits	27,861
Charges for sales and services	13,670
Fines and forfeits	11,050
Donations	10,000
Investment earnings	297
Miscellaneous	27,812
Total revenues	<u>1,152,836</u>
<b>EXPENDITURES</b>	
General government	879,291
Public safety	78,709
Public works	344,536
Culture and recreation	54,339
Judicial	33,750
Total expenditures	<u>1,390,625</u>
Deficiency of revenues over expenditures	(237,789)
Other financing sources	
Insurance proceeds	<u>184,253</u>
Net changes in fund balances	(53,536)
FUND BALANCES, Beginning of year	<u>122,915</u>
FUND BALANCES, End of year	<u><u>\$ 69,379</u></u>

See notes to financial statements.

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# TOWN OF GREEN MOUNTAIN FALLS

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

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

NET CHANGE IN GOVERNMENTAL FUND BALANCES	\$ (53,536)
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. 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 expense exceeded capital outlay in the current period.	896,055
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net position.	64,828
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>15,472</u>
CHANGE IN NET POSITION OF GOVERNMENT ACTIVITIES	<u>\$ 922,819</u>

See notes to financial statements.

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# TOWN OF GREEN MOUNTAIN FALLS

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Green Mountain Falls (the "Town") was founded in 1890 and is located at the base of Pikes Peak. The Town is split between El Paso County and Teller County, with approximately sixty two percent present in El Paso County and thirty eight percent in Teller County.

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). The more significant accounting policies established in GAAP and used by the Town are discussed below.

**Reporting Entity** — The Town is a municipal corporation governed by an elected mayor and six elected trustees. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The Town has no component units for which either discrete or blended presentation is required.

**Government-Wide and Fund Financial Statements** — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions. As a general rule, the effect of Interfund activity has been eliminated from the government-wide financial statements.

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The Town reports the following major governmental fund:

The *General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Measurement Focus and Basis of Accounting** — The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**Cash and Cash Equivalents** — Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less from the date of acquisition.

**Receivables** — All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Management believes all receivables are fully collectable at December 31, 2014 and therefore no allowance has been recorded.

Property taxes are not due and payable until after the assessment year has ended and are not included in the budgets or statements of revenues, expenditures and fund balance of the assessment year. Property taxes levied are recorded in the governmental fund as taxes receivable and deferred revenues as of December 31, 2014, since the amounts are measurable but not available until 2015. Property tax abatements are recorded as an offset to property tax revenues when they are paid. An allowance for uncollectible property taxes is not provided as the uncollectible amounts were determined to be negligible based on an analysis of historical trends. Property taxes are levied before December 22 each year and attached as an enforceable lien on the property as of January 1 of the following year. Taxes are payable in full on April 30 or in two installments due on February 28 and June 15. The El Paso County and Teller County Treasurers bill and collect property taxes for the Town. Town property tax revenues are accounted for in the General Fund. Town property tax revenues are recognized when levied to the extent they result in current receivables. The tax rate for the year ended December 31, 2014 was 17.588 mills. The Town's combined assessed valuation for collection year 2014 was \$8,545,990.

**Capital assets** — Capital assets, which include land, buildings, equipment, and vehicles, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 are depreciated over the remaining useful lives of the related capital assets; as applicable.

Land and construction in progress are not depreciated. The other capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

	<b>Estimated Useful Life</b>
Buildings	7-40 years
Machinery and equipment	5-7 years
Office equipment	5-7 years
Vehicles	5 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

**Deferred Outflows/Inflows of Resources** — In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, accordingly, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and, accordingly, will not be recognized as an inflow of resources (revenue) until that time.

The Town has only one type of item, which arises both under the full accrual and modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is reported in both the governmental activities statement of net position and in the governmental fund balance sheet. The governmental fund reports deferred revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

**Long-Term Liabilities** — In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

**Net Position Flow Assumption** — The Town may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

**Fund Balance Classification** — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

- **Non-spendable** — This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted** — This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** — This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned** — This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.
- **Unassigned** — This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Program Revenues** — Amounts reported as program revenues include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

**Property Taxes** — Property taxes attach as an enforceable lien on property and are levied as of January 1. The tax levy is payable in two installments on February 28 and June 15, or in one installment due April 30.

**Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events** — the Town has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds". The details of this difference are as follows:

Capital assets	\$ 1,840,142
Accumulated depreciation	<u>(543,428)</u>
Net adjustment to <i>fund balance – total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ 1,296,714</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position - governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental Funds report capital outlays as expenditures; however, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation. The details of this difference are as follows:

Capital outlay	\$ 962,242
Accumulated depreciation	<u>(66,187)</u>
Net adjustment to <i>fund balance – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 896,055</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions, involving capital assets (i.e., sales and donations) is to decrease net position." The details of this difference are:

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.	\$ (133)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>64,961</u>
Net adjustment to <i>net change in fund balances – total governmental fund</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 64,828</u>

### 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budget Information** — The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In the fall, the Mayor and Trustees propose an operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted by the Town to obtain taxpayer comments.
- 3) Prior to December 15, the budget is legally approved.
- 4) Any revisions that alter the total expenditures of any fund must be approved by the Trustees.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- 6) The budget for the General Fund is adopted on a basis consistent with GAAP.
- 7) Budgeted amounts are as originally adopted or amended.
- 8) All annual appropriations lapse at the end of the year.

**Excess of Expenditures Over Appropriations** — For the year ended December 31, 2014, expenditures exceeded appropriations in the General Fund by \$26,113 which may be a violation of state statutes. These over expenditures were funded by additional revenues received during the year.

#### 4. DEPOSITS AND INVESTMENTS

**Deposits** — Colorado State Statutes govern the entity's deposit of cash. The Public Deposit Protection Acts for banks and savings and loans require the state regulators to certify eligible depositories for public deposits. The acts require the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of deemed eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. 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 assets in the pool must be at least equal to 102% of the uninsured deposits.

At December 31, 2014, carrying amount of the Town's deposits was \$87,578 and the bank balances were \$93,554. All of the bank balances were covered by federal depository insurance.

**Investments** —The Town is authorized by Colorado State Statutes to invest in the following:

- Bonds and other interest bearing obligations of the United States government.
- Bonds and other interest bearing obligations which are guaranteed by the United States government.
- Bonds which are a direct obligation of the State of Colorado, or any city, county or school Town therein.
- Notes or bonds issued pursuant to the "National Housing Act".
- Repurchase agreements.
- Local government investment pools.

As of December 31, 2014 the Town's investment balances, which are included with cash and cash equivalents, were as follows:

	<b>Maturities</b>	<b>Fair Value</b>
Money market funds	Less than 60 days	\$ 71,514
COLOTrust	Less than 60 days	<u>15,714</u>
Total		<u>\$ 87,228</u>

**Interest Rate Risk** — State law limits investments with a maximum maturity date of no more than five years from the date of purchase. The Town does not have an investment policy that would further limit its investment choices.

**Credit Risk** — State law limits investments to those described above. The Town does not have an investment policy that would further limit its investment choices. All investments were rated AAA by Standard and Poor's.

COLOTrust is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTrust in connection with the direct investment and withdrawal function of COLOTrust. Substantially all securities owned by COLOTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTrust. Investments of COLOTrust consist of U.S. Treasury Bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the Town does not categorize investments with COLOTrust because they are not evidenced by securities that exist in physical or book entry form.

The Town's deposits and investments consist of the following at December 31, 2014:

	<b>Cash and Cash Equivalents</b>
Deposits	\$ <u>350</u>
Money market funds	71,514
COLOTrust	<u>15,714</u>
Investments	<u>87,228</u>
Total	<u>\$ 87,578</u>

## 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 52,514	\$ 111,881		\$ 164,395
Construction in process	<u>28,359</u>	<u>          </u>	\$ (28,359)	<u>          </u>
Total capital assets not being depreciated	<u>80,873</u>	<u>111,881</u>	<u>(28,359)</u>	<u>164,395</u>
Capital assets being depreciated:				
Buildings	383,884	664,060		1,047,944
Land improvements		209,661		209,661
Machinery and equipment	276,981	60,410	(3,497)	333,894
Office equipment	10,730			10,730
Vehicles	<u>106,904</u>	<u>9,550</u>	<u>(42,936)</u>	<u>73,518</u>
Total capital assets being depreciated	778,499	943,681	(46,433)	1,675,747
Less accumulated depreciation	<u>523,541</u>	<u>66,187</u>	<u>46,300</u>	<u>543,428</u>
Depreciable capital assets, net	<u>254,958</u>	<u>877,494</u>	<u>(133)</u>	<u>1,132,319</u>
Total capital assets, net	<u>\$ 335,831</u>	<u>\$ 989,375</u>	<u>\$ (28,492)</u>	<u>\$ 1,296,714</u>

Depreciation expense charged to functions of the primary government is as follows:

General government	\$ 10,362
Public safety	16,597
Public works	29,403
Culture and recreation	<u>9,825</u>
Total depreciation expense	<u>\$ 66,187</u>

**6. DEFERRED COMPENSATION PLAN**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code §457. The plan, available to all government employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The Town matches the employee's contributions up to 5% of the employee's base salary. The Town's contributions during 2014 were \$1,309. The employees contributed \$2,737 to the plan in 2014.

**7. LONG-TERM LIABILITIES**

Activity relating to long-term liabilities for the year ended December 31, 2014 is as follows:

	<b>Balance at January 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at December 31, 2014</b>	<b>Amounts Due Within One Year</b>
Governmental activities:					
Capital leases	<u>\$ 32,597</u>	<u>\$ —</u>	<u>\$ 15,472</u>	<u>\$ 17,125</u>	<u>\$ 8,269</u>

The Town has entered into several lease agreements as lessee for financing the acquisition of public works equipment. These leases all qualify as capital leases. Upon full satisfaction of each lease, the ownership of the equipment will transfer to the Town. Minimum lease payments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 8,269	\$ 1,027	\$ 9,296
2016	<u>8,856</u>	<u>529</u>	<u>9,385</u>
Total	<u>\$ 17,125</u>	<u>\$ 1,556</u>	<u>\$ 18,681</u>

The assets acquired through capital leases with outstanding balances as of December 31, 2014 are as follows:

	<b>Asset Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Capital Assets</b>
Equipment	<u>\$ 39,000</u>	<u>\$ 29,900</u>	<u>\$ 9,100</u>

Amortization expense is included in depreciation expense and amounted to \$7,150 in 2014.

**8. NET POSITION**

Net position is reported in three separate categories: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets net of accumulated depreciation and capital-related deferred outflows of resources; reduced by borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2014, net investment in capital assets was as follows:

Capital assets, net of depreciation	\$ 1,296,714
Less capital lease obligations	<u>17,125</u>
Total	<u>\$ 1,279,589</u>

Restricted net position is the difference between non-capital assets whose use is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation, and related liabilities and deferred inflows of resources (excluding capital-related borrowings). The Town has established an Emergency Reserve in the amount of \$40,113 for the year ended December 31, 2014, as per Article X, Section 20 of the Colorado Constitution. This Emergency Reserve balance represents at least 3% of the governmental fiscal year spending as required. Also included in restricted net position is \$9,899 of conservation trust funds.

Any portion of net position not already classified as either net investment in capital assets or restricted net position, is automatically classified as unrestricted net position.

**9. EXTRAORDINARY ITEMS**

On February 23, 2012, a fire destroyed the Town Hall. The building was a complete loss, as were a number of historical and financial documents, computer equipment, and office equipment.

The Town had purchased commercial insurance to cover its risk of loss, and as of December 31, 2014 had received a total of \$395,001 for insurance recoveries related to assets impaired due to the fire.

The Town has also received a substantial amount of donations and grants to replace furnishing and equipment that were in the Town Hall during the fire.

The total proceeds, along with related expenses of \$18,867, of the commercial insurance, donations and grants of \$644,888 for the year ended December 31, 2014, have been recorded as extraordinary items in the accompanying statement of activities.

**10. RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

**11. AMENDMENT TO COLORADO CONSTITUTION**

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

Fiscal year spending and revenue limits are determined based on the prior years spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On April 7, 1998, the voters of the Town of Green Mountain Falls authorized the Town to collect, retain and expend the full amount of revenues generated during 1998 and each subsequent year to include non-federal grants for the purposes of: police protection, street maintenance, construction, and for other basic Town services and lawful municipal purposes without increasing existing tax rates or adding any new taxes of any kind notwithstanding any state restrictions on fiscal year spending, including the restrictions of Article X, Section 20 of the Colorado Constitution.

On April 3, 2012 the voters of the Town authorized the Town to increase property taxes \$34,800 in 2013 and annually thereafter in such amounts as are received each year by the imposition of an additional mill levy not to exceed 3 mills upon taxable real property within the Town. These revenues may be spent to pay for costs related to funding the Town's general operations and any other lawful municipal purposes. The Town may collect, retain and expend all property tax revenues derived from its entire property tax mill levy as a voter approved revenue change and an exception to limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution.

The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the amendment. However, the Town has made certain interpretations of the amendment's language in order to determine its compliance.

**TOWN OF GREEN MOUNTAIN FALLS**

**REQUIRED**

**SUPPLEMENTAL INFORMATION**

# TOWN OF GREEN MOUNTAIN FALLS

## GENERAL FUND — SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Charges for sales and services	\$ 25,945	\$ 15,828	\$ 13,670	\$ (2,158)
Donations		15,000	10,000	(5,000)
Fines and forfeits	6,170	5,375	11,050	5,675
Intergovernmental	37,590	796,945	723,008	(73,937)
Investment earnings	125	173	297	124
Licenses and permits	20,060	28,133	27,861	(272)
Taxes	344,239	344,777	339,138	(5,639)
Miscellaneous	1,200	10,526	27,812	17,286
Total revenues	<u>435,329</u>	<u>1,216,757</u>	<u>1,152,836</u>	<u>(63,921)</u>
<b>EXPENDITURES</b>				
General government	110,404	879,068	879,291	(223)
Public safety	54,050	63,870	78,709	(14,839)
Public works	188,378	342,499	344,536	(2,037)
Culture and recreation	68,032	49,796	54,339	(4,543)
Judicial	14,465	29,279	33,750	(4,471)
Total expenditures	<u>435,329</u>	<u>1,364,512</u>	<u>1,390,625</u>	<u>(26,113)</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(147,755)</u>	<u>(237,789)</u>	<u>(90,034)</u>
Other financing sources:				
Insurance proceeds		176,517	184,253	(7,736)
Net changes in fund balance	<u>\$ -</u>	<u>\$ 28,762</u>	<u>(53,536)</u>	<u>\$ (97,770)</u>
FUND BALANCE, Beginning of year			<u>122,915</u>	
FUND BALANCE, End of year			<u>\$ 69,379</u>	

See the accompanying independent auditors' report.