

TOWN OF SILVERTON, COLORADO

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2011

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

TOWN OF SILVERTON, COLORADO

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INTRODUCTORY SECTION

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TOWN OF SILVERTON, COLORADO

ROSTER OF TOWN OFFICIALS

December 31, 2011

Town Officials

Jason Wells - Town Administrator
Anita Steck - Deputy Clerk
Brian Carlson - Town Clerk - Treasurer
Dee Jaramillo - Building Inspector
Dave Michaelson - Planning Director
Gilbert Archuleta - Public Works Director

Elected Officials

Terry Kerwin - Mayor
Jim Lindaman - Mayor Pro-Tem
Chris Tookey - Trustee
John Schertz - Trustee
Pat Swonger - Trustee
David Zaroni - Trustee
Karla Safranski - Trustee

Municipal Court

Lyndon Skinner - Judge

FINANCIAL SECTION

PRELIMINARY DRAFT -
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Honorable Mayor and Members of the Board of Trustees
Town of Silverton
Silverton, Colorado

INDEPENDENT AUDITORS' REPORT

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 Silverton, Colorado (the Town) as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Silverton, Colorado's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Silverton, Colorado, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has elected to omit the management's discussion and analysis. The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information shown as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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 and to budgetary comparison information shown as other supplementary information in the table of contents 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Silverton, Colorado's financial statements as a whole. The combining fund statements and schedules and Local Finance Highway Report presented in the table of contents as other supplementary

information is presented for purposes of additional analysis and legal compliance and is not a required part of the financial statements. The combining nonmajor fund financial statements and Local Finance Highway Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Johnson and Associates

Centennial, CO

June 22, 2012

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

Basic Financial Statements

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

TOWN OF SILVERTON, COLORADO

STATEMENT OF NET ASSETS

December 31, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and Equivalents	\$ 576,444	\$ 273,724	\$ 850,168
Receivables:			
Accounts	155,009	176,626	331,635
Taxes	272,246	-	272,246
Prepaid Expenses	2,431	-	2,431
Inventories	-	10,792	10,792
Total Current Assets	<u>1,006,130</u>	<u>461,142</u>	<u>1,467,272</u>
Capital Assets, Net	<u>4,099,935</u>	<u>1,093,059</u>	<u>5,192,994</u>
Total Assets	<u>5,106,065</u>	<u>1,554,201</u>	<u>6,660,266</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	90,992	-	90,992
Performance Bond Payable	-	1,500	1,500
Due to Other Funds	770	-	770
Bonds	11,000	12,000	23,000
Capital Leases	12,103	8,978	21,081
Loans	-	25,101	25,101
Deferred Property Taxes	272,246	-	272,246
TOTAL CURRENT LIABILITIES	<u>387,898</u>	<u>47,579</u>	<u>435,477</u>
LONG-TERM LIABILITIES			
Bonds	-	21,000	21,000
Capital Leases	141,751	132,200	273,951
Compensated Absences	73,386	-	73,386
TOTAL LONG-TERM LIABILITIES	<u>215,137</u>	<u>193,011</u>	<u>408,148</u>
TOTAL LIABILITIES	<u>603,035</u>	<u>240,590</u>	<u>843,625</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,958,184	853,969	4,812,153
Restricted for Debt	17,525	-	17,525
Restricted for Emergencies	50,389	-	50,389
Restricted for Other Purposes	35,846	-	35,846
Unrestricted	441,086	459,642	900,728
TOTAL NET ASSETS	<u>\$ 4,503,030</u>	<u>\$ 1,313,611</u>	<u>\$ 5,816,641</u>

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

TOWN OF SILVERTON, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS
Governmental Activities				
Current				
General Government	\$ 792,219	\$ 68,892	\$ -	\$ -
Public Safety	\$ 221,919	-	-	-
Public Works	\$ 586,039	-	102,647	-
Culture and Recreation	\$ 306,491	37,440	8,238	10,305
Interest on Long-term Debt	\$ 11,783	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	1,918,451	106,332	110,885	10,305
Business-type Activities				
Water	116,431	272,491	-	6,478
Sewer	111,038	280,695	-	6,478
Refuse	154,066	173,857	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	381,535	727,043	-	12,956
TOTAL PRIMARY GOVERNMENT	\$ 2,299,986	\$ 833,375	\$ 110,885	\$ 23,261
GENERAL REVENUES				
Property Tax - Assessments				
Sales and Use Tax				
Franchise Tax				
License and Permits				
Other Taxes				
Interest Income				
Fines and Forfeits				
Miscellaneous				
Transfers				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGES IN NET ASSETS				
NET ASSETS - Beginning				
NET ASSETS - Ending				

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

**NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS
PRIMARY GOVERNMENT**

GOVERNMENT ACTIVITIES	BUSINESS - TYPE ACTIVITES	TOTAL
\$ (723,327)	\$ -	\$ (723,327)
(221,919)	-	(221,919)
(483,392)	-	(483,392)
(250,508)	-	(250,508)
(11,783)	-	(11,783)
(1,690,929)	-	(1,690,929)
-	162,538	162,538
-	176,135	176,135
-	19,791	19,791
-	358,464	358,464
(1,690,929)	358,464	(1,332,465)
335,565	-	335,565
717,825	-	717,825
30,534	-	30,534
78,127	-	78,127
17,987	-	17,987
912	-	912
2,287	-	2,287
52,094	-	52,094
301,139	(301,139)	-
1,536,777	(301,139)	1,235,638
(154,152)	57,325	(96,827)
4,657,182	1,256,286	5,913,468
\$ 4,503,030	\$ 1,313,611	\$ 5,816,641

TOWN OF SILVERTON, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2011

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
ASSETS			
Cash and Equivalents	\$ 522,303	\$ 54,141	\$ 576,444
Receivables:			
Accounts	155,009	-	155,009
Taxes	272,246	-	272,246
Prepaid Expenses	2,431	-	2,431
TOTAL ASSETS	<u>\$ 951,989</u>	<u>\$ 54,141</u>	<u>\$ 1,006,130</u>
LIABILITIES			
Accounts Payable	\$ 90,992	\$ -	\$ 90,992
Accrued Payroll and Related Liabilities	787	-	787
Deferred Revenue	-	770	770
Deferred Property Taxes	272,246	-	272,246
TOTAL LIABILITIES	<u>364,025</u>	<u>770</u>	<u>364,795</u>
FUND BALANCE			
Nonspendable:			
Prepaid Expenses	2,431	-	2,431
Restricted for:			
Emergencies	50,389	-	50,389
Assigned to:			
Conservation Trust		14,048	14,048
Molas Lake		3,972	3,972
Cemetery		17,826	17,826
Debt Service	-	17,525	17,525
Capital Reserve	133,000		133,000
Unassigned	402,144	-	402,144
TOTAL FUND BALANCE	<u>587,964</u>	<u>53,371</u>	<u>641,335</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 951,989</u>	<u>\$ 54,141</u>	<u>\$ 1,006,130</u>
FUND BALANCE GOVERNMENTAL FUNDS			\$ 641,335
Amounts reported for governmental activities in the Statement of Net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Capital Assets			7,773,965
Accumulated Depreciation			(3,674,030)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:			
Bonds Payable			(11,000)
Capital Leases Payable			(153,854)
Compensated Absences			(73,386)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES			<u>\$ 4,503,030</u>

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

TOWN OF SILVERTON, COLORADO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS**
Year Ended December 31, 2011

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTALS
REVENUES			
Taxes	\$ 1,086,728	\$ 15,183	\$ 1,101,911
Licenses and Permits	78,127	-	78,127
Intergovernmental Revenue	102,647	15,293	117,940
Administrative Fee	302,223	-	302,223
Fines and Forfeits	2,287	-	2,287
Charges for Services	34,904	37,440	72,344
Investment Income	860	52	912
Donations	3,000	250	3,250
Rents and Leases	33,988	-	33,988
Insurance reimbursements	43,690	-	43,690
Miscellaneous	8,404	-	8,404
TOTAL REVENUES	1,696,858	68,218	1,765,076
EXPENDITURES			
General Government	717,537	-	717,537
Public Safety	218,851	-	218,851
Public Works	540,379	-	540,379
Culture and Recreation	180,924	32,296	213,220
Debt Service	11,423	14,000	25,423
Interest	10,533	1,250	11,783
Capital Outlay	-	13,613	13,613
TOTAL EXPENDITURES	1,679,647	61,159	1,740,806
REVENUE IN EXCESS (DEFICIENCY) OF EXPENDITURES	17,211	7,059	24,270
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	14,780	(14,780)	-
Proceeds from Capital Leases	2,392	-	2,392
Sale of Assets	307	-	307
TOTAL OTHER FINANCING SOURCES (USES)	17,479	(14,780)	2,699
REVENUE AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	34,690	(7,721)	26,969
FUND BALANCE - Beginning	553,274	61,092	614,366
FUND BALANCE - Ending	<u>\$ 587,964</u>	<u>\$ 53,371</u>	<u>\$ 641,335</u>

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances - Total Governmental Funds \$ 26,969

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures.

However, for governmental activities those costs are shown in the statement of net assets and allocated over the useful lives as annual depreciation expense.

Capitalized Assets - Purchased 78,870
Depreciation Expense, net (277,970)

Issuance of long-term debt principal is a revenue in the governmental funds, but the receipt increases long-term liabilities in the statement of net assets.

Capital Lease Proceeds (2,392)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.

Principal payments 25,423

Earned but unpaid accumulated leave balances are not reported in the funds:

Change in Accrued Compensated Absences (5,052)

Change in Net Assets - Governmental Activities \$ (154,152)

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

TOWN OF SILVERTON, COLORADO

**STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
December 31, 2011**

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>TOTALS 2011</u>
ASSETS				
CURRENT ASSETS				
Cash and Equivalents	\$ 49,078	\$ 164,364	\$ 60,282	\$ 273,724
Receivables:				
Accounts	58,907	66,485	51,234	176,626
Inventories	9,051	1,741	-	10,792
Total Current Assets	<u>117,036</u>	<u>232,590</u>	<u>111,516</u>	<u>461,142</u>
CAPITAL ASSETS				
Land	-	670	-	670
Building, Plant and System	1,473,840	1,062,172	-	2,536,012
Equipment and Vehicles	149,768	133,840	17,638	301,246
TOTAL	<u>1,623,608</u>	<u>1,196,682</u>	<u>17,638</u>	<u>2,837,928</u>
Less Accumulated Depreciation	<u>(1,118,493)</u>	<u>(620,798)</u>	<u>(5,578)</u>	<u>(1,744,869)</u>
NET CAPITAL ASSETS	<u>505,115</u>	<u>575,884</u>	<u>12,060</u>	<u>1,093,059</u>
TOTAL ASSETS	<u>\$ 622,151</u>	<u>\$ 808,474</u>	<u>\$ 123,576</u>	<u>\$ 1,554,201</u>
LIABILITIES				
CURRENT LIABILITIES				
Customer Deposits	\$ 1,500	\$ -	\$ -	\$ 1,500
Bonds	12,000	-	-	12,000
Capital Leases	3,460	3,460	2,058	8,978
Loans	22,753	2,348	-	25,101
TOTAL CURRENT LIABILITIES	<u>39,713</u>	<u>5,808</u>	<u>2,058</u>	<u>47,579</u>
LONG-TERM LIABILITIES				
Bonds	21,000	-	-	21,000
Capital Leases	15,344	15,344	9,123	39,811
Loans	118,577	13,623	-	132,200
TOTAL LONG-TERM LIABILITIES	<u>154,921</u>	<u>28,967</u>	<u>9,123</u>	<u>193,011</u>
TOTAL LIABILITIES	<u>\$ 194,634</u>	<u>\$ 34,775</u>	<u>\$ 11,181</u>	<u>\$ 240,590</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 311,981	\$ 541,109	\$ 879	\$ 853,969
Unrestricted	115,536	232,590	111,516	459,642
TOTAL NET ASSETS	<u>\$ 427,517</u>	<u>\$ 773,699</u>	<u>\$ 112,395</u>	<u>\$ 1,313,611</u>

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

TOWN OF SILVERTON, COLORADO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
 PROPRIETARY FUNDS
 Year Ended December 31, 2011**

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>TOTALS 2011</u>
OPERATING REVENUES				
Charges for services	\$ 267,840	\$ 277,724	\$ 173,857	\$ 719,421
Other operating	4,651	2,971	-	7,622
TOTAL OPERATING REVENUES	<u>272,491</u>	<u>280,695</u>	<u>173,857</u>	<u>727,043</u>
OPERATING EXPENSES				
Administrative	140,750	134,750	25,639	301,139
Operation and maintenance	62,311	80,419	430	143,160
Contracted Services	-	-	152,015	152,015
Depreciation	42,849	28,398	1,096	72,343
TOTAL OPERATING EXPENSES	<u>245,910</u>	<u>243,567</u>	<u>179,180</u>	<u>668,657</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>26,581</u>	<u>37,128</u>	<u>(5,323)</u>	<u>58,386</u>
OTHER INCOME (EXPENSES)				
Interest Expense	(11,271)	(2,221)	(525)	(14,017)
TOTAL OTHER INCOME (EXPENSES)	<u>(11,271)</u>	<u>(2,221)</u>	<u>(525)</u>	<u>(14,017)</u>
CHANGES IN NET ASSETS	21,788	41,385	(5,848)	57,325
NET ASSETS - Beginning	<u>405,729</u>	<u>732,314</u>	<u>118,243</u>	<u>1,256,286</u>
NET ASSETS - Ending	<u>\$ 427,517</u>	<u>\$ 773,699</u>	<u>\$ 112,395</u>	<u>\$ 1,313,611</u>

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

TOWN OF SILVERTON, COLORADO

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**
Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2011

	WATER FUND	SEWER FUND	REFUSE FUND	TOTALS 2011
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 272,814	\$ 280,364	\$ 156,816	\$ 709,994
Cash Paid to Suppliers for Goods and Services	(66,382)	(80,540)	(152,445)	(299,367)
Cash Paid to Employees for Services and Administration	(140,750)	(134,750)	(25,639)	(301,139)
Net Cash Provided (Used) by Operating Activities	<u>65,682</u>	<u>65,074</u>	<u>(21,268)</u>	<u>109,488</u>
Cash Flows From Capital and Related Financing Activities:				
Principal Payments	(35,992)	(13,200)	(1,975)	(51,167)
Interest Paid on Bonds, Leases, and Notes	(11,271)	(2,221)	(525)	(14,017)
Net (Acquisition) Disposition of Capital Assets	(7,600)	(18,000)	-	(25,600)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(54,863)</u>	<u>(33,421)</u>	<u>(2,500)</u>	<u>(90,784)</u>
Net Increase (Decrease) in Cash	17,297	38,131	(23,768)	31,660
CASH AND INVESTMENTS, Beginning	<u>31,781</u>	<u>126,233</u>	<u>84,050</u>	<u>242,064</u>
CASH AND INVESTMENTS, Ending	<u>\$ 49,078</u>	<u>\$ 164,364</u>	<u>\$ 60,282</u>	<u>\$ 273,724</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	<u>\$ 26,581</u>	<u>\$ 37,128</u>	<u>\$ (5,323)</u>	<u>\$ 58,386</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	42,849	28,398	1,096	72,343
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	323	(331)	(17,041)	(17,049)
(Increase) Decrease in Inventories	(4,071)	(121)	-	(4,192)
Total Adjustments	<u>39,101</u>	<u>27,946</u>	<u>(15,945)</u>	<u>51,102</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 65,682</u>	<u>\$ 65,074</u>	<u>\$ (21,268)</u>	<u>\$ 109,488</u>

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

TOWN OF SILVERTON, COLORADO

STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUND
December 31, 2011

ASSETS	
Investments	<u>\$ 188,589</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 188,589</u>

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

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

TOWN OF SILVERTON, COLORADO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUND
Year Ended December 31, 2011

ADDITIONS	
Town contribution	\$ 6,800
State contributions	6,120
Investment income	3,915
Net appreciation in fair value of investments	<u>(1,340)</u>
TOTAL ADDITIONS	<u>15,495</u>
DEDUCTIONS	
Benefits	9,600
Other expenses	<u>1,419</u>
TOTAL DEDUCTIONS	<u>11,019</u>
INCREASE IN NET ASSETS	4,476
NET ASSETS - Beginning	<u>184,113</u>
NET ASSETS - Ending	<u>\$ 188,589</u>

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

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Silverton, Colorado (the Town) was organized under Colorado State Statutes in 1876. The Town operates under the direction of an elected Board of Trustees and Mayor, and provides for public safety (law enforcement and fire), highways and streets, water and sanitation, culture and recreation, public improvements, planning and zoning, and general administrative services. In addition, the Town has negotiated agreements with San Juan County for providing law enforcement in the Town for providing refuse removal and other services to the County (see Note 12).

The financial statements of the Town of Silverton, Colorado have been 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 of the Town's accounting policies are described below.

A. Definition of the Reporting Entity

The Town operates under the direction of an elected Board of Trustees and Mayor, which is responsible for setting policy, appointing administrative personnel, and adopting an annual budget in accordance with state statutes.

The Town has examined its relationship with potential component units based on the criteria of GASB No. 14. Based on that examination, the Town has determined that it has no component units. The financial statements of the reporting entity include only those of the Town. No other entities were identified as falling within the oversight responsibility based upon the following criteria: financial accountability, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

B. Fund Accounting

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 police protection, public works, culture and recreation, library, cemetery and general administration are classified as governmental activities. The Town's utilities of water, sewer, and refuse service are classified as business-type activities.

The government-wide financial statement (i.e., the statement of net assets and the statement of changes in net assets) reports information on all of the activities of the Town but not the fiduciary fund. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities (which normally are supported by taxes, charges for services and intergovernmental revenues) are reported separately from business-type activities (which rely to a significant extent on user charges for support).

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

C. Fund Financial Statements

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

- The General Fund - This fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

The Town reports the following major business-type activity funds:

- The Water Fund accounts for the Town's water distribution system.
- The Sewer Fund accounts for the Town's sewer and sanitation services.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Financial Statements (Continued)

- The Refuse Fund accounts for user charges and contract payments for providing trash and refuse handling services to the citizens of the Town.

The Town reports the following non-major governmental funds:

- The Conservation Trust Fund accounts for revenues from the State's Conservation Trust Fund to be spent for maintenance and services of Town parks and recreation areas.
- The Molas Lake Park Fund accounts for maintenance and construction of Molas Lake campground and dam.
- The Cemetery Fund accounts for maintenance costs of the community cemetery.
- The Debt Service Fund accounts for proceeds of property tax to retire General Obligation debt.

The Town reports the following fiduciary fund:

- The Pension Trust Fund accounts for the assets held in trust for the payment of firemen's pensions. The fund is administered by Firemen's Policy and Pension of Association of Colorado (FPPA).

D. Measurement Focus and Basis of Accounting

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

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Taxes, grants, and charges for services 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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Operating expenses for 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 nonoperating revenues and expenses.

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows of the enterprise funds, cash and cash equivalents consist of operating and restricted cash and highly liquid securities with an initial maturity of three months or less.

F. Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which is equal to fair value.

G. Receivables

All receivables are reported at their gross value. Because the Town can and has imposed a lien on property for uncollected utility charges, no allowance for uncollectible accounts receivable is provided. Utility services for the Town are generally billed quarterly in advance with metered users being billed in arrears. Billing for the first quarter of the subsequent year is not included in receivables.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make: (1) estimates and assumptions that affect the reported amounts of assets and liabilities and (2) disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Property Taxes

Property taxes for the current year are levied and attached as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable at December 31. However, since the taxes are not available to pay current liabilities, the receivable is also recorded as deferred revenue in the governmental funds.

J. Inventories

Inventories are stated at cost, which approximates market, using the first-in/first-out (FIFO) method. A physical inventory is done at year-end and the inventory is adjusted accordingly.

K. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capitalized assets are defined by the Town as assets with an initial cost of \$5,000 or more and an estimated useful life of one or more years. All purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Building and Improvements	10 – 50 years
Infrastructure	15 – 25 years
Water and Sewer Systems	40 – 50 years
Furniture and Equipment	5 – 15 years
Vehicles	7 – 10 years

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets (Continued)

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capitalized assets since their useful life often extends beyond most other capital assets and are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities. Prior to GASB 34, governments were not required to report general infrastructure assets.

L. Long-Term Liabilities

In the government-wide financial statements, and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise fund type statement of net assets. Bond issuance costs, as well as applicable bond premiums and discounts, are deferred and amortized over the term of the related debt using the straight-line method of amortization.

The long-term compensated absences are serviced from revenues of the General Fund from future appropriations.

M. Accrued Liabilities for Compensated Absences

Vested or accumulated PTO ("paid time off") leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated PTO leave that are not expected to be liquidated with expendable available financial resources are shown as long-term debt on the Government-wide Statement of Net Assets. Vested or accumulated PTO leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to the employees. As of December 31, 2010, accrued Compensated Absences was recorded at \$73,386 on the Government-wide statements.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Assets

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use unrestricted resources first, then restricted resources as they are needed.

O. Fund Balances

In the governmental fund financial statements, the following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders or other debt holders, contributors, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority through an ordinance or resolution. Committed fund balance can also include contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. The Town reported no such amounts at December 31, 2011.

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or an official or body to which the governing body delegates the authority. The Capital Reserve amount reported is also described in the Town's annual budget document.

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. The Town considers all unassigned fund

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances (Continued)

balances to be “reserves” for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (See Note 14 - TABOR).

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by grant agreements. Designations of fund balance represent tentative management plans that are subject to change.

P. Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At year-end, outstanding balances between funds are reported as “due to/from other funds”. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

NOTE 2: BUDGETARY REQUIREMENTS

The Town Board of Trustees follows the procedures listed below in establishing the budgetary data reflected in the financial statements.

- 1) On or before the first Monday in November of each year, the Town Administrator shall submit to the Board of Trustees a proposed budget for the next ensuing budget year with an explanatory message. The proposed budget provides a complete financial plan for the Town and includes the items shown below.
 - a) Proposed expenditures for each office, department, and agency for the ensuing fiscal year.
 - b) Debt service requirements for the ensuing fiscal year.
 - c) An estimate of the amount of anticipated income from all sources other than taxes on property during the ensuing fiscal year, including estimated cash surplus at the end of the current year.
 - d) A general budget summary.
- 2) The budget shall be in sufficient detail to show each fund’s estimated revenues by source and estimated expenditures. The budget shall be so arranged as to show comparative figures for receipts and expenditures for the last completed fiscal year, estimates for the current year, and the Town Administrator’s recommendations for the ensuing year.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 2: BUDGETARY REQUIREMENTS (Continued)

- 3) A public hearing is conducted to obtain taxpayer comments.
- 4) No later than the last day of December, the budget is legally adopted and appropriations are enacted by ordinance.
- 5) The Town Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- 6) The level on which expenditures may not legally exceed appropriations is the legally adopted annual operating budget for each fund in total.
- 7) The Board of Trustees may legally amend the budget by ordinance once it has been approved. Budgeted amounts are shown as adopted by the Board of Trustees, including all amendments.

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes reconciliation between fund balances (total governmental funds and net assets) and governmental activities, as reported in the government-wide statement of net assets. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net change in fund balances and changes in net assets of governmental activities, as reported in the government-wide statement of activities. The enterprise fund statement of net assets and statement of revenues, expenses, and changes in net assets also includes reconciliation to the government-wide statement of net assets and activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the government fund statements during the consolidation of governmental activities.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 4: CASH, 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 PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools and are the co-agents for release of the collateralized assets.

The Town is governed by the deposit and investment limitations of state law. The deposits and investments held at December 31, 2010, and reported at fair value, are as follows:

<u>Type</u>	<u>Rating</u>	<u>Carrying Value</u>
Deposits:		
Checking/Operating Accounts		\$ 649,835
Savings/Operating Accounts		28,936
Cash on hand		350
		<hr/> 679,121
Investments:		
COLOTRUST	AAAm by S & P	<hr/> 171,047
Total deposits and investments		<hr/>\$ 850,168

A. Custodial Credit Risk

Deposits in financial institutions, reported as cash, cash equivalents, and investments, had a bank balance of \$844,107 at December 31, 2011. The amount exceeding FDIC coverage is covered under the PDPA as described above.

B. Investment Interest Rate Risk

The Town has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2011, the Town had no interest rate risk.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 4: CASH, DEPOSITS AND INVESTMENTS (Continued)

C. Investment Credit Risk

The Town has no investment policy that limits its investment choices other than the limitation of state law as follows:

1. Direct obligations of the US government, its agencies, and instrumentalities to which the full faith and credit of the US government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged;
2. Certificates of deposit or savings accounts that is either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
3. With certain limitations, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations;
4. County, municipal, or school district tax supported: debt obligations; bond or revenue anticipation notes; money; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district;
5. Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association; and
6. Money market funds regulated by the Securities and Exchange Commission (SEC) in which investments consist of the investments mentioned in 1, 2, 3, and 4.

D. Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer. At December 31, 2010, the Town had no concentration of credit risk.

The Town invests excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) safety; 2) liquidity; 3) yield. The Town has invested in the Colorado Government Liquid Asset Trust ("COLOTRUST"). 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. The pool is rated AAA by Standards and Poor's rating agency. A designated custodial bank provides safekeeping and depository services to the trusts in connection with their direct investment and withdrawal function. Substantially all securities owned by the trust 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 trust. At December 31, 2011, the Town had \$171,047 invested in the trust.

Investments in local government pools are not categorized as required by GASB No. 3 because they are not evidenced by securities that exist in physical or book entry form.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 5: PROPERTY TAXES

Property taxes are collected on behalf of the Town by San Juan County and then remitted to the Town. The property tax is levied and certified in November of the year prior to the year the taxes are collected. Property taxes become an enforceable lien on January 1 of each year.

Secured property taxes are: (1) due in two equal installments on February 28 and June 15 and (2) delinquent after February 28 and June 15, respectively. The entire balance can be paid by April 30 without penalty. Property taxes levied are recorded as deferred revenues in the year levied, since they are not due until the following year. Property tax revenue is recognized when it is collected by San Juan County.

NOTE 6: RECEIVABLES

Governmental accounts receivable consist of the following categories at December 31, 2011:

Other governments	\$	133,184
Taxpayers		12,922
Vendors		4,428
Customers		4,475
	\$	<u>155,009</u>

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 7: CAPITAL ASSETS

Capital assets are comprised of the following:

	Balance <u>1/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2011</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 246,218	\$ -	\$ -	\$ 246,218
Total Land	<u>246,218</u>	<u>-</u>	<u>-</u>	<u>246,218</u>
Capital assets being depreciated:				
Buildings and Improvements	7,014,673	71,778	-	7,086,451
Furniture and Fixtures	112,330	-	-	112,330
Vehicles	175,233	-	-	175,233
Machinery and Equipment	146,641	7,092	-	153,733
Total capital assets being depreciated	<u>7,448,877</u>	<u>78,870</u>	<u>-</u>	<u>7,527,747</u>
Less accumulated depreciation:				
Buildings and Improvements	2,988,861	267,848	-	3,256,709
Furniture and Fixtures	112,067	263	-	112,330
Vehicles	173,232	2,002	-	175,234
Machinery and Equipment	121,901	7,856	-	129,757
Total accumulated depreciation	<u>3,396,061</u>	<u>277,970</u>	<u>-</u>	<u>3,674,030</u>
Capital assets being depreciated, net	<u>4,052,816</u>	<u>(199,100)</u>	<u>-</u>	<u>3,853,717</u>
Total Governmental Activities Capital Assets	<u>\$ 4,299,034</u>	<u>\$ (199,100)</u>	<u>\$ -</u>	<u>\$ 4,099,935</u>
Total governmental assets capitalized under capital leases at December 31, 2011 included above is \$273,213 with accumulated amortization of \$122,029.				
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 670	\$ -	\$ -	\$ 670
Construction in Progress	-	-	-	-
Total Land	<u>670</u>	<u>-</u>	<u>-</u>	<u>670</u>
Capital assets being depreciated:				
Distribution and Collection	2,512,512	23,500	-	2,536,012
Machinery and Equipment	241,738	59,508	-	301,246
Total capital assets being depreciated	<u>2,754,250</u>	<u>83,008</u>	<u>-</u>	<u>2,837,258</u>
Less accumulated depreciation:				
Improvements	1,436,930	66,702	-	1,503,632
Machinery and Equipment	235,596	5,641	-	241,237
Total accumulated depreciation	<u>1,672,526</u>	<u>72,343</u>	<u>-</u>	<u>1,744,869</u>
Capital assets being depreciated, net	<u>1,081,724</u>	<u>10,665</u>	<u>-</u>	<u>1,092,389</u>
Total Business-Type Activities Capital Assets	<u>\$ 1,082,394</u>	<u>\$ 10,665</u>	<u>\$ -</u>	<u>\$ 1,093,059</u>
Total business-type assets capitalized under capital leases at December 31, 2011 included above is \$57,408 with accumulated amortization of \$4,784.				

The Town was granted water storage rights during 2011 for 113 acre feet for the Big Molas Lake reservoir. The rights granted were a result of multiple year legal and engineering costs as well as staff effort and thus are not assigned a capitalized cost in the above table.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 6: CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the Town as follows and includes depreciation on assets acquired under capital leases.

Governmental Activities

General Government	\$ 109,522
Public Safety	3,068
Public Works	63,057
Culture and Recreation	101,814
Library	387
Cemetery	122
	<u>\$ 277,970</u>

Business-Type Activities

Water	\$ 42,849
Sewer	28,398
Refuse	1,096
	<u>\$ 72,343</u>

NOTE 7: LONG-TERM LIABILITIES

Following is a summary of changes in long-term debt for the year ended December 31, 2011:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Governmental Activities					
General Obligation Bonds Series 1982	\$ 25,000	\$ -	\$ 14,000	\$ 11,000	\$ 11,000
Lease - Community Center	162,885	-	11,064	151,821	11,729
Lease - Excavator	-	2,392	359	2,033	374
Compensated Absences	68,334	31,440	26,388	73,386	-
	<u>\$ 256,219</u>	<u>\$ 33,832</u>	<u>\$ 51,811</u>	<u>\$ 238,240</u>	<u>\$ 23,103</u>

Total interest paid during 2011 for governmental activities was \$11,783.

Business Activities

General Obligation Bonds Series 1974	\$ 44,000	\$ -	\$ 11,000	\$ 33,000	\$ 12,000
Note Payable Colorado 1991	7,642	-	7,642	-	-
Loan EIF #4178A - Water System	75,948	-	9,312	66,636	9,777
Loan EIF #5602 - Water Meters	68,847	-	10,122	58,725	10,628
Loan EIF #5890 - Water Lines	36,413	-	4,472	31,941	4,696
Lease - Excavator	-	57,408	8,619	48,789	8,978
	<u>\$ 232,850</u>	<u>\$ 57,408</u>	<u>\$ 51,167</u>	<u>\$ 239,091</u>	<u>\$ 46,079</u>

Total interest paid during 2011 for business activities was \$14,017.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 7: LONG-TERM LIABILITIES (Continued)

General Obligation Bonds - Governmental \$236,000, General Obligation Bonds Series 1992, due in annual installments of \$5,000 through 1991, increasing to \$6,000 through 1995, increasing to \$7,000 through 1998, increasing to \$8,000 through 2000, then increasing by \$1,000 increments every two years until 2012. Interest is at 5%.

The annual requirements to amortize the General Obligation Bonds as of December 31, 2011 are as follows:

General Obligation Bonds			
Year	Principal	Interest	Total
2012	\$ 11,000	\$ 550	\$ 11,550
	<u>\$ 11,000</u>	<u>\$ 550</u>	<u>\$ 11,550</u>

Capital Lease - Governmental \$213,213, Kendall Mountain Community Center Lease Purchase, dated September 2007, due in quarterly installments of \$5,373 through 2022 including interest at 6%

The annual requirements to amortize this lease as of December 31, 2011 are as follows:

Community Center and Ski Lift Lease (Kendall Mountain)			
Year	Principal	Interest	Total
2012	\$ 11,729	\$ 9,763	\$ 21,492
2013	12,434	9,058	21,492
2014	13,182	8,310	21,492
2015	13,974	7,518	21,492
2016	14,815	6,677	21,492
2017-2021	<u>85,687</u>	<u>18,907</u>	<u>104,594</u>
	<u>\$ 151,821</u>	<u>\$ 60,233</u>	<u>\$ 212,054</u>

General Obligation Bonds - Enterprise \$225,000, General Obligation Bonds Series 1974, due in annual installments of \$4,000 through 1992, increasing to \$5,000 through 1996, increasing to \$6,000 through 2000, then increasing by \$1,000 increments periodically until 2014. Interest is at 5%, paid by the Water Fund.

The annual requirements to amortize the Enterprise General Obligation Bonds as of December 31, 2011 are as follows:

Enterprise General Obligation Bonds Series 1974			
Year	Principal	Interest	Total
2012	\$ 12,000	\$ 1,650	\$ 13,650
2013	12,000	1,050	13,050
2014	<u>9,000</u>	<u>450</u>	<u>9,450</u>
	<u>\$ 33,000</u>	<u>\$ 3,150</u>	<u>\$ 36,150</u>

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 7: LONG-TERM LIABILITIES (Continued)

Notes Payable - Enterprise :

Enterprise - \$100,000, August 1991, State Sewer Plant Capital Improvement Loan, 20 annual installments of \$8,024 including interest at 5%, paid by the Sewer Fund. The notes were fully paid off during 2011.

Enterprise - \$136,000, September 2002, State Water System Loan, 15 annual installments of \$13,103 including interest at 5%, paid By the Water Fund.

The annual requirements to amortize this note as of December 31, 2011 are as follows:

Note Payable - State of Colorado 2002 EIF # 4178A Water System

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 9,777	\$ 3,326	\$ 13,103
2013	10,266	2,837	13,103
2014	10,780	2,323	13,103
2015	11,318	1,785	13,103
2016	11,884	1,219	13,103
2017	12,611	619	13,230
	<u>\$ 66,636</u>	<u>\$ 12,109</u>	<u>\$ 78,745</u>

Enterprise - \$107,421, January 2007, State Water System Capital Improvement Loan, 10 annual installments of \$13,564 including interest at 5%, paid by the Water Fund.

The annual requirements to amortize this note as of December 31, 2011 are as follows:

Note Payable - State of Colorado 2007 EIF# 5602 Water Meters

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 10,628	\$ 2,936	\$ 13,564
2013	11,159	2,405	13,564
2014	11,717	1,847	13,564
2015	12,303	1,261	13,564
2016	12,918	646	13,564
	<u>\$ 58,725</u>	<u>\$ 9,095</u>	<u>\$ 67,820</u>

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 7: LONG-TERM LIABILITIES (Continued)

Notes Payable - Enterprise (Continued)

Enterprise - \$49,000, September 2007, State Water System Capital Improvement Loan, 10 annual installments of \$6,293 including interest at 5%, paid half by the Water Fund and half by the Sewer Fund.

The annual requirements to amortize this note as of December 31, 2011 are as follows:

Note Payable - State of Colorado 2007 EIF# 5890 Water Lines

Year	Principal	Interest	Total
2012	\$ 4,696	\$ 1,597	\$ 6,293
2013	4,931	1,362	6,293
2014	5,177	1,116	6,293
2015	5,436	857	6,293
2016	5,708	585	6,293
2017	5,993	300	6,293
	<u>\$ 31,941</u>	<u>\$ 5,817</u>	<u>\$ 37,758</u>

Capital Lease Payable – Governmental and Enterprise :

\$59,800, Excavator lease/purchase dated August 2011, due in annual payments of \$11,469 through 2016 including interest at 4.165%.

The annual requirements to amortize this lease as of December 31, 2011 are as follows:

Capital Lease - Excavator

Year	Principal	Interest	Total
2012	\$ 9,352	\$ 2,117	\$ 11,469
2013	9,742	1,727	11,469
2014	10,147	1,322	11,469
2015	10,570	899	11,469
2016	11,011	456	11,467
	<u>\$ 50,822</u>	<u>\$ 6,521</u>	<u>\$ 57,343</u>

The annual lease payments are allocated across funds as follows:

Water Fund	\$ 4,250
Sewer Fund	\$ 4,250
Refuse Fund	\$ 2,500
General Fund	\$ 469
	<u>\$ 11,469</u>

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 7: LONG-TERM LIABILITIES (Continued)

Operating Leases

The Town has entered into annually cancelable operating leases for heavy equipment and office machinery:

Motor Grader lease: 1/24/07 to 1/24/13, annual rental of \$21,491.

Wheel Loader lease: 1/15/06 to 1/15/13, annual rental of \$14,315.

Copier lease: 4/17/09 to 4/17/13, annual rental of \$4,032.

NOTE 8: INTERFUND TRANSACTIONS

Following is a summary of transfers from and to other funds at December 31, 2011:

Fund	Transfers for Administrative Fee	
	In	Out
General	\$ 302,223	\$ -
Molas		\$ 1,084
Water	-	140,750
Sewer	-	134,750
Refuse	-	25,639
Total	<u>\$ 302,223</u>	<u>\$ 302,223</u>

Fund	Transfer for Project Cost	
	In	Out
General	\$ 14,780	\$ -
Conservation Trust	-	14,780
Total	<u>\$ 14,780</u>	<u>\$ 14,780</u>

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 9: RETIREMENT COMMITMENTS

A. Defined Contribution Plan

The Town provides pension benefits for all of its full-time employees through an agent multiemployer public retirement system, the Colorado County Officials and Employees Retirement Association, a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Town has established that employees contribute 3% and the Town contributes a matching 3% of the employee's base salary each month. The Town's contributions for, and interest forfeited by, employees who leave employment before ten years of service are used to reduce the Town's current period contribution requirement. The Town's total payroll in 2011 was \$663,375. The Town's contributions were calculated using the base salary of \$281,067. Both the Town and the covered employees made the required contributions amounting to \$8,432 from the employees and the Town for a total of \$16,864.

B. Defined Benefit Plan

The Town of Silverton provided benefits for eleven retired volunteer firemen from the Firemen's Pension Trust Fund. Benefits amounted to \$90 per quarter per retired fireman. In 2001, the Town transferred the assets of the Plan to the Fire and Police Pension Association of Colorado (FPPA). FPPA administers the plan and manages the plan's benefits under the plan which is a cost-sharing, multiple-employer defined benefit pension plan. The statewide defined benefit plan provides retirement benefits for members. Members with 20 or more years of service (vesting begins after 15 years of service) who attain age 50 are eligible for monthly benefits. A survivor's lump sum funeral benefit is provided for beneficiaries if the member is killed in the line of duty. Title 31, Article 30 of the Colorado Revised Statutes (CR5), as amended, assigns the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available financial report that includes financial statements and required supplementary information for the statewide defined benefit plan. The report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado, 80111, or by calling FPPA at (303) 770-3772 in the Denver metro area or 1-800-332-3772 from outside the metro area.

The financial statements of the volunteer plan are prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

The Town makes contributions based upon Town established benefits and funding requirements based upon an actuarial study. Plan members do not make contributions.

The Town's contributions to the statewide benefit plan entitled Silverton San Juan Volunteer Fire Department Pension Fund – (Volunteer Firefighters) for the years ended December 31, 2011, 2010, and 2009 were \$6,800 annually.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 10: PUBLIC ENTITY RISK POOLS

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the Town is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-1 1 5.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverage and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA.

NOTE 11: COMPLIANCE AND CONTINGENCIES

Claims and Judgments The Town participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. As of December 31, 2011, grant expenditures have not been audited, but the Town believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Town.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 12: INTERGOVERNMENTAL AGREEMENTS

The Town shares various municipal services with San Juan County. The Town and County approve annual agreements to reimburse costs (less any funding received from grants or contracts) paid by the opposite entity. The actual agreements are included in the Town's annual budget document. The Town makes monthly payments to the County for 1/12 of the budgeted costs; actual final audited costs are calculated in the ensuing year, with an additional amount either paid to or received from the County. See Note 16 for changes to the fire protection portion starting in 2012. The following table summarizes these transactions:

<u>Service</u>	<u>Direct Cost Paid by Town of Silverton</u>	<u>Direct Cost Paid by San Juan County</u>	<u>% Split</u>
Ambulance		X	50%
Fire Protection		X	50%
Fire Truck/Ambulance Insurance for vehicles titled by each entity	X	X	50%
Land Use Planning	X		50%
Building Inspector	X		50%
Code Enforcement	X		50%
Carriage House Operations, Maintenance, Insurance	X		50%
Transfer Station	X		50%
Law Enforcement (Sheriff)		X	50%

NOTE 13: RELATED PARTY TRANSACTIONS

Four of the Town's elected Trustees are involved in local businesses that conduct financial transactions with the Town. Amounts paid to these businesses in 2011 include approximately \$2,400 for supplies including \$85 recorded as accounts payable; \$4,200 for plumbing supplies and maintenance; and \$25,800 for campground host services and furnace tending. Recorded revenue includes approximately \$3,000 for cable television franchise fees including \$373 recorded as accounts receivable.

TOWN OF SILVERTON

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE 14: TAX, SPENDING, REVENUE AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations, which apply to the State of Colorado and all local governments.

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 50,389 which is the approximate required reserve at December 31, 2011.

TABOR requires that revenue received in excess of the "revenue limit" is to be refunded unless the voters approve the retention of such excess revenue. In November 1995, the voters of Silverton, Colorado, approved a ballot measure deleting all revenue collection limitations imposed by state law.

The Towns' management believes that it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

NOTE 15: COMPLIANCE WITH STATE STATUTES

At December 31, 2011, expenditures of the Molas Lake Fund exceeded budgeted expenditures by \$14,875. This may be a violation of state statutes.

NOTE 16: SUBSEQUENT EVENTS

On January 1, 2012, the Silverton-San Juan Fire Authority was created in accordance with Colorado State Statutes. Through 12/31/11, San Juan County directly paid for fire expenditures; the Town reimbursed the County for 50% of those costs. Beginning in 2012, both the County and Town will make quarterly payments to the newly created authority based on the annual budget approved by the Authority. The firefighter's pension fund reported as a fiduciary fund by the Town at December 31, 2011 is intended to be transferred to the newly created authority in 2012. Further, capital assets, including vehicles, owned by the Town are intended to be transferred to the Authority in 2012.

Required Supplementary Information

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

TOWN OF SILVERTON, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2011

	2011			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
TAXES				
Property	\$ 352,106	\$ 352,106	\$ 335,565	\$ (16,541)
Specific Ownership	15,000	15,000	15,832	832
General Sales	641,000	641,000	664,052	23,052
Cigarette	2,000	2,000	2,155	155
Franchise	22,000	22,000	30,534	8,534
Severance	-	34,128	34,128	-
Penalties, Interest and Delinquent Taxes	3,000	3,000	4,462	1,462
Total Taxes	1,035,106	1,069,234	1,086,728	17,494
LICENSES AND PERMITS				
Liquor Licenses	4,000	4,000	4,598	598
Professional and Business Licenses	21,000	21,000	21,530	530
Lodging Fee	35,000	35,000	38,849	3,849
Building Permits	11,800	11,800	12,700	900
Other Permits	450	450	450	-
Total Licenses and Permits	72,250	72,250	78,127	5,877
INTERGOVERNMENTAL				
Additional Motor Vehicle Registration	4,000	4,000	5,359	1,359
Road and Bridge	22,000	22,000	21,449	(551)
Highway Users	33,089	33,089	35,364	2,275
Grants	28,000	28,000	40,475	12,475
Total Intergovernmental	87,089	87,089	102,647	15,558
FINE AND FORFEITS	5,500	5,500	2,287	(3,213)
OTHER REVENUES				
Earnings on Investments	1,200	1,200	860	(340)
Administrative Fee	302,223	302,223	302,223	-
Contributions and Donations	3,500	3,500	3,000	(500)
Other Miscellaneous	2,100	2,100	8,404	6,304
Charges for Services	27,035	47,035	34,904	(12,131)
Rents and Leases	34,860	34,860	33,988	(872)
Total Other Revenues	370,918	435,883	427,069	(8,814)
TOTAL REVENUES	1,570,863	1,669,956	1,696,858	26,902

(Continued)

See the accompanying Independent Auditors' Report.

TOWN OF SILVERTON, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2011

	2011			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
EXPENDITURES				
General Government				
Town Board	\$ 58,266	\$ 58,266	\$ 57,052	\$ 1,214
Municipal Court	7,500	7,500	7,074	426
Town Administrator	79,228	79,228	80,727	(1,499)
Partner Organizations	6,761	6,761	6,761	-
Town Clerk/Treasurer	105,878	105,878	110,367	(4,489)
Financial Administration	6,400	6,400	6,666	(266)
Legal Services	20,000	20,000	24,368	(4,368)
Code Enforcement	20,568	20,568	21,989	(1,421)
Planning Director	62,174	100,174	93,796	6,378
General Government Operations	76,584	76,584	80,267	(3,683)
Visitor's Center Operations	64,029	64,029	70,450	(6,421)
Town Hall Operations	31,750	55,198	74,694	(19,496)
Building Inspector	44,916	44,916	41,629	3,287
Grants	28,000	28,000	41,697	(13,697)
Total General Government	<u>612,054</u>	<u>673,502</u>	<u>717,537</u>	<u>(44,035)</u>
Public Safety				
Law Enforcement	193,231	193,231	193,231	-
Clinic	15,728	15,728	12,700	3,028
Fireman's Pension Contribution	-	-	12,920	(12,920)
Total Public Safety	<u>208,959</u>	<u>208,959</u>	<u>218,851</u>	<u>(9,892)</u>
Public Works				
Public Works Personnel	375,944	375,944	390,961	(15,017)
Street Maintenance	151,417	151,417	113,612	37,805
Lease Payments	35,806	35,806	35,806	-
Total Public Works	<u>563,167</u>	<u>563,167</u>	<u>540,379</u>	<u>22,788</u>
Culture and Recreation				
Recreation	17,200	17,200	10,148	7,052
Park Administration	32,757	32,757	29,486	3,271
Kendall Mountain Park	58,353	58,354	44,858	13,496
Library	87,558	87,558	96,432	(8,874)
Total Culture and Recreation	<u>195,868</u>	<u>195,869</u>	<u>180,924</u>	<u>14,945</u>
Debt Service				
Principal	10,289	10,289	11,423	(1,134)
Interest	11,198	11,198	10,533	665
Total Debt Service	<u>21,487</u>	<u>21,487</u>	<u>21,956</u>	<u>(469)</u>
TOTAL EXPENDITURES	<u>1,601,535</u>	<u>1,662,984</u>	<u>1,679,647</u>	<u>(16,663)</u>

(Continued)

See the accompanying Independent Auditors' Report.

TOWN OF SILVERTON, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2011

	2011			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPEND	\$ (30,672)	\$ 6,972	\$ 17,211	\$ 10,239
Other Financing Sources (Uses)				
Transfers In	29,000	29,000	14,780	(14,220)
Proceeds from Capital Leases	-	-	2,392	2,392
Sale of Fixed Assets	-	-	307	307
Total Other Financing Sources (Uses)	<u>29,000</u>	<u>29,000</u>	<u>17,479</u>	<u>(11,521)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	(1,672)	35,972	34,690	(1,282)
FUND BALANCE - Beginning	<u>447,981</u>	<u>553,274</u>	<u>553,274</u>	<u>-</u>
FUND BALANCE - Ending	<u>\$ 446,309</u>	<u>\$ 589,246</u>	<u>\$ 587,964</u>	<u>\$ (1,282)</u>

**Notes to Required Supplementary Information
Year Ended December 31, 2011**

Budgetary Information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America by the Town's administration and finance staff and approved by the Board of Trustees following a public hearing.

Any change in the total to a fund's budget requires approval of the Board of Trustees. All unexpended annual appropriations lapse at year-end.

See the accompanying Independent Auditors' Report.

Other Supplementary Information

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

TOWN OF SILVERTON, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	<u>CONSERVATION TRUST FUND</u>	<u>MOLAS LAKE FUND</u>	<u>CEMETARY FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTALS 2011</u>
ASSETS					
Cash and Equivalents	\$ 14,048	\$ 4,742	\$ 17,826	\$ 17,525	\$ 54,141
TOTAL ASSETS	<u>\$ 14,048</u>	<u>\$ 4,742</u>	<u>\$ 17,826</u>	<u>\$ 17,525</u>	<u>\$ 54,141</u>
LIABILITIES					
Deferred Revenue	\$ -	\$ 770	\$ -	\$ -	\$ 770
TOTAL LIABILITIES	<u>-</u>	<u>770</u>	<u>-</u>	<u>-</u>	<u>770</u>
FUND BALANCE					
Reserved for:					
Other	14,048	3,972	17,826	17,525	53,371
TOTAL FUND BALANCE	<u>14,048</u>	<u>3,972</u>	<u>17,826</u>	<u>17,525</u>	<u>53,371</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 14,048</u>	<u>\$ 4,742</u>	<u>\$ 17,826</u>	<u>\$ 17,525</u>	<u>\$ 54,141</u>

PRELIMINARY DRAFT
SUBJECT TO CHANGE

See the accompanying Independent Auditors' Report.

TOWN OF SILVERTON, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2011

	CONSERVATION TRUST FUND	MOLAS LAKE FUND	CEMETERY FUND	DEBT SERVICE FUND	TOTALS 2011
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 15,183	\$ 15,183
Intergovernmental Revenue	4,988	10,305	-	-	15,293
Charges for Services	-	37,440	-	-	37,440
Investment Income	52	-	-	-	52
Donations	-	-	250	-	250
TOTAL REVENUES	5,040	47,745	250	15,183	68,218
EXPENDITURES					
Culture and Recreation	-	32,296	-	-	32,296
Debt Service	-	-	-	14,000	14,000
Interest	-	-	-	1,250	1,250
Capital Outlay	-	13,613	-	-	13,613
TOTAL EXPENDITURES	-	45,909	-	15,250	61,159
REVENUE IN EXCESS (DEFICIENCY) OF EXPENDITURES	5,040	1,836	250	(67)	7,059
OTHER FINANCING SOURCES (USES)					
Transfers Out	(14,780)	-	-	-	(14,780)
TOTAL OTHER FINANCING SOURCES (USES)	(14,780)	-	-	-	(14,780)
REVENUE AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	(9,740)	1,836	250	(67)	(7,721)
FUND BALANCE - Beginning	23,788	2,136	17,576	17,592	61,092
FUND BALANCE - Ending	\$ 14,048	\$ 3,972	\$ 17,826	\$ 17,525	\$ 53,371

PRELIMINARY DRAFT
SUBJECT TO CHANGE

See the accompanying Independent Auditors' Report.

TOWN OF SILVERTON, COLORADO

BUDGETARY COMPARISON SCHEDULE
CONSERVATION TRUST FUND
 Year Ended December 31, 2011

	2011		
	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES			
Intergovernmental Revenue	\$ 5,000	\$ 4,988	\$ (12)
Investment Income	60	52	(8)
TOTAL REVENUES	<u>5,060</u>	<u>5,040</u>	<u>(20)</u>
EXPENDITURES			
Culture and Recreation	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
REVENUE IN EXCESS (DEFICIENCY) OF EXPENDITURES	5,060	5,040	(20)
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(29,000)</u>	<u>(14,780)</u>	<u>14,220</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(29,000)</u>	<u>(14,780)</u>	<u>14,220</u>
REVENUE AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	(23,940)	(9,740)	14,200
FUND BALANCE - Beginning	<u>24,114</u>	<u>23,788</u>	<u>(326)</u>
FUND BALANCE - Ending	<u>\$ 174</u>	<u>\$ 14,048</u>	<u>\$ 13,874</u>

See the accompanying Independent Auditors' Report.

TOWN OF SILVERTON, COLORADO

BUDGETARY COMPARISON SCHEDULE

MOLAS LAKE FUND

Year Ended December 31, 2011

	2011		
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Intergovernmental Revenue	\$ -	\$ 10,305	\$ 10,305
Charges for Services	41,100	37,440	(3,660)
TOTAL REVENUES	41,100	47,745	6,645
EXPENDITURES			
Culture and Recreation	31,034	32,296	(1,262)
Capital Outlay	-	13,613	(13,613)
TOTAL EXPENDITURES	31,034	45,909	(14,875)
REVENUE IN EXCESS (DEFICIENCY) OF EXPENDITURES	10,066	1,836	(8,230)
FUND BALANCE - Beginning	68,372	2,136	(66,236)
FUND BALANCE - Ending	\$ 78,438	\$ 3,972	\$ (74,466)

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

See the accompanying Independent Auditors' Report.

TOWN OF SILVERTON, COLORADO

BUDGETARY COMPARISON SCHEDULE

CEMETERY FUND

Year Ended December 31, 2011

	2011		
	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES			
Charges for Services	\$ 500	\$ -	\$ (500)
Donations	25	250	225
TOTAL REVENUES	525	250	(275)
EXPENDITURES			
General Government	-	-	-
TOTAL EXPENDITURES	-	-	-
REVENUE IN EXCESS (DEFICIENCY) OF EXPENDITURES	525	250	(275)
FUND BALANCE - Beginning	17,825	17,576	(249)
FUND BALANCE - Ending	<u>\$ 18,350</u>	<u>\$ 17,826</u>	<u>\$ (524)</u>

See the accompanying Independent Auditors' Report.

TOWN OF SILVERTON, COLORADO

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

Year Ended December 31, 2011

	2011		VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL AND FINAL BUDGET	ACTUAL	
REVENUES			
Taxes	\$ 15,250	\$ 15,183	\$ (67)
TOTAL REVENUES	<u>15,250</u>	<u>15,183</u>	<u>(67)</u>
EXPENDITURES			
Debt Service	14,000	14,000	-
Interest	1,250	1,250	-
TOTAL EXPENDITURES	<u>15,250</u>	<u>15,250</u>	<u>-</u>
REVENUE IN EXCESS (DEFICIENCY) OF EXPENDITURES	-	(67)	(67)
FUND BALANCE - Beginning	<u>288</u>	<u>17,592</u>	<u>17,304</u>
FUND BALANCE - Ending	<u>\$ 288</u>	<u>\$ 17,525</u>	<u>\$ 17,237</u>

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

See the accompanying Independent Auditors' Report.

TOWN OF SILVERTON, COLORADO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

WATER FUND

Year Ended December 31, 2011

	2011		
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Charges for services	\$ 295,696	\$ 267,840	\$ (27,856)
Tap fees	3,152	6,478	3,326
Infrastructure upgrade	4,651	4,651	-
TOTAL REVENUES	303,499	278,969	(24,530)
EXPENDITURES			
Administrative	140,750	140,750	-
Operations and maintenance	84,745	62,311	22,434
Debt service principal	31,637	35,992	(4,355)
Interest	11,927	11,271	656
Capital outlay	4,250	7,600	(3,350)
TOTAL EXPENDITURES	273,309	257,924	15,385
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS	<u>30,190</u>	21,045	<u>(9,145)</u>
GAAP BASIS ADJUSTMENTS:			
Depreciation		(42,849)	
Capital outlay		7,600	
Principal paid		35,992	
TOTAL GAAP BASIS ADJUSTMENTS		<u>743</u>	
NET INCOME - GAAP BASIS		21,788	
NET ASSETS - Beginning		405,729	
NET ASSETS - Ending		<u>\$ 427,517</u>	

See the accompanying Independent Auditors' Report.

TOWN OF SILVERTON, COLORADO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
SEWER FUND

Year Ended December 31, 2011

	2011		VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL AND FINAL BUDGET	ACTUAL	
REVENUES			
Charges for services	\$ 260,305	\$ 277,724	\$ 17,419
Tap fees	3,152	6,478	3,326
Other revenues	2,774	2,971	197
TOTAL REVENUES	266,231	287,173	20,942
EXPENDITURES			
Administrative	134,750	134,750	-
Utilities	33,785	27,668	6,117
Operations and maintenance	79,737	52,751	26,986
Debt service principal	9,831	13,200	(3,369)
Interest	1,842	2,221	(379)
Capital outlay	4,250	18,000	(13,750)
TOTAL EXPENDITURES	264,195	248,590	15,605
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS	2,036	38,583	36,547
GAAP BASIS ADJUSTMENTS:			
Depreciation		(28,398)	
Capital outlay		18,000	
Principal paid		13,200	
TOTAL GAAP BASIS ADJUSTMENTS:		2,802	
NET INCOME - GAAP BASIS		41,385	
NET ASSETS - Beginning		732,314	
NET ASSETS - Ending		\$ 773,699	

See the accompanying Independent Auditors' Report.

TOWN OF SILVERTON, COLORADO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
REFUSE FUND
Year Ended December 31, 2011

	2011			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Charges for services	\$ 130,000	\$ 163,500	\$ 173,857	\$ 10,357
TOTAL REVENUES	130,000	163,500	173,857	10,357
EXPENDITURES				
Administrative	25,639	25,639	25,639	-
Operations and maintenance	11,000	11,000	430	10,570
Contracted services	113,400	142,350	152,015	(9,665)
Debt service principal	-	-	1,975	(1,975)
Interest	-	-	525	(525)
Capital outlay	2,500	2,500	-	2,500
TOTAL EXPENDITURES	152,539	181,489	180,584	905
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET AND GAAP BASIS	\$ (22,539)	\$ (17,989)	(6,727)	\$ 11,262
GAAP BASIS ADJUSTMENTS				
Depreciation			(1,096)	
Capital outlay			-	
Principal paid			1,975	
TOTAL GAAP BASIS ADJUSTMENTS			879	
NET INCOME - GAAP BASIS			(5,848)	
NET ASSETS - Beginning			118,243	
NET ASSETS - Ending			\$ 112,395	

See the accompanying Independent Auditors' Report.

Compliance Section

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Silverton, CO
	YEAR ENDING : December 2011
This Information From The Records Of (example - City of _ or County of	Prepared By: Phone: Brian Carlson, Clerk/Treasurer 970-387-5522

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	142,002
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	187,214	b. Snow and ice removal	54,037
3. Other local imposts (from page 2)	15,832	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	54,037
5. Transfers from toll facilities		4. General administration & miscellaneous	47,730
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	243,769
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	203,046	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	40,723	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	243,769	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	243,769

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		243,769	243,769		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 31, 2010

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	15,832	g. Other Misc. Receipts	
6. Total (1. through 5.)	15,832	h. Other	
c. Total (a. + b.)	15,832	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	35,364	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	5,359	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	5,359	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	40,723	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments:

June 22, 2012

To the Honorable Mayor and Members of the Town Board of Trustees
Silverton, Colorado

In planning and performing our audits of the financial statements of the Town of Silverton as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Preparation of Financial Statements

The Town is a small local government with limited employees. The Town's accounting staff has the knowledge and ability to appropriately record the Town's financial transactions during the year. In addition, management and the Town Board of Trustees have the knowledge to understand and take responsibility for the financial statements. However, the Town does not have an employee with the knowledge to adequately prepare a complete financial statement. In accordance with Statement of Auditing Standard No. 112, *Communication of Internal Control Related Matters Identified in an Audit*, this is considered a significant control deficiency.

The Town will be unable to provide for a remedy to this deficiency unless another accounting firm is retained to assist in the preparation of financial statements, or additional education can be provided for Town employees. Given the size of Town and limited financial resources, the Board will need to determine if the economics of the remedy is of significant value to the Town. This issue pertains to all small local governments, not just the Town.

Assistance in Closing the Year End Books of the Town

We noted that the Town had not reversed all audit entries from the prior year or made the year end accrual entries (recording of accounts receivable, accounts payable identifying capital assets), although the status of many of the accounts was much improved from the prior year. These entries can be difficult and the Town should consider obtaining assistance from a CPA with governmental experience in closing the books and answer any accounting questions that arise during the year. This would help ensure the accuracy of the year end statements and reduce the need to expand auditing procedures.

Capital Asset Depreciation Schedules Need to be Maintained

The Town was not maintaining a depreciation schedule of the fixed assets; rather the prior auditor had been maintaining the depreciation schedule. State audit law requires that a schedule be maintained in detail of all capital (fixed) assets and that a physical inventory be taken annually. The Town should plan to perform both of these activities in 2012.

Journal Entry Backup

We noted that the Town has not maintained a standard system for documenting journal entries posted to Caselle. We provided a standard journal entry form and described how backup documentation can be attached or scanned and kept on file to substantiate journal entries posted to the general ledger.

Personnel and Timesheet Documentation

Employee personnel files should be reviewed to ensure they contain signed W-4 forms and any other withholding authorizations. All timesheets should be signed by both the employee and an approving party.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to thank Jason Wells, Brian Carlson and the staff at the Town for making the audit process efficient and enjoyable. Everyone was very helpful and cooperative.

This information is intended solely for the use of the elected officials and management of the Town of Silverton and should not be used for any other purpose.

Very truly yours,

Johnson and Associates

Johnson and Associates

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PRELIMINARY DRAFT -
SUBJECT TO CHANGE