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Certified Public Accountants and Consultants

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**To the Board of Directors
Garfield Clean Energy Collaborative
Carbondale, Colorado**

We have audited the financial statements of Garfield Clean Energy Collaborative ("GCE") for the year ended December 31, 2012. Professional standards require that we provide you with the following information related to our audit.

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by GCE are described in the Notes to the Financial Statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such misstatements were identified.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

As is required in an audit engagement we have requested certain representations from management that are included in the management representation letter.

Member: American Institute of Certified Public Accountants

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We noted certain matters relating to opportunities for improvement of internal controls and day-to-day operations, which are presented for your consideration below:

Board Oversight

GCE has a unique operating structure whereby Clean Energy Economy for the Region ("CLEER"), as GCE's largest vendor and independent contractor, carries out operations, implements policies, and achieves goals as set by the Board of Directors *without* a role similar to an executive director in internal control. As such, the Board of Directors plays a larger oversight role than usual in directly authorizing and approving transactions, the vast majority of which are disbursements to CLEER.

Since CLEER has a conflict of interest which prevents it from authorizing its own transactions and approving its own invoices on behalf of GCE, the Board of Directors (or the Finance Committee or a designated director) should have a thorough understanding of the work performed, the reasonableness of the time billed for the work performed, and incidental expenses included in each invoice.

Starting in the summer of 2012, CLEER included a "Summary of invoices on the 'Unpaid Bills Detail' Document" in each monthly board packet that briefly described the gist of each invoice to be approved. In addition to this "summary of invoices" memo, CLEER included a Progress Report explaining what was carried out during the month under each of the major goals. Both the "summary of invoices" memo and the Progress Report appear to be helpful for understanding – *in general terms* – what was performed and/or achieved.

To improve Board oversight, invoices should break down tasks and time-per-task in as much detail as is deemed cost effective, which would provide – *in specific terms* – what was performed and/or achieved, while retaining the existing Progress Report would continue to provide the general picture of what was performed and/or achieved, eliminating the need for a "summary of invoices" memo.

In addition, due to the lack of segregation of duties, whereby the accountant (Janet Obeji) executes Board-approved payments, records transactions, and prepares the monthly bank reconciliation, a designated Director (or Finance Committee member) should corroborate the detailed activity on the monthly bank statements (obtained online directly from the bank), the bank reconciliation, and general knowledge of GCE's activities to monthly financial reports prepared by Janet Obeji. This function could be rotated to a different Director every three or four months to share the burden.

We have already discussed these comments with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

McMahan and Associates, L.L.C.
September 24, 2013

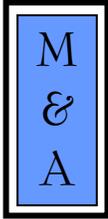
**Garfield Clean Energy Collaborative
Carbondale, Colorado
Financial Report**

December 31, 2012

**Garfield Clean Energy Collaborative
Financial Report
December 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Garfield Clean Energy Collaborative

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Garfield Clean Energy Collaborative, as of and for the year ended December 31, 2012, which collectively comprise the Garfield Clean Energy Collaborative'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the General Fund of the Garfield Clean Energy Collaborative as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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 Management's Discussion and Analysis in Section B 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.

The budgetary comparison information in section E 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. The budgetary comparison 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 statement 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.

McMahan and Associates, L.L.C.
September 24, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Garfield Clean Energy Collaborative

Management's Discussion and Analysis December 31, 2012

As management of Garfield Clean Energy Collaborative ("GCE"), we offer readers of GCE's financial statements this narrative introduction, overview and analysis of the financial activities of GCE for the fiscal year ended December 31, 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to GCE's basic financial statements. GCE's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of GCE's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all GCE's assets and liabilities with the difference between the amounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of GCE is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that result in cash flows in prior or future fiscal periods.

The governmental activity of GCE is primarily program coordination, coaching, education, marketing, and training through various programs, as well as coordination of the intergovernmental authority. These efforts are designed to create a more energy independent, energy secure, thriving and stable economy. The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. GCE, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. GCE currently has one fund, the General Fund, which is a governmental fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The fund financial statements are located on pages C3 and C4 of this report.

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. Normally, a reconciliation is presented to reconcile the fund balances of the governmental funds to the net position as reported in the government-wide financial statements and an additional reconciliation is presented reconciling the net change in fund balances of the governmental funds to the change in net position of the governmental activities. These reconciliations can be useful to facilitate the comparison between governmental funds and governmental activities as reported in the government-wide financial statements. However, in GCE's case in 2012, there are no long-term assets or liabilities; therefore, the government-wide and fund statements report the same information, and no reconciliation is necessary.

Overview of the Financial Statements (continued)

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages D1 – D6 of this report.

Government-wide Financial Analysis: Condensed financial data provides an overview of GCE's financial statements and provides the context for a better understanding of the basic financial statements. The following table shows GCE's condensed government-wide comparative financial data for the governmental activities for the current and prior fiscal years. GCE had no business-type activities during 2012.

Assets:	
Current assets	\$ 391,909
Total Assets	<u>391,909</u>
Liabilities:	
Current liabilities	87,531
Total Liabilities	<u>87,531</u>
Net Position:	
Restricted	303,355
Unrestricted	1,023
Total Net Position	<u>\$ 304,378</u>
Revenues:	
Grants	\$ 684,708
Partnership funding	299,500
Other income	396
Total Revenues	<u>984,604</u>
Expenses:	
Programs	305,547
Garfield County Subaward	284,978
Partnership services	89,701
Total Expenses	<u>680,226</u>
Change in Net Position	304,378
Net Position - Beginning	-
Net Position - Ending	<u>\$ 304,378</u>

Overall Analysis

GCE's overall financial position, as measured by total net position, increased by \$304,378 during 2012, its first year of operation. This increase is mainly due to unspent grant proceeds from the Garfield County Subaward for the Better Buildings Program at December 31, 2012.

Financial Analysis of GCE's Funds

GCE uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of GCE's funds follows.

Governmental Funds: The focus of GCE's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing GCE's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, GCE's governmental fund reported an ending fund balance of \$304,378. Of this balance, \$303,355 is restricted for activities set forth in the Garfield County Subaward for the Better Building Program. The remainder of \$1,023 is unrestricted.

Budget Variances in GCE's General Fund

The original budget was estimated by program and service area based on initial estimates of funding at the inception of GCE's operations, and without the benefit of comparable or prior year budget or actual amounts. As operations occurred, additional accounts were added to reflect activity in more detail. A final budget was adopted after the end of the year which matched the budget to actual activity.

Comparative Information and Analysis

GCE commenced operations in January 2012. A comparative analysis will be provided in future years when prior year information is available.

Request for Information

This financial report is designed to provide a general overview of GCE's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Garfield Clean Energy Collaborative, P.O. Box 428, Carbondale, Colorado 81623.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Garfield Clean Energy Collaborative
Statement of Net Position
Governmental Activities
December 31, 2012

Assets:	
Cash and cash equivalents	48,554
Restricted cash and cash equivalents	303,355
Contributions receivable	40,000
Total Assets	<u>391,909</u>
Liabilities:	
Accounts payable	87,531
Total Liabilities	<u>87,531</u>
Net Position:	
Restricted for Garfield County Subaward	303,355
Unrestricted	1,023
Total Net Position	<u><u>304,378</u></u>

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

**Garfield Clean Energy Collaborative
Statement of Activities
Governmental Activities
For the Year Ended December 31, 2012**

	Expenses	Program Revenues	Net (Expense)
		Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:			
Commercial energy coaching and program coordination	8,925	-	(8,925)
Residential energy coaching and program coordination	85,325	80,000	(5,325)
Petroleum Independence Project	81,944	-	(81,944)
Countywide Energy Portfolio Diversity	48,682	-	(48,682)
Government Facilities Program	80,671	-	(80,671)
Garfield County Subaward (Better Buildings Program)	284,978	588,333	303,355
Partnership services	89,701	-	(89,701)
Total Governmental Activities	680,226	668,333	(11,893)
		General revenues:	
		Partnership funding	299,500
		Grants	16,375
		Other income	396
		Total general revenues	316,271
		Change in Net Position	304,378
		Net Position - Beginning	-
		Net Position - Ending	304,378

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

FUND FINANCIAL STATEMENTS

**Garfield Clean Energy Collaborative
Balance Sheet
General Fund
December 31, 2012**

Assets:

Cash and cash equivalents	48,554
Restricted cash and cash equivalents:	
Credit reserve fund	303,355
Contributions receivable	40,000
Total Assets	<u><u>391,909</u></u>

Liabilities:

Accounts payable	87,531
Total Liabilities	<u>87,531</u>

Fund Balances:

Restricted for Garfield County Subaward	303,355
Unreserved	1,023
Total Fund Balance	<u>304,378</u>
Total Liabilities and Fund Balance	<u><u>391,909</u></u>

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

Garfield Clean Energy Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2012

Revenues:	
Grants	684,708
Partnership funding	299,500
Other income	396
	<hr/>
Total Revenues	984,604
	<hr/>
Expenditures:	
Commercial energy coaching and program coordination	8,925
Residential energy coaching and program coordination	85,325
Petroleum Independence Project	81,944
Countywide Energy Portfolio Diversity	48,682
Government Facilities Program	80,671
Garfield County Subaward (Better Buildings Program)	284,978
Partnership services	89,701
	<hr/>
Total Expenditures	680,226
	<hr/>
Excess of Revenues over Expenditures	304,378
	<hr/>
Fund Balance, Beginning	-
	<hr/>
Fund Balance, End	304,378
	<hr/> <hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

Garfield Clean Energy Collaborative
Notes to Financial Statements
December 31, 2012

I. Summary of Significant Accounting Policies

The Garfield Clean Energy Collaborative (“GCE”) was formed in January 2012 under an intergovernmental agreement between various local governments (the “Partners”) in Garfield County, Colorado to collaborate in creating a more energy independent, energy secure, thriving and stable economy. Partners at December 31, 2012 were as follows:

- Garfield County
- City of Glenwood Springs
- City of Rifle
- Town of Carbondale
- Roaring Fork Transportation Authority
- Town of New Castle
- Garfield County Public Library District
- Town of Parachute
- Town of Silt

GCE’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 by GAAP used by GCE are discussed below.

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

GCE’s basic financial statements include both government-wide (reporting GCE as a whole) and fund financial statements (reporting GCE’s major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, GCE has only governmental activities.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. GCE’s net position is reported in two parts: reserved and unreserved net position.

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

Garfield Clean Energy Collaborative
Notes to Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of GCE are reported in an individual fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

GCE reports the following governmental fund:

The *General Fund* is the general operating fund of GCE. It is used to account for all financial resources.

C. Measurement Focus and Basis of Accounting

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

1. Long-term Economic Focus and Accrual Basis

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

2. Current Financial Focus and Modified Accrual Basis

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

D. Restricted Assets

Certain cash balances of the General Fund are classified as restricted because their use is restricted by the provisions of the U.S. Department of Energy Better Buildings grant.

Garfield Clean Energy Collaborative
Notes to Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by GCE because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

F. Fund Balance

GCE classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

GCE uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, GCE first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

GCE does not have a formal minimum fund balance policy. However, GCE's budget includes a calculation of a targeted reserve positions and management calculates targets and reports them annually to Board of Directors.

G. Use of Estimates

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

Garfield Clean Energy Collaborative
Notes to Financial Statements
December 31, 2012
(Continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, GCE's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. Budgets for governmental funds are adopted on a basis consistent with GAAP.

As required by Colorado statutes GCE follows these procedures in establishing the budgetary data reflected in the financial statements.

- (1) On or before October 15, GCE's management submitted to GCE's Board of Directors a recommended budget which detailed the necessary revenues to meet GCE's operating requirements.
- (2) After a required publication of "Notice of Proposed Budget" GCE adopted the proposed budget and an appropriating resolution which legally appropriated expenditures for the upcoming year.
- (3) After adoption of the budget resolution, GCE may make the following changes: a) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; b) emergency appropriations; and c) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

B. TABOR Amendment - Revenue and Spending Limitation Amendment

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

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service) for fiscal years ending after December 31, 1994. Since TABOR excludes grant and contributions from the definition of fiscal year spending, and all GCE's revenues were from grants and contributions, there was no required reserve at December 31, 2012.

GCE believes it has taken such steps as are appropriate in light of current interpretations of TABOR to comply with its terms. However, TABOR is complex and subject to interpretation. Many of the provisions, including but not limited to, the interpretation of how to calculate fiscal year spending and other limits, will require judicial interpretation.

Garfield Clean Energy Collaborative
Notes to Financial Statements
December 31, 2012
(Continued)

III. Detailed Notes on All Funds

A. Deposits

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool 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.

At December 31, 2012, GCE's cash deposits had a carrying balance and a bank balance of \$351,909, of which \$303,355 was restricted and \$48,554 was unrestricted at December 31, 2012.

IV. Other Information

A. Professional Services Agreement with CLEER

GCE entered into a professional services agreement with Clean Energy Economy for the Region ("CLEER"), a Colorado non-profit corporation to achieve measurable progress on GCE's goals, as a means to a stronger, more resilient and energy-secure economy, as follows:

- Increase energy efficiency as measured by reducing energy consumption 20% by 2020 over a 2009 baseline.
- Reduce petroleum consumption 25% by 2020 over a 2009 baseline.
- Obtain 35% of our electricity from renewable sources by 2020.

The following program areas serve as the ongoing framework for delivering GCE services:

1. Energy saving programs for governments and schools
2. Residential energy services
3. Commercial energy services
4. Transportation and community design
5. Renewable energy
6. General partnership services

Each program area will use education and training, and clean energy financing as tools to achieve the goals, as set forth in detail in Exhibit A of the agreement.

Garfield Clean Energy Collaborative
Notes to Financial Statements
December 31, 2012
(Continued)

IV. Other Information (continued)

A. Professional Services Agreement with CLEER (continued)

According to the agreement, CLEER shall be compensated for these professional services in accordance with the rate sheet in Exhibit B of the agreement, as follows:

<u>Position</u>	<u>GCE Rate \$ per hour</u>	<u>Consulting Rate \$ per hour</u>
Policy/Director	85	125
Engineering	85	115
Energy Coaching	75	100
Architecture/Planning	85	115
Marketing/Technology	75	95
Office/Administration	40	75

In practice during 2012 through the date of the auditor's report, CLEER billed GCE a flat \$75 per hour for all work.

B. Garfield County Subaward (Better Buildings Financing Program)

On May 11, 2010, the United States Department of Energy (the "DOE") awarded Boulder County an Energy Efficiency Community Block Grant-Competitive grant ("EECBG-C") of \$25 million. On October 21, 2010, Boulder County entered into a Subrecipient Agreement with Garfield County through the Board of County Commissioners ("BOCC") for a portion of the EECBG-C funds. On June 20, 2011, the BOCC and Boulder County amended the Subrecipient Agreement to increase the grant award to Garfield County and to amend the BOCC's scope of work, known as Amendment No. 1. The additional grants funds awarded by Amendment No. 1 total approximately \$600,000 and are for use in debt service and financing support for energy efficiency programs in Garfield County, known as the "Better Buildings Financing Program."

On August 20, 2012, with the consent of Boulder County, the BOCC entered into a Subaward Agreement with GCE whereby GCE received \$588,333 (\$600,000 less \$11,667 fees to Colorado Housing and Financing Authority) to fund a Revolving Loan Fund program for \$200,000, fund GCE rebates for \$70,000, use approximately \$15,000 for marketing and administration, and fund the Credit Reserve Fund with the remaining amount. GCE also agreed to comply and cooperate with all reporting and compliance requirements of the DOE, Boulder County, and the BOCC.

C. Agreement with EnergySmart Partners, LLC

On September 24, 2012, GCE entered into a 5-year agreement for administering the Better Buildings Financing Program's Revolving Loan Fund ("RLF") (see IV.B. above) with EnergySmart Partners, LLC ("ESP"), a wholly owned subsidiary of Funding Partners for Housing Solutions, Inc., a non-profit organization certified by the U.S. Department of the Treasury CDFI as a community development financial institution ("CDFI").

Garfield Clean Energy Collaborative
Notes to Financial Statements
December 31, 2012
(Continued)

IV. Other Information (continued)

C. Agreement with EnergySmart Partners, LLC (continued)

ESP will provide administration of the RLF as set forth in Exhibit 1 of the agreement and in compliance with other terms of the agreement. ESP will receive compensation of a onetime, non-refundable fee of \$25 from each borrower upon submittal of the loans, plus a loan origination fee of \$125 at the time of loan settlement. ESP shall receive 2% of all interest paid on each of the loans outstanding. ESP received a onetime payment of \$4,500 upon execution of the agreement for implementation of the program.

Either party may terminate the agreement for cause or convenience. If GCE terminates the agreement for cause (a contract default), GCE shall give written notice of intent to terminate with cause. ESP has 15 days from the receipt of the letter to cure the default. If ESP does not cure the default within 15 days, GCE may make written demand for the delivery of: (a) transfer to a GCE designated third party all sums received by ESP from GCE under the agreement as of the date of said demand, net of loan disbursements pursuant to the agreement, plus interest thereon at the legal rate; (b) all loan documents and all other documentation relating to the administration of the RLF program; (c) all expenses incurred by GCE, including reasonable attorney's fees incurred in recovering said sums and records.

If ESP gives written notice of intent to terminate for cause, and GCE does not cure the default with 15 days, ESP may terminate the agreement by giving written notice to GCE. In addition to other remedies available to it upon default of GCE, ESP is entitled to recover all expenses incurred as a result of the violation, including reasonable attorney's fees incurred in enforcing its rights under the agreement.

If GCE terminates the agreement for convenience, GCE shall give written notice thereof to ESP and pay to ESP documented direct and incidental termination expenses as are mutually agreed upon in an amount not to exceed \$2,000. ESP agrees to assist GCE in facilitating the transfer of the administration of the program.

If ESP terminates for convenience, it shall obtain the consent of GCE, and give written notice at least 180 days in advance of the effective date thereof, along with the reason(s) for and date of the termination. ESP shall neither be paid nor considered eligible for payment of termination expenses or any damages or loss of profits due to the termination.

GCE funded the RLF with \$200,000 on October 17, 2012. There were no loans outstanding at December 31, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

Garfield Clean Energy Collaborative
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Budget Variance Positive (Negative)
Revenues:				
Grants:				
Garfield County Subaward	-	588,333	588,333	-
Carbondale Fall Efficiency Program	-	39,500	39,500	-
Carbondale rebates	-	40,500	40,500	-
EnCana	-	16,375	16,375	-
Partnership funding:				
Garfield County	155,000	155,000	155,000	-
City of Glenwood Springs	43,000	43,000	43,000	-
City of Rifle	38,000	38,000	38,000	-
Town of Carbondale	24,000	24,000	24,000	-
Roaring Fork Transportation Authority	20,000	20,000	20,000	-
Colorado Mountain College	41,000	-	-	-
Town of New Castle	13,000	13,000	13,000	-
Garfield County Public Library District	5,000	5,000	5,000	-
Town of Parachute	1,500	1,500	1,500	-
Other income	-	396	396	-
Total Revenues	340,500	984,604	984,604	-
Expenditures:				
Commercial sector:				
Energy coaching and program coordination	-	7,500	7,500	-
Marketing, outreach, education, training	-	1,425	1,425	-
Residential sector:				
Energy coaching and program coordination	-	4,200	4,200	-
Marketing, outreach, education, training	-	1,125	1,125	-
Carbondale Fall Efficiency Program	-	39,500	39,500	-
Carbondale rebates	-	40,500	40,500	-
Petroleum Independence Project:				
Safe Routes and transportation alternatives	-	33,437	33,437	-
Efficient vehicles:				
Workshop and training	-	9,157	9,157	-
Technical assistance	-	3,694	3,694	-
Alternative fuels:				
CNG support	-	24,691	24,691	-
Electric vehicles and biofuels	-	905	905	-
Marketing, outreach, education, training	-	10,060	10,060	-
Countywide Energy Portfolio Diversification:				
Technical assistance and implementation	-	19,069	19,069	-
Marketing, outreach, education, training	-	9,532	9,532	-
Strategic development of renewables	-	16,950	16,950	-
Financing of renewables	-	3,131	3,131	-
Government Facilities Program:				
Energy data management	44,000	42,743	42,743	-
Active energy management	38,000	30,378	30,378	-
Building hardware	10,000	7,550	7,550	-
Garfield County Subaward (Better Buildings Program):				
Funding of Revolving Loan Program	-	200,000	200,000	-
Garfield Clean Energy rebates	-	70,000	70,000	-
Program management	-	14,978	14,978	-
Partnership services:				
Administration and grant writing	25,000	51,844	51,844	-
Legal	5,000	7,879	7,879	-
Accounting	10,000	8,872	8,872	-
Website, outreach, and events	30,000	19,943	19,943	-
Education and training	16,000	1,163	1,163	-
Total Expenditures	327,000	680,226	680,226	-
Excess (Deficiency) of Revenues Over Expenditures	13,500	304,378	304,378	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	13,500	304,378	304,378	-