

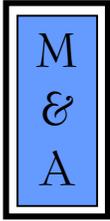
**Garfield Clean Energy Collaborative  
Carbondale, Colorado  
Financial Report**

**December 31, 2013**

**Garfield Clean Energy Collaborative  
Financial Report  
December 31, 2013**

**Table of Contents**

	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	A1 – A2
Management's Discussion and Analysis	B1 – B4
Government-wide Financial Statements:	
Statement of Net Position – Governmental Activities	C1
Statement of Activities – Governmental Activities	C2
Fund Financial Statements:	
Balance Sheet – General Fund	C3
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	C4
Notes to the Financial Statements	D1 – D8
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	E1



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

CHAPEL SQUARE, BLDG C  
245 CHAPEL PLACE, SUITE 300  
P.O. Box 5850, Avon, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM  
MAIN OFFICE: (970) 845-8800  
FACSIMILE: (970) 845-8108  
E-MAIL: MCMAHAN@MCMAHANCPA.COM

## 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, 2013, which collectively comprises 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, 2013, 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.

*Member: American Institute of Certified Public Accountants*

PAUL J. BACKES, CPA, CGMA  
MICHAEL N. JENKINS, CA, CPA, CGMA  
DANIEL R. CUDAHY, CPA, CGMA

Avon: (970) 845-8800  
Aspen: (970) 544-3996  
Frisco: (970) 668-3481

**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.**  
**March 17, 2014**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Garfield Clean Energy Collaborative

## Management's Discussion and Analysis

December 31, 2013

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, 2013.

### 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 2013, 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 2013.

	<u>2013</u>	<u>2012</u>
<b>Assets:</b>		
Current assets	\$ 64,109	\$ 391,909
<b>Total Assets</b>	<u>64,109</u>	<u>391,909</u>
<b>Liabilities:</b>		
Current liabilities	39,289	87,531
<b>Total Liabilities</b>	<u>39,289</u>	<u>87,531</u>
<b>Net Position:</b>		
Restricted	24,820	303,355
Unrestricted	-	1,023
<b>Total Net Position</b>	<u>\$ 24,820</u>	<u>\$ 304,378</u>
<b>Revenues:</b>		
Grants	\$ 59,971	\$ 684,708
Partnership funding	460,000	299,500
Other income	-	396
<b>Total Revenues</b>	<u>519,971</u>	<u>984,604</u>
<b>Expenses:</b>		
Programs	366,047	305,547
Garfield County Subaward	278,535	284,978
Partnership services	154,947	89,701
<b>Total Expenses</b>	<u>799,529</u>	<u>680,226</u>
<b>Change in Net Position</b>	<u>(279,558)</u>	<u>304,378</u>
<b>Net Position - Beginning</b>	<u>304,378</u>	<u>-</u>
<b>Net Position - Ending</b>	<u>\$ 24,820</u>	<u>\$ 304,378</u>

## Overall Analysis

GCE's overall financial position, as measured by total net position, decreased by \$279,558 during 2013. This decrease is mainly due to the completion of programs originally funded in 2012 by the Garfield County Subaward for the Better Buildings Program.

## 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 \$24,820. Of this amount, \$10,495 is restricted to specific uses within the Credit Reserve Budget.

### **Budget Variances in GCE's General Fund**

This discussion refers to the "Schedule of Revenues, Expenditures and Changes in Fund Balance" table on page E1 of this document, and will cover two notable sets of items on that table: (1) budget bottom lines and (2) budget variances.

1. Readers will notice a difference in the bottom lines for revenues, expenditures and ending fund balance between the original and final 2013 budgets, columns 1 and 2. Two substantial changes led to these differences.

**Matching Grants.** In January 2013, additional funds were contributed to Garfield Clean Energy by Garfield County, the Town of Carbondale, Encana Oil and Gas Inc., the Aspen Science Foundation and the Roaring Fork Education Foundation. These funds totaled \$203,500. These revenues were distributed throughout the budget to make existing programs more robust and to fund two projects that were not funded in the original budget: the West Slope CNG Collaborative and Solar in the Schools. This infusion of new funds boosted "Total Revenues" from the Original Budget's \$331,500 to the Final Budget's \$535,000. An amended budget was developed to reflect this substantial influx of funds. The amended budget was approved by the GCE board in March 2013 and filed with the state of Colorado.

**Credit Reserve fund.** Meanwhile, Garfield Clean Energy ended 2012 with \$303,333 in unspent funds from the DOE Better Buildings grant. In the original and first amended 2013 budget tables, the Better Buildings funds, also called the Credit Reserve Fund, were not included as a beginning fund balance for 2013. During 2013, the U.S. Department of Energy and the GCE board approved a spending plan for that money. The board approved the plan in June 2013, and almost all of the funds were spent prior to the DOE's Sept. 30 grant spending deadline. A final report on the Credit Reserve spending was presented at the Oct. 9, 2013, GCE board meeting. As a result of the spending plan taking effect in 2013, management developed a second amended 2013 budget that properly notes the beginning and ending fund balances and expenditures during 2013 from this fund.

2. Readers will also notice several budget variances in column 4 of the "Schedule of Revenues, Expenditures and Changes in Fund Balance." One set of variances is tied to the Carbondale Efficiency Program, and the other set is tied to the Countywide Energy Portfolio Diversification program (renewable energy).

**Carbondale Efficiency Program.** In the Revenues section, a \$15,000 shortfall is noted in the Grants area for the Carbondale Efficiency Program. In the Expenditures section in the Commercial Marketing and Residential Marketing lines, a total of \$15,051 is shown as unspent. The 2013 Carbondale program did not fully spend the full \$35,000 amount that was budgeted. Rebates for Carbondale businesses and households were supplemented by Better Buildings/Credit Reserve countywide rebate funding, so the full Carbondale allocation was not needed in 2013. Garfield Clean Energy billed the Town of Carbondale only for the rebate funds that were needed to meet demand, and did not bill for the final \$15,000 that had been pledged.

**Countywide Energy Portfolio Diversification Program.** Although GCE's final 2013 budget allocated \$14,500 for technical assistance and implementation of renewable energy projects, and \$5,000 for financing of renewables, CLEER did not carry out the expected amount of work in this program area. This unspent funding has been carried over into the same program area for work in 2014

## Comparative Information and Analysis

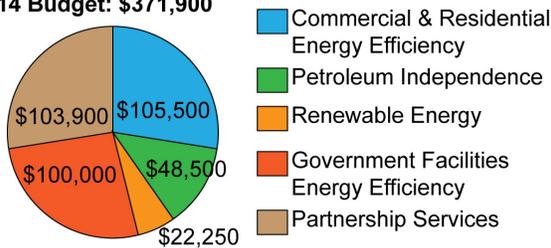
Garfield Clean Energy's expenditures totaled nearly \$800,000 in 2013 compared to \$680,000 in 2012. In large part, this higher rate of spending funded a stepped-up level of energy coaching for households, businesses and commercial properties, a much larger pool of rebate funding paid directly through Garfield Clean Energy, and intensified marketing to promote the rebate offers. The results of this push of funds, which originated in the Better Buildings grant, was 124 households and 53 business and commercial properties making energy efficiency upgrades. Nearly \$150,000 in rebates generated project investments of more than \$1 million, and estimated annual energy savings of more than \$87,000 per year.

Spending also increased for energy data management within the Government Facilities Program. This reflected an increasing number of buildings being added to the Garfield Energy Navigator system, adding to the cost of monthly utility bill data entry. By the end of 2013, the energy use at 104 government facilities in Garfield County is actively being tracked on the Navigator website.

Finally, spending also increased in the Partnership Services administration and grant writing line item. This level of spending reflects a more accurate picture of the work involved in running the Garfield Clean Energy Collaborative as an intergovernmental authority. Improvements in this area in 2013 included detailed quarterly reports, an updated Strategic Plan for the coming year, and making two in-person presentations to each of the eight of the 10 member government boards.

## Next Year's Budget

### Garfield Clean Energy Collaborative 2014 Budget: \$371,900



Looking forward to 2014, Garfield Clean Energy is facing a reduction in overall partner funding that drops the budget to \$371,900. Rebates are not included in the 2014 program, but the commitment to providing energy coaching services to the private sector and to the Collaborative's 10 member governments remains strong. The 2014 Strategic Plan sets goals of providing energy coaching to 55 households and 50 businesses, producing 12 case studies, hosting a workshop for clean energy

contractors, hosting the Bike and Walk to School Challenge, leading the West Slope CNG Collaborative, providing technical support to increase renewable energy installations, hosting building utility data on the Energy Navigator website, providing Active Energy Management consultations with member governments, writing grants, publicizing GCE projects and achievements, and participating in state-level efforts to develop new funding sources for clean energy programs.

## 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, 2013**

<b>Assets:</b>	
Cash	38,823
Restricted cash	10,495
Contributions receivable	14,791
<b>Total Assets</b>	<u>64,109</u>
<b>Liabilities:</b>	
Accounts payable	39,289
<b>Total Liabilities</b>	<u>39,289</u>
<b>Net Position:</b>	
Restricted for Garfield County Subaward	10,495
Unrestricted	14,325
<b>Total Net Position</b>	<u>24,820</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, 2013**

	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expense)</b>
		<b>Operating Grants and Contributions</b>	<b>Revenue and Changes in Net Position</b>
<b>Governmental Activities:</b>			
Commercial energy coaching and program coordination	102,682	-	(102,682)
Residential energy coaching and program coordination	79,218	59,971	(19,247)
Petroleum Independence Project	48,476	-	(48,476)
Countywide Energy Portfolio Diversity	17,794	-	(17,794)
Government Facilities Program	123,686	-	(123,686)
Partnership services	154,947	-	(154,947)
Credit reserve	272,726	-	(272,726)
<b>Total Governmental Activities</b>	<b>799,529</b>	<b>59,971</b>	<b>(739,558)</b>
		<b>General revenues:</b>	
		Partnership funding	431,500
		Grants	28,500
		<b>Total general revenues</b>	<b>460,000</b>
		<b>Change in Net Position</b>	<b>(279,558)</b>
		<b>Net Position - Beginning</b>	<b>304,378</b>
		<b>Net Position - Ending</b>	<b>24,820</b>

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

## **FUND FINANCIAL STATEMENTS**

**Garfield Clean Energy Collaborative  
Balance Sheet  
General Fund  
December 31, 2013**

**Assets:**

Cash and cash equivalents	38,823
Restricted cash and cash equivalents:	
Credit reserve fund	10,495
Contributions receivable	14,791
<b>Total Assets</b>	<u><u>64,109</u></u>

**Liabilities:**

Accounts payable	39,289
<b>Total Liabilities</b>	<u><u>39,289</u></u>

**Fund Balances:**

Restricted for Garfield County Subaward	10,495
Unreserved	14,325
<b>Total Fund Balance</b>	<u><u>24,820</u></u>
<b>Total Liabilities and Fund Balance</b>	<u><u>64,109</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, 2013**

<b>Revenues:</b>	
Grants	88,471
Partnership funding	431,500
<b>Total Revenues</b>	519,971
<b>Expenditures:</b>	
Commercial energy coaching and program coordination	102,682
Residential energy coaching and program coordination	79,218
Petroleum Independence Project	48,476
Countywide Energy Portfolio Diversity	17,794
Government Facilities Program	123,686
Partnership services	154,947
Credit Reserve	272,726
<b>Total Expenditures</b>	799,529
<b>Excess of Revenues over Expenditures</b>	(279,558)
<b>Fund Balance, Beginning</b>	304,378
<b>Fund Balance, End</b>	24,820

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Garfield Clean Energy Collaborative**  
**Notes to the Financial Statements**  
**December 31, 2013**

**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, 2013 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
- Colorado Mountain College

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.

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, 2013**  
**(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 comprise 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, 2013**  
**(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 position and management calculates targets and reports them annually to the 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, 2013**  
**(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, 2013.

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, 2013**  
**(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, 2013, GCE's cash deposits had a carrying balance and a bank balance of \$49,318 at December 31, 2013.

**Financial Statement Captions:**

Cash	\$ 24,498
Restricted cash	<u>24,820</u>
	<u><u>\$49,318</u></u>

**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 30% of 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, 2013**  
**(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 2013 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 grant 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, 2013**  
**(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, and an additional \$100,000 on October 15, 2013. As of December 31, 2013, there were eight loans outstanding with the RLF, with a total loan balance due of \$53,214. All loans are current. Of the eight, seven will mature in 2018; the eighth will mature in 2020. With the additional capitalization of \$100,000 in 2013, the RLF had \$243,322 available for lending as of December 31, 2013.

**D. Professional Services Agreement with Janet Obeji**

GCE entered into a professional services agreement with Janet Obeji of Obeji Accounting, effective as of May 1, 2013.

Ms. Obeji will perform bookkeeper services for GCE as an independent contractor in accordance with the provisions of the agreement. GCE agrees to compensate Ms. Obeji at the rate of \$50.00 per hour to perform the services necessary to meet the scope of work detailed in Exhibit A of the agreement.

**Garfield Clean Energy Collaborative**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

**IV. Other Information (continued)**

**D. Professional Services Agreement with Janet Obeji (continued)**

GCE may terminate this agreement without cause if it determines that such termination is in GCE's best interest by giving written notice of termination, specifying the effective date, at least thirty calendar days prior to the effective date of termination. In the event of such termination by GCE, GCE shall be liable to pay Ms. Obeji for services performed as of the effective date of termination, but shall not be liable for anticipated profits. Ms. Obeji shall not perform any additional services following receipt of the notice of termination unless otherwise instructed in writing by GCE.

Ms. Obeji may terminate this agreement without cause if she determines that such termination is in her best interest. Ms. Obeji shall effect such termination by giving written notice to GCE, specifying the effective date of termination, at least sixty calendar days prior to the effective date of termination.

If, through any cause, Ms. Obeji fails to fulfill her obligations under this agreement in a timely and proper manner, violates any provision of this agreement, or violates any applicable law, and does not commence correction of such nonperformance or violation within seven calendar days of receipt of written notice and diligently complete the correction thereafter, GCE shall have the right to terminate this agreement for cause immediately upon written notice of termination to Ms. Obeji. Ms. Obeji shall not perform any additional Services following receipt of the notice of termination.

**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, 2013**  
**(With Comparative Actual Amounts for 2012)**

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Budget Variance Positive (Negative)	
<b>Revenues:</b>					
Grants:					
Garfield County Subaward	-	-	-	-	588,333
Carbondale Fall Efficiency Program	-	40,000	39,971	(29)	39,500
Carbondale rebates	-	35,000	20,000	(15,000)	40,500
EnCana	-	24,000	24,000	-	16,375
Other grants	-	4,500	4,500	-	-
Partnership Funding:					
Garfield County	155,000	255,000	255,000	-	155,000
City of Glenwood Springs	43,000	43,000	43,000	-	43,000
City of Rifle	38,000	38,000	38,000	-	38,000
Town of Carbondale	25,000	25,000	25,000	-	24,000
Roaring Fork Transportation Authority	20,000	20,000	20,000	-	20,000
Colorado Mountain College	29,000	29,000	29,000	-	-
Town of New Castle	13,000	13,000	13,000	-	13,000
Garfield County Public Library District	5,000	5,000	5,000	-	5,000
Town of Parachute	1,000	1,000	1,000	-	1,500
Town of Silt	2,500	2,500	2,500	-	-
Other income	-	-	-	-	396
<b>Total Revenues</b>	<b>331,500</b>	<b>535,000</b>	<b>519,971</b>	<b>(15,029)</b>	<b>984,604</b>
<b>Expenditures:</b>					
Commercial Sector:					
Energy coaching and program coordination	45,000	66,800	66,783	17	7,500
Marketing, outreach, education, training	8,750	40,950	35,899	5,051	1,425
Residential Sector:					
Energy coaching and program coordination	22,500	54,500	55,468	(968)	4,200
Marketing, outreach, education, training	8,750	33,750	23,750	10,000	1,125
Carbondale Fall Efficiency Program	-	-	-	-	39,500
Carbondale rebates	-	-	-	-	40,500
Petroleum Independence Project:					
Safe Routes and transportation alternatives	21,000	21,000	20,514	486	33,437
Efficient vehicles:					
Workshop and training	-	-	-	-	9,157
Technical assistance	-	-	375	(375)	3,694
Alternative fuels:					
CNG support	-	22,950	22,937	13	24,691
Electric vehicles and biofuels	-	1,050	1,050	-	905
Marketing, outreach, education, training	3,600	3,600	3,600	-	10,060
Countywide Energy Portfolio Diversification:					
Technical assistance and implementation	5,000	14,500	6,000	8,500	19,069
Marketing, outreach, education, training	-	-	788	(788)	9,532
Strategic development of renewables	-	-	-	-	16,950
Financing of renewables	5,000	5,000	2,006	2,994	3,131
Education	-	9,000	9,000	-	-
Government Facilities Program:					
Energy data management	67,900	69,600	69,215	385	42,743
Active energy management	25,000	48,300	47,006	1,294	30,378
Building hardware	7,500	7,500	7,465	35	7,550
Garfield County Subaward (Better Buildings Program):					
Funding of Revolving Loan Program	-	-	-	-	200,000
Garfield Clean Energy rebates	-	-	-	-	70,000
Program management	-	-	-	-	14,978
Partnership Services:					
Administration and grant writing	45,000	81,000	80,994	6	51,844
Legal	5,000	3,800	2,886	914	7,879
Accounting	10,000	8,000	7,367	633	8,872
Website, outreach, and events	45,000	51,200	51,200	-	19,943
Education and training	6,500	12,500	12,500	-	1,163
Credit Reserve:					
Loan fund, rebates, coaching, outreach	-	191,000	190,913	87	-
Long-term sustainability	-	81,000	75,717	5,283	-
Better Buildings reporting	-	11,000	6,096	4,904	-
<b>Total Expenditures</b>	<b>331,500</b>	<b>838,000</b>	<b>799,529</b>	<b>38,471</b>	<b>680,226</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>(303,000)</b>	<b>(279,558)</b>	<b>23,442</b>	<b>304,378</b>
<b>Fund Balance - Beginning</b>	<b>303,333</b>	<b>303,333</b>	<b>304,378</b>	<b>1,045</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>303,333</b>	<b>333</b>	<b>24,820</b>	<b>24,487</b>	<b>304,378</b>