

Draft 7-18-18

**CITY OF CRAIG  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

# Draft 7-18-18

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
City of Craig  
Craig, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Craig, Colorado, (the City) as of and for the year ended December 31, 2017, which collectively comprise the City'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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Craig as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages B1 to B7 and E1 to E2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor fund financial statements, budgetary comparison information and the Local Highway Finance Report found in pages F1 to F10 and G1 to G2 as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements, budgetary comparison information and the Local Highway Finance report found in page xx 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. The 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.

June 6, 2018  
Denver, Colorado

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CITY OF CRAIG**  
**Management's Discussion and Analysis (MD&A)**  
**DECEMBER 31, 2017**

**INTRODUCTION**

Our discussion and analysis of the CITY OF CRAIG financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2017. It should be read in conjunction with the City's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001.

**FINANCIAL HIGHLIGHTS**

- ❑ The City's General Fund continues to experience a decline in fund reserves, whereas the business-type activities are able to maintain or increase fund reserves.
- ❑ Total net position was \$42,690,668 at December 31, 2017 which was up by \$813,967 from December 31, 2016.
- ❑ The City was able to maintain the same level of services even though the revenues remained relatively unchanged and with a decrease in expenses.
- ❑ Because of declining revenues and the advent of cutting services, the citizens approve a sales tax rate increase in November of 2017 with an effective date of July 1, 2018.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. Other supplementary information is also included at the end of the report.

**Government-Wide Financial Statements.**

The government-wide statements are designed to provide readers with a broad overview of the City's finances using the accrual basis of accounting, the basis of accounting used by most private-sector companies.

The statement of net position presents information on all of the City's assets and liabilities. The difference between the assets and liabilities is report as net position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The statement of activities presents information reflecting how the City's net position has changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, park and recreation, public safety and public works. The business-type activities of the City include water, wastewater and solid waste.

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**Fund Financial Statements.** Traditional users of the City's financial statements will find the fund financial statement presentation more familiar. The focus is now on major funds rather than fund types.

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. A major fund should generally meet both of the following Criteria: 1) total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities, etc.) for that fund type (i.e. governmental or enterprise funds) and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to report those same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and similar long-term items which are recorded when due. Therefore, the focus of the governmental fund financial statements is on near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year.

Since the focus of the governmental funds is on near-term resources, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. To facilitate this comparison, reconciliations are provided for both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances.

The City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

**Proprietary funds.** The City maintains two different types of proprietary funds, enterprise and internal service funds. The proprietary fund financial statements are prepared on the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater and solid waste operations. The City uses an internal service fund to account for its medical benefits insurance program.

The City adopts an annual appropriated budget for all of its proprietary funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

**Notes to the Financial Statements.** The notes to the financial statements are considered an integral part of the basic financial statements since they provide additional information needed to gain a full understanding of the data provided in both the governmental-wide and fund financial statements.

## **Financial Analysis of the City as a Whole**

As noted earlier, net position may serve over time as a useful indicator a government's financial position. In the case of the City of Craig, assets exceeded liabilities by \$42,690,668 at the close of the most recent fiscal year.

### **Net Position**

By far the largest portion of the City's net position (71.44%) reflect its investment in capital assets (e.g., land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets in reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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**Figure 1**  
**City of Craig**  
**Net Position**  
**(in thousands)**

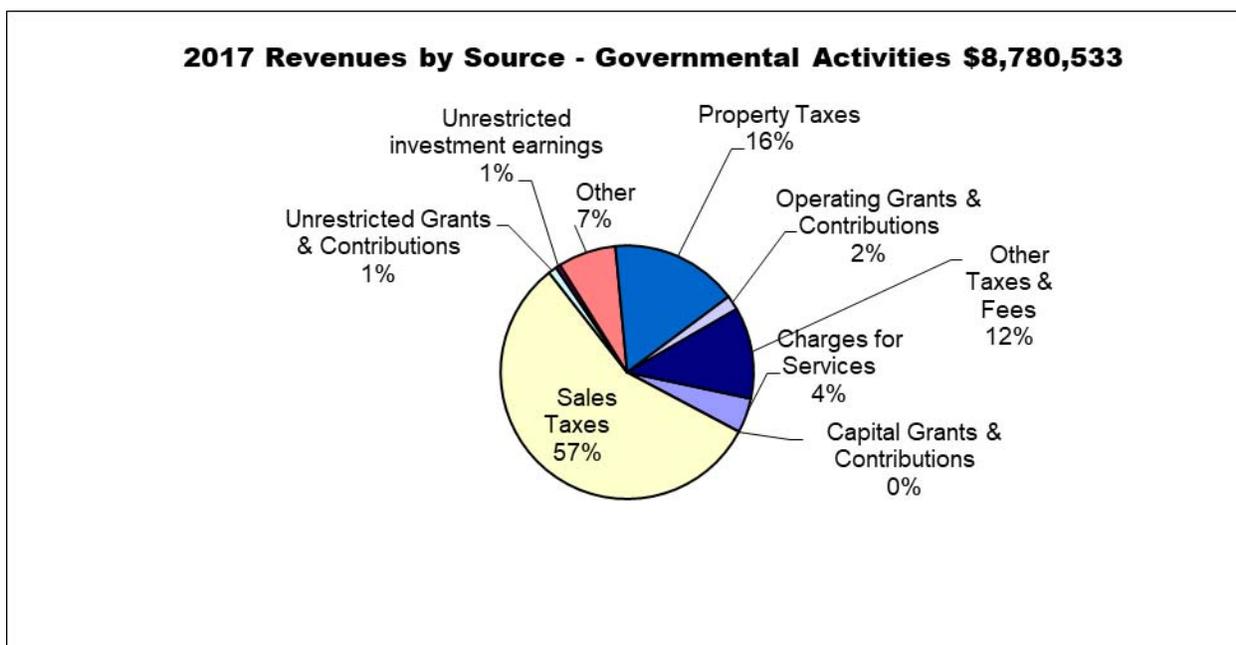
|                                  | Governmental Activities |               | Business-type Activities |               | Total         |               | Total % Change |
|----------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|----------------|
|                                  | 2016                    | 2017          | 2016                     | 2017          | 2016          | 2017          |                |
| Current & other assets           | 7,549                   | 7,596         | 6,062                    | 6,918         | 13,611        | 14,514        | 6.63%          |
| Capital assets                   | 12,392                  | 11,913        | 22,077                   | 21,907        | 34,469        | 33,820        | -1.88%         |
| <b>Total Assets</b>              | <b>19,941</b>           | <b>19,509</b> | <b>28,139</b>            | <b>28,825</b> | <b>48,080</b> | <b>48,334</b> | <b>0.53%</b>   |
| Other liabilities                | 645                     | 673           | 575                      | 624           | 1,220         | 1,297         | 6.31%          |
| Long-term liabilities            |                         |               | 3,582                    | 3,006         | 3,582         | 3,006         | -16.08%        |
| <b>Total Liabilities</b>         | <b>645</b>              | <b>673</b>    | <b>4,157</b>             | <b>3,630</b>  | <b>4,802</b>  | <b>4,303</b>  | <b>-10.39%</b> |
| Deferred Inflows of Resources:   |                         |               |                          |               |               |               |                |
| Unavailable property tax         | 1,402                   | 1,340         | 0                        | 0             | 1,402         | 1,340         | -4.42%         |
| <b>Net Position:</b>             |                         |               |                          |               |               |               |                |
| Net investment in capital assets | 12,392                  | 11,890        | 18,495                   | 18,610        | 30,887        | 30,500        | -1.25%         |
| Restricted                       | 270                     | 255           | 0                        | 0             | 270           | 255           | -5.56%         |
| Unrestricted                     | 5,232                   | 5,351         | 5,487                    | 6,585         | 10,719        | 11,936        | 11.35%         |
| <b>Total Net Position</b>        | <b>17,894</b>           | <b>17,496</b> | <b>23,982</b>            | <b>25,195</b> | <b>41,876</b> | <b>42,691</b> | <b>1.95%</b>   |

An additional portion of the City's net position only (.60%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$11,935,696 may be used to meet the City's ongoing obligations to its citizens and creditors.

### CHANGES IN NET POSITION

Sales taxes accounts for almost one half of all revenues for the governmental activities.

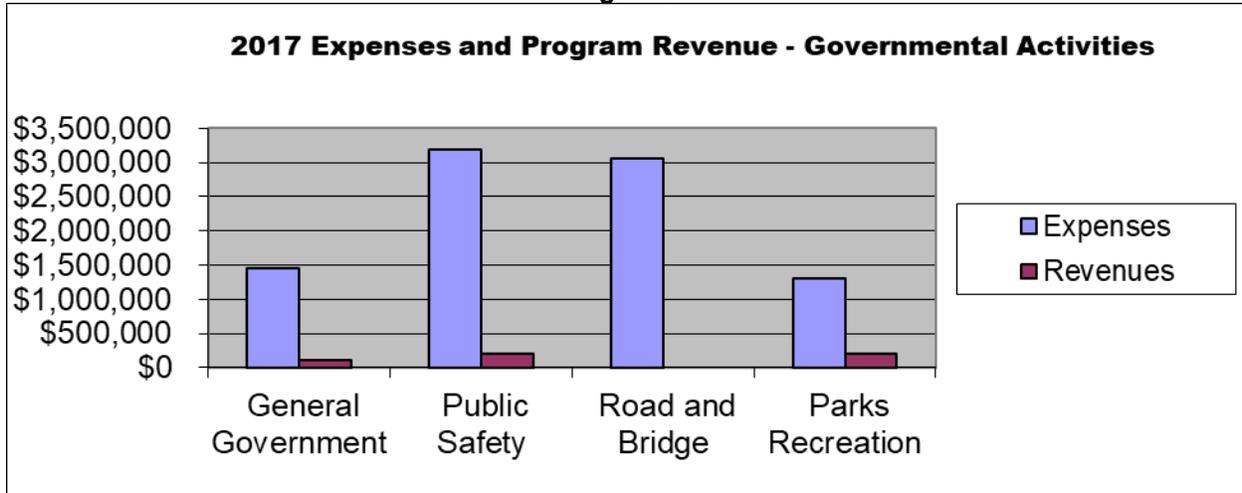
**Figure 2**



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The program revenue for governmental activities offsets only a small share of the cost of services. The total cost of governmental activities has decrease by -6.1%. (See Figure 4.)

**Figure 3**



The City's governmental activities revenues decreased by -7.1%. (See Figure 4.)

**Figure 4**  
(in thousands)

|                                    | Governmental Activities |               | Business-type Activities |               | Total         |               | Total % Change |
|------------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|----------------|
|                                    | 2016                    | 2017          | 2016                     | 2017          | 2016          | 2017          |                |
| <b>Revenues</b>                    |                         |               |                          |               |               |               |                |
| <b>Program Revenues</b>            |                         |               |                          |               |               |               |                |
| Charges for Services               | 393                     | 381           | 6,170                    | 6,319         | 6,563         | 6,700         | 2.09%          |
| Operating Grants & Contributions   | 110                     | 159           | 10                       | 0             | 120           | 159           | 32.50%         |
| Capital Grants & Contributions     | 329                     | 92            | 21                       | 20            | 350           | 112           | -68.00%        |
| <b>General Revenues</b>            |                         |               |                          |               |               |               |                |
| Sales Taxes                        | 5,005                   | 4,865         | 0                        | 0             | 5,005         | 4,865         | -2.80%         |
| Property Taxes                     | 1,404                   | 1,399         | 0                        | 0             | 1,404         | 1,399         | -0.36%         |
| Other Taxes & Fees                 | 966                     | 1,002         | 0                        | 0             | 966           | 1,002         | 3.73%          |
| Unrestricted investment earnings   | 30                      | 52            | 34                       | 62            | 64            | 114           | 78.13%         |
| Other                              | 1,004                   | 637           | 100                      | 132           | 1,104         | 769           | -30.34%        |
| <b>Total Revenues</b>              | <b>9,241</b>            | <b>8,587</b>  | <b>6,335</b>             | <b>6,533</b>  | <b>15,576</b> | <b>15,120</b> | <b>-2.93%</b>  |
| <b>Expenses</b>                    |                         |               |                          |               |               |               |                |
| General Government                 | 1,852                   | 1,454         | 0                        | 0             | 1,852         | 1,454         | -21.49%        |
| Public Safety                      | 3,490                   | 3,180         | 0                        | 0             | 3,490         | 3,180         | -8.88%         |
| Road & Bridge                      | 2,497                   | 3,052         | 0                        | 0             | 2,497         | 3,052         | 22.23%         |
| Parks & Recreation                 | 1,735                   | 1,300         | 0                        | 0             | 1,735         | 1,300         | -25.07%        |
| Water                              | 0                       | 0             | 3,076                    | 2,732         | 3,076         | 2,732         | -11.18%        |
| Wastewater                         | 0                       | 0             | 1,292                    | 1,322         | 1,292         | 1,322         | 2.32%          |
| Solid Waste                        | 0                       | 0             | 1,317                    | 1,267         | 1,317         | 1,267         | -3.80%         |
| <b>Total Expenses</b>              | <b>9,574</b>            | <b>8,986</b>  | <b>5,685</b>             | <b>5,321</b>  | <b>15,259</b> | <b>14,307</b> | <b>-6.24%</b>  |
| Loss on Disposal of Capital Assets | 0                       | 0             | 0                        | 0             | 0             | 0             | #DIV/0!        |
| Transfers                          | 0                       | 0             | 0                        | 0             | 0             | 0             | #DIV/0!        |
| <b>Increase in net position</b>    | <b>(333)</b>            | <b>(399)</b>  | <b>650</b>               | <b>1,212</b>  | <b>317</b>    | <b>813</b>    | <b>156.47%</b> |
| <b>Net position - Beginning</b>    | <b>18,227</b>           | <b>17,894</b> | <b>23,332</b>            | <b>23,982</b> | <b>41,559</b> | <b>41,876</b> | <b>0.76%</b>   |
| <b>Net Position - Ending</b>       | <b>17,894</b>           | <b>17,495</b> | <b>23,982</b>            | <b>25,194</b> | <b>41,876</b> | <b>42,689</b> | <b>1.94%</b>   |

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The City's total revenues were \$14,940,585. Charges for services account for 44.8% of all revenues.

- **Governmental Activities.** Governmental activities decreased the City's net position by \$588,318 thereby accounting for decrease in net position.
- **Business-type Activities.** Business-type activities decreased the City's net position by \$952,696 accounting for an decrease in net position.

Figure 5

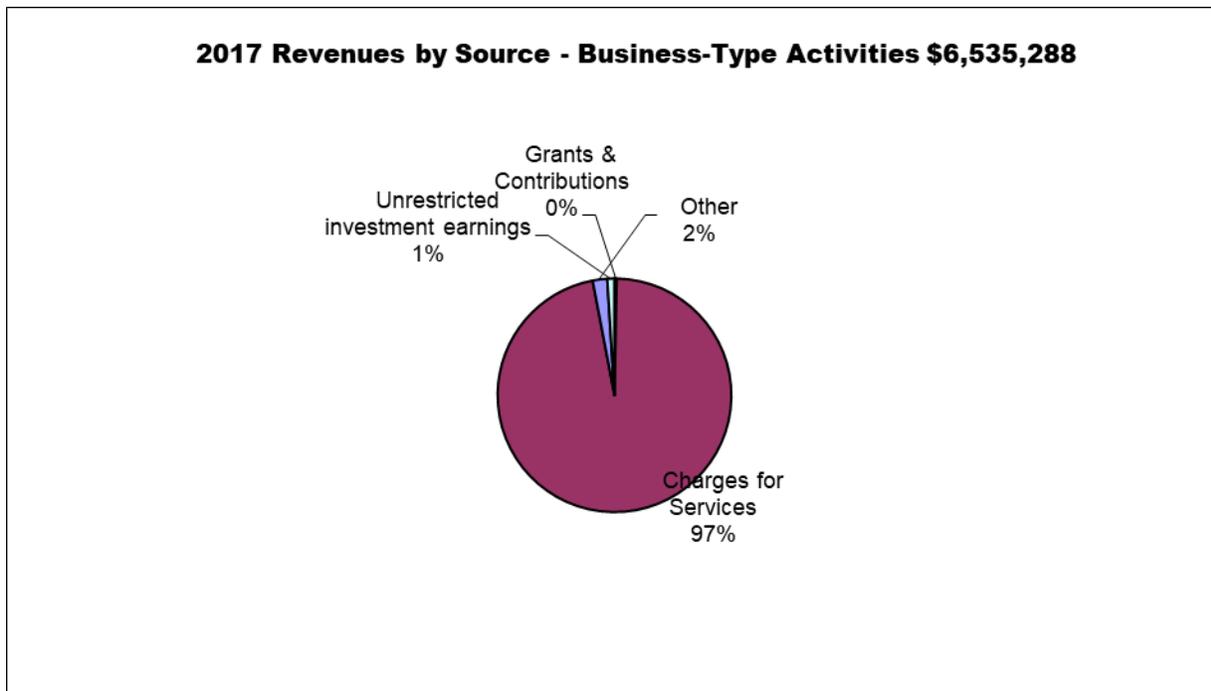
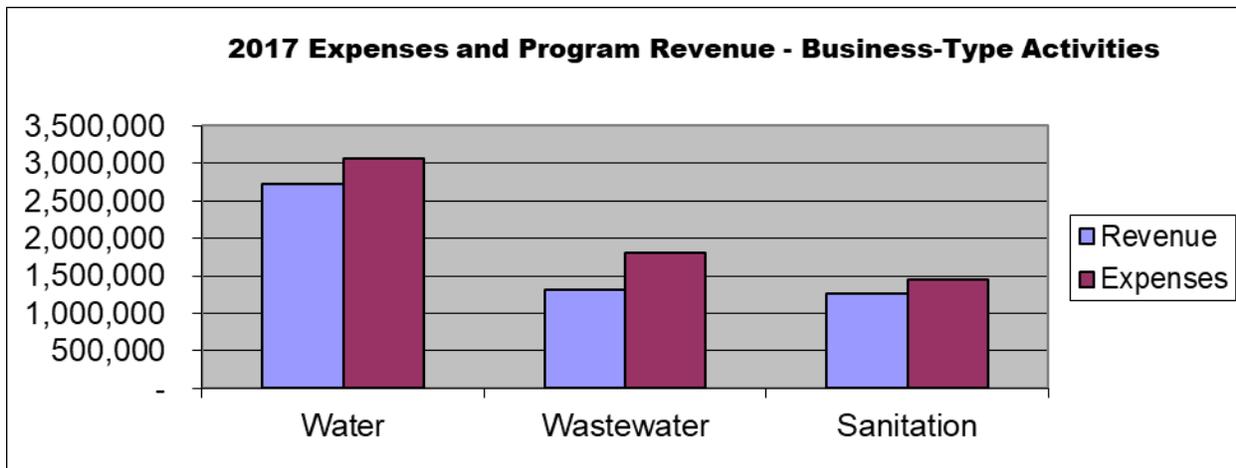


Figure 6



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## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted previously, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$4,492,777, while the total fund balance equaled \$5,391,917.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail.

Net Position of the Water, Wastewater and Solid Waste Fund at the end of the year amount to \$17,843,680, \$5,393,924 and \$2,217,301, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's Business-type activities.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** The City's investments in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to \$30,500,281 (net of accumulated depreciation). The investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways and bridges.

**Figure 7  
Capital Assets  
(thousands)**

|                              | Governmental<br>Activities |          | Business-type<br>Activities |          | Total    |          | Total<br>%<br>Change |
|------------------------------|----------------------------|----------|-----------------------------|----------|----------|----------|----------------------|
|                              | 2016                       | 2017     | 2016                        | 2017     | 2016     | 2017     |                      |
| LAND                         | 1,310                      | 1,310    | 1,719                       | 1,719    | 3,029    | 3,029    | 0.00%                |
| BUILDINGS/IMPROVEMENTS       | 46,238                     | 46,527   | 37,432                      | 37,576   | 83,670   | 84,103   | 0.52%                |
| MACHINERY AND<br>EQUIPMENT   | 6,564                      | 6,555    | 4,479                       | 4,675    | 11,043   | 11,230   | 1.69%                |
| WORK IN PROGRESS             | 0                          |          | 0                           | 0        | 0        | 0        | 0.00%                |
| TOTALS AT HISTORICAL<br>COST | 54,112                     | 54,392   | 43,630                      | 43,970   | 97,742   | 98,362   | 0.63%                |
| TOTAL ACCUM.<br>DEPRECIATION | (41,720)                   | (42,478) | (21,553)                    | (22,063) | (63,273) | (64,541) | 2.00%                |
| NET CAPITAL ASSETS           | 12,392                     | 11,914   | 22,077                      | 21,907   | 34,469   | 33,821   | -1.88%               |

## BUDGETARY HIGHLIGHTS

- In general, all anticipated revenues were realized and actual expenses being a lot less than their budgets, resulted in better outcome than originally anticipated.

**Long-Term Debt**

**Figure 8  
City of Craig  
Outstanding Debt  
(thousands)**

|                             | Governmental |          | Business-type |              | Total        |              |
|-----------------------------|--------------|----------|---------------|--------------|--------------|--------------|
|                             | Activities   |          | Activities    |              |              |              |
|                             | 2016         | 2017     | 2016          | 2017         | 2016         | 2017         |
| Note Payable Colorado Water | 0            | 0        | 0             | 0            | 0            | 0            |
| Note Payable Colorado Water | 0            | 0        | 3,582         | 3,297        | 3,582        | 3,297        |
|                             | <u>0</u>     | <u>0</u> | <u>3,582</u>  | <u>3,297</u> | <u>3,582</u> | <u>3,297</u> |

**ECONOMIC FACTORS**

- The local economic climate continues to remain flat in 2017.
- The City and County sales tax collections for 2017 decreased by 2.8%.
- When budgeting for 2018, the city took in consideration the local economy thereby has been able to continue to provide the same level of services.

These and other factors were considered when the City prepared its 2018 budget.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City’s finances for all those with a interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 300 West 4<sup>th</sup> Street, City of Craig, Colorado, 81625.

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**BASIC FINANCIAL STATEMENTS**

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## CITY OF CRAIG STATEMENT OF NET POSITION December 31, 2017

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>         |
|---|------------------------------------|-------------------------------------|----------------------|
| <b>ASSETS</b>                                     |                                    |                                     |                      |
| Cash and cash equivalents                         | \$ 5,036,142                       | \$ 6,283,462                        | \$ 11,319,604        |
| Receivables, net of allowance for uncollectibles: |                                    |                                     |                      |
| Property tax                                      | 1,339,530                          | -                                   | 1,339,530            |
| Accounts  | 959,550                            | 555,881                             | 1,515,431            |
| Internal balances                                 | 260,410                            | (260,410)                           | -                    |
| Inventory   | -                                  | 336,774                             | 336,774              |
| Capital assets not being depreciated              | 1,309,762                          | 1,719,009                           | 3,028,771            |
| Capital assets, net of accumulated depreciation   | 10,603,588                         | 20,187,868                          | 30,791,456           |
| Total assets                                      | <u>19,508,982</u>                  | <u>28,822,584</u>                   | <u>48,331,566</u>    |
| <b>LIABILITIES</b>                                |                                    |                                     |                      |
| Accounts payable                                  | 175,619                            | 148,057                             | 323,676              |
| Accrued payroll                                   | 127,831                            | 59,896                              | 187,727              |
| Deposits  | 42                                 | -                                   | 42                   |
| Accrued interest payable                          | -                                  | 33,279                              | 33,279               |
| Compensated absences                              | 346,837                            | 89,861                              | 436,698              |
| Long-term liabilities:                            |                                    |                                     |                      |
| Due within one year                               | 11,475                             | 290,750                             | 302,225              |
| Due in more than one year                         | 11,475                             | 3,006,246                           | 3,017,721            |
| Total liabilities                                 | <u>673,279</u>                     | <u>3,628,089</u>                    | <u>4,301,368</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                                    |                                     |                      |
| Unavailable revenue-property taxes                | 1,339,530                          | -                                   | 1,339,530            |
| Total deferred Inflows of Resources               |                                    |                                     |                      |
| <b>NET POSITION</b>                               |                                    |                                     |                      |
| Net investment in capital assets                  | 11,890,400                         | 18,609,881                          | 30,500,281           |
| Restricted for emergencies                        |                                    |                                     |                      |
| Emergency reserves                                | 254,691                            | -                                   | 254,691              |
| Unrestricted                                      | 5,351,082                          | 6,584,614                           | 11,935,696           |
| Total net position                                | <u>\$ 17,496,173</u>               | <u>\$ 25,194,495</u>                | <u>\$ 42,690,668</u> |

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

# Draft 7-18-18

**CITY OF CRAIG  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017**

| <u>Functions/Programs</u>                                    | <u>Program Revenues</u> |                                     |   | <u>Net (Expense) Revenue and<br/>Changes to Net Position</u> |                                    |                                     |                       |
|--|-------------------------|-------------------------------------|---|--|------------------------------------|-------------------------------------|-----------------------|
|  | <u>Expenses</u>         | <u>Charges<br/>for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u>              | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>          |
| Primary government:  |                         |                                     |   |  |                                    |                                     |                       |
| Governmental activities:                                     |                         |                                     |   |  |                                    |                                     |                       |
| General government   | \$ 1,454,123            | \$ 115,249                          | \$ -  | \$ -   | \$ (1,338,874)                     | \$ -                                | \$ (1,338,874)        |
| Public safety  | 3,179,992               | 53,924                              | 159,261   | -  | (2,966,807)                        | -                                   | (2,966,807)           |
| Road and bridge  | 3,051,695               | -                                   | -   | -  | (3,051,695)                        | -                                   | (3,051,695)           |
| Parks and recreation   | 1,299,564               | 211,320                             | -   | -  | (1,088,244)                        | -                                   | (1,088,244)           |
| Total government activities                                  | <u>\$ 8,985,374</u>     | <u>\$ 380,493</u>                   | <u>\$ 159,261</u>                                 | <u>\$ -</u>  | <u>\$ (8,445,620)</u>              | <u>\$ -</u>                         | <u>\$ (8,445,620)</u> |
| Business-type activities                                     |                         |                                     |   |  |                                    |                                     |                       |
| Water  | 2,731,515               | 3,059,410                           | -   | 12,810   | -                                  | 340,705                             | 340,705               |
| Wastewater   | 1,321,559               | 1,808,306                           | -   | 7,170  | -                                  | 493,917                             | 493,917               |
| Sanitation   | 1,267,411               | 1,451,497                           | -   | -  | -                                  | 184,086                             | 184,086               |
| Total business-type activities                               | <u>5,320,485</u>        | <u>6,319,213</u>                    | <u>-</u>  | <u>19,980</u>  | <u>-</u>                           | <u>1,018,708</u>                    | <u>1,018,708</u>      |
|  | <u>\$ 14,305,859</u>    | <u>\$ 6,699,706</u>                 | <u>\$ 159,261</u>                                 | <u>\$ 19,980</u>   | <u>\$ (8,445,620)</u>              | <u>\$ 1,018,708</u>                 | <u>\$ (7,426,912)</u> |
| General revenues   |                         |                                     |   |  |                                    |                                     |                       |
| Taxes  |                         |                                     |   |  |                                    |                                     |                       |
| Sales and use tax  |                         |                                     |   |  | 4,864,976                          | -                                   | 4,864,976             |
| Property tax, levied for general purposes                    |                         |                                     |   |  | 1,399,287                          | -                                   | 1,399,287             |
| Specific ownership tax                                       |                         |                                     |   |  | 124,689                            | -                                   | 124,689               |
| Franchise tax  |                         |                                     |   |  | 292,843                            | -                                   | 292,843               |
| Severance tax  |                         |                                     |   |  | 206,382                            | -                                   | 206,382               |
| Transportation tax   |                         |                                     |   |  | 353,040                            | -                                   | 353,040               |
| Other taxes  |                         |                                     |   |  | 25,321                             | -                                   | 25,321                |
| Mineral lease revenue  |                         |                                     |   |  | 581,085                            | -                                   | 581,085               |
| Investment earnings  |                         |                                     |   |  | 51,767                             | 61,643                              | 113,410               |
| Grants and contributions not restricted to specific programs |                         |                                     |   |  | 92,188                             | -                                   | 92,188                |
| Miscellaneous  |                         |                                     |   |  | 56,206                             | 131,452                             | 187,658               |
| Total general revenues, special items, and transfers         |                         |                                     |   |  | <u>8,047,784</u>                   | <u>193,095</u>                      | <u>8,240,879</u>      |
| Change in net position                                       |                         |                                     |   |  | (397,836)                          | 1,211,803                           | 813,967               |
| Net position - Beginning                                     |                         |                                     |   |  | <u>17,894,009</u>                  | <u>23,982,692</u>                   | <u>41,876,701</u>     |
| Net position - Ending  |                         |                                     |   |  | <u>\$ 17,496,173</u>               | <u>\$ 25,194,495</u>                | <u>\$ 42,690,668</u>  |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

|  | <b>General</b>      | <b>Non-Major<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------|----------------------------|---|
| <b>ASSETS</b>  |                     |                            |   |
| Cash and cash equivalents  | \$ 4,086,701        | \$ 649,158                 | \$ 4,735,859                            |
| Receivables, net   |                     |                            |   |
| Property tax   | 1,198,497           | 141,033                    | 1,339,530                               |
| Accounts   | 957,383             | 2,167                      | 959,550                                 |
| Total assets   | \$ 6,242,581        | \$ 792,358                 | \$ 7,034,939                            |
| <b>LIABILITIES AND FUND BALANCE</b>  |                     |                            |   |
| <b>LIABILITIES</b>   |                     |                            |   |
| Accounts payable   | \$ 168,743          | \$ 6,876                   | \$ 175,619                              |
| Deposits   | 42                  | -                          | 42                                      |
| Accrued payroll  | 127,831             | -                          | 127,831                                 |
| Total liabilities  | 296,616             | 6,876                      | 303,492                                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                     |                            |   |
| Unavailable property tax   | 1,198,497           | 141,033                    | 1,339,530                               |
| Total deferred inflows of resources  | 1,198,497           | 141,033                    | 1,339,530                               |
| <b>FUND BALANCES</b>   |                     |                            |   |
| Restricted to  |                     |                            |   |
| TABOR emergency reserve  | 254,691             | -                          | 254,691                                 |
| Assigned to  |                     |                            |   |
| Public safety  | -                   | 189,985                    | 189,985                                 |
| Capital projects   | -                   | 454,464                    | 454,464                                 |
| Unassigned   | 4,492,777           | -                          | 4,492,777                               |
| Total fund balances  | 4,747,468           | 644,449                    | 5,391,917                               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 6,242,581</b> | <b>\$ 792,358</b>          | <b>\$ 7,034,939</b>                     |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Total Fund Balances of Governmental Funds \$ 5,391,917

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

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

|                          |                     |            |
|--------------------------|---------------------|------------|
| Capital assets           | 54,391,394          |            |
| Accumulated depreciation | <u>(42,478,044)</u> | 11,913,350 |

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

|  |           |
|--|-----------|
| Compensated absences                     | (346,837) |
| Debt for the acquisition of fixed assets | (22,950)  |

Internal service funds are used by management for medical benefits. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

560,693

Net Position of Governmental Activities \$ 17,496,173

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

|  | <u>General</u>      | <u>Non-Major<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|----------------------------|---|
| <b>REVENUES</b>  |                     |                            |   |
| Taxes  | \$ 7,061,994        | \$ 161,049                 | \$ 7,223,043                            |
| Licenses and permits   | 115,249             | -                          | 115,249                                 |
| Intergovernmental Revenue                                    | 857,333             | 18,696                     | 876,029                                 |
| Charges for services   | 211,320             | -                          | 211,320                                 |
| Fines and forfeitures  | 53,924              | -                          | 53,924                                  |
| Investment earnings  | 43,422              | 8,345                      | 51,767                                  |
| Miscellaneous  | 47,663              | 8,543                      | 56,206                                  |
| Total revenues   | <u>8,390,905</u>    | <u>196,633</u>             | <u>8,587,538</u>                        |
| <b>EXPENDITURES</b>  |                     |                            |   |
| Current  |                     |                            |   |
| General government   | 1,210,791           | 2,952                      | 1,213,743                               |
| Judicial   | 49,471              | -                          | 49,471                                  |
| Public safety  | 3,065,278           | 54,147                     | 3,119,425                               |
| Road and bridge  | 2,141,333           | -                          | 2,141,333                               |
| Community development  | 101,123             | -                          | 101,123                                 |
| Parks and recreation   | 1,257,034           | -                          | 1,257,034                               |
| Capital outlay   | 532,825             | 162,136                    | 694,961                                 |
| Total expenditures   | <u>8,357,855</u>    | <u>219,235</u>             | <u>8,577,090</u>                        |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | 33,050              | (22,602)                   | 10,448                                  |
| <b>FUND BALANCES - BEGINNING</b>                             | <u>4,714,418</u>    | <u>667,051</u>             | <u>5,381,469</u>                        |
| <b>FUND BALANCES - ENDING</b>                                | <u>\$ 4,747,468</u> | <u>\$ 644,449</u>          | <u>\$ 5,391,917</u>                     |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Changes in Fund Balances of Governmental Funds \$ 10,448

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation during the year.

|                      |                     |           |
|----------------------|---------------------|-----------|
| Capital outlay       | 532,825             |           |
| Depreciation expense | <u>( 1,034,053)</u> | (501,228) |

Changes in accrued compensated absences are considered changes in long-term liabilities. This is the change in compensated absences during the year. 38,198

Donations of land affect the net position of governmental activities, but do not affect current financial resources; therefore, are not recorded in the funds.

Internal service funds are used by management for medical benefits. The net income (loss) of certain activities of the internal service fund are reported with governmental activities on the Statement of Activities. 54,746

Change in Net Position of Governmental Activities \$ (397,836)

# Draft 7-18-18

## CITY OF CRAIG, COLORADO STATEMENT OF NET POSITION PROPRIETARY FUNDS December 31, 2017

|   | Enterprise Funds    |                     |                     | Total               | Internal<br>Service Fund |
|---|---------------------|---------------------|---------------------|---------------------|--------------------------|
|   | Water<br>Fund       | Wastewater<br>Fund  | Sanitation<br>Fund  |                     |                          |
| <b>Assets</b>   |                     |                     |                     |                     |                          |
| Current assets  |                     |                     |                     |                     |                          |
| Cash and Cash equivalents   | \$ 3,450,839        | \$ 1,184,330        | \$ 1,648,293        | \$ 6,283,462        | \$ 300,283               |
| Receivables, net of allowance<br>for uncollectibles   | 224,450             | 164,425             | 167,006             | 555,881             | -                        |
| Due from other funds  | -                   | 2,390               | -                   | 2,390               | -                        |
| Inventory   | 304,861             | 31,913              | -                   | 336,774             | -                        |
| Total current assets  | <u>3,980,150</u>    | <u>1,383,058</u>    | <u>1,815,299</u>    | <u>7,178,507</u>    | <u>300,283</u>           |
| Non-current assets  |                     |                     |                     |                     |                          |
| Non-depreciable capital assets  | 1,476,156           | 242,853             | -                   | 1,719,009           | -                        |
| Depreciable capital assets, net   | 15,878,026          | 3,837,685           | 472,157             | 20,187,868          | -                        |
| Total non-current assets  | <u>17,354,182</u>   | <u>4,080,538</u>    | <u>472,157</u>      | <u>21,906,877</u>   | <u>-</u>                 |
| Total Assets  | <u>21,334,332</u>   | <u>5,463,596</u>    | <u>2,287,456</u>    | <u>29,085,384</u>   | <u>300,283</u>           |
| <b>Liabilities</b>  |                     |                     |                     |                     |                          |
| Current liabilities   |                     |                     |                     |                     |                          |
| Accounts payable  | 88,373              | 33,848              | 25,836              | 148,057             | -                        |
| Accrued payroll   | 25,066              | 18,379              | 16,451              | 59,896              | -                        |
| Accrued interest payable  | 33,279              | -                   | -                   | 33,279              | -                        |
| Due to other funds  | 2,390               | -                   | -                   | 2,390               | -                        |
| Compensated absences  | 44,548              | 17,445              | 27,868              | 89,861              | -                        |
| Notes payable - current   | 290,750             | -                   | -                   | 290,750             | -                        |
| Total current liabilities   | <u>484,406</u>      | <u>69,672</u>       | <u>70,155</u>       | <u>624,233</u>      | <u>-</u>                 |
| Long-term liabilities   |                     |                     |                     |                     |                          |
| Notes payable non-current   | 3,006,246           | -                   | -                   | 3,006,246           | -                        |
| Total Liabilities   | <u>3,490,652</u>    | <u>69,672</u>       | <u>70,155</u>       | <u>3,630,479</u>    | <u>-</u>                 |
| <b>NET POSITION</b>   |                     |                     |                     |                     |                          |
| Net invested in capital assets  | 14,057,186          | 4,080,538           | 472,157             | 18,609,881          | -                        |
| Unrestricted  | 3,786,494           | 1,313,386           | 1,745,144           | 6,845,024           | 300,283                  |
| Total Net Position  | <u>\$17,843,680</u> | <u>\$ 5,393,924</u> | <u>\$ 2,217,301</u> | <u>\$25,454,905</u> | <u>\$ 300,283</u>        |
| Adjustment to reflect the consolidation of interal service<br>fund activities related to enterprise funds |                     |                     |                     | <u>(260,410)</u>    |                          |
| <b>Net Position of Business Type Activities</b>   |                     |                     |                     | <u>\$25,194,495</u> |                          |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**

|  | <b>Enterprise Funds</b> |                            |                            | <b>Total</b>        | <b>Internal<br/>Service Fund</b> |
|--|-------------------------|----------------------------|----------------------------|---------------------|----------------------------------|
|  | <b>Water<br/>Fund</b>   | <b>Wastewater<br/>Fund</b> | <b>Sanitation<br/>Fund</b> |                     |                                  |
| Operating Revenues   |                         |                            |                            |                     |                                  |
| Charges for services   | \$ 3,059,410            | \$ 1,808,306               | \$ 1,451,497               | \$ 6,319,213        | \$ 2,036,154                     |
| Miscellaneous  | 112,621                 | 4,070                      | 14,761                     | 131,452             | -                                |
| Total Operating Revenues   | <u>3,172,031</u>        | <u>1,812,376</u>           | <u>1,466,258</u>           | <u>6,450,665</u>    | <u>2,036,154</u>                 |
| Operating Expenses   |                         |                            |                            |                     |                                  |
| Salaries   | 719,240                 | 510,751                    | 424,120                    | 1,654,111           | -                                |
| Employee benefits  | 366,272                 | 244,928                    | 217,636                    | 828,836             | 56,187                           |
| Depreciation   | 558,099                 | 200,972                    | 97,954                     | 857,025             | -                                |
| Repairs and maintenance  | 389,547                 | 109,441                    | 45,595                     | 544,583             | -                                |
| Utilities  | 216,637                 | 121,256                    | 7,569                      | 345,462             | -                                |
| Landfill fees  | -                       | -                          | 327,576                    | 327,576             | -                                |
| Chemicals  | 151,774                 | 33,277                     | -                          | 185,051             | -                                |
| Insurance and bonds  | 54,952                  | 9,552                      | 16,508                     | 81,012              | 1,902,546                        |
| Supplies   | 56,516                  | 17,727                     | 106,158                    | 180,401             | -                                |
| Other purchased services   | 107,980                 | 73,655                     | 24,295                     | 205,930             | -                                |
| Total Operating Expenses   | <u>2,621,017</u>        | <u>1,321,559</u>           | <u>1,267,411</u>           | <u>5,209,987</u>    | <u>1,958,733</u>                 |
| Operating Income (Loss)  | <u>551,014</u>          | <u>490,817</u>             | <u>198,847</u>             | <u>1,240,678</u>    | <u>77,421</u>                    |
| Non-operating Revenues (Expenses)  |                         |                            |                            |                     |                                  |
| Investment earnings  | 30,911                  | 12,395                     | 18,337                     | 61,643              | 44                               |
| Interest expense   | (88,802)                | -                          | -                          | (88,802)            | -                                |
| Lease fees   | (44,415)                | -                          | -                          | (44,415)            | -                                |
| Total Non-operating Revenues   | <u>(102,306)</u>        | <u>12,395</u>              | <u>18,337</u>              | <u>(71,574)</u>     | <u>44</u>                        |
| Income (Loss) Before Contributions and Transfers   | 448,708                 | 503,212                    | 217,184                    | 1,169,104           | 77,465                           |
| Capital Contributions (tap fees)   | 12,810                  | 7,170                      | -                          | 19,980              | -                                |
| Change in Net Position   | <u>461,518</u>          | <u>510,382</u>             | <u>217,184</u>             | <u>1,189,084</u>    | <u>77,465</u>                    |
| Total Net Position - Beginning   | 17,382,162              | 4,883,542                  | 2,000,117                  | 24,265,821          | 222,818                          |
| Total Net Position - Ending  | <u>\$ 17,843,680</u>    | <u>\$ 5,393,924</u>        | <u>\$ 2,217,301</u>        | <u>\$25,454,905</u> | <u>\$ 300,283</u>                |
| <b>Change in Net Position of Enterprise Funds</b>  |                         |                            |                            |                     |                                  |
| Adjustment to reflect the consolidation of interal service fund activities related to enterprise funds |                         |                            |                            | 1,189,084           |                                  |
|  |                         |                            |                            | <u>22,719</u>       |                                  |
| <b>Change in Net Position of Business Type Activities</b>  |                         |                            |                            | <u>\$ 1,211,803</u> |                                  |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**

|  | Enterprise Funds    |                     |                     | Total               | Internal<br>Service Fund |
|--|---------------------|---------------------|---------------------|---------------------|--------------------------|
|  | Water<br>Fund       | Wastewater<br>Fund  | Sanitation<br>Fund  |                     |                          |
| <b>Cash Flows from Operating Activities</b>  |                     |                     |                     |                     |                          |
| Cash received from customers and others  | \$ 3,104,733        | \$ 1,816,351        | \$ 1,485,844        | \$ 6,406,928        | \$ 2,036,154             |
| Cash paid for goods and services   | (1,102,802)         | (455,884)           | (537,163)           | (2,095,849)         | (49,913)                 |
| Cash paid to employees   | (1,086,243)         | (756,612)           | (644,578)           | (2,487,433)         | -                        |
| Other cash receipts  | 111,190             | 4,070               | 14,761              | 130,021             | (1,908,820)              |
| <b>Net Cash Provided (Used) by Operating Activities</b>  | <u>1,026,878</u>    | <u>607,925</u>      | <u>318,864</u>      | <u>1,953,667</u>    | <u>77,421</u>            |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                      |                     |                     |                     |                     |                          |
| Acquisition and construction of capital assets   | (143,149)           | (379,684)           | (163,644)           | (686,477)           | -                        |
| Capital grants and contributions   | 12,810              | 7,170               | -                   | 19,980              | -                        |
| Principal paid on capital debt   | (285,264)           | -                   | -                   | (285,264)           | -                        |
| Interest paid on capital debt  | (92,300)            | -                   | -                   | (92,300)            | -                        |
| Lease fees   | (44,415)            | -                   | -                   | (44,415)            | -                        |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activity</b>                            | <u>(552,318)</u>    | <u>(372,514)</u>    | <u>(163,644)</u>    | <u>(1,088,476)</u>  | <u>-</u>                 |
| <b>Cash Flows from Investing Activities</b>  |                     |                     |                     |                     |                          |
| Interest on investment   | 30,911              | 12,395              | 18,337              | 61,643              | 44                       |
| <b>Net Cash Provided (Used) by Investing Activities</b>  | <u>30,911</u>       | <u>12,395</u>       | <u>18,337</u>       | <u>61,643</u>       | <u>44</u>                |
| <b>Net Change in Cash and Cash Equivalents</b>   | 505,471             | 247,806             | 173,557             | 926,834             | 77,465                   |
| <b>Cash and Cash Equivalents - Beginning</b>   | 2,945,368           | 936,524             | 1,474,736           | 5,356,628           | 222,818                  |
| <b>Cash and Cash Equivalents - Ending</b>  | <u>\$ 3,450,839</u> | <u>\$ 1,184,330</u> | <u>\$ 1,648,293</u> | <u>\$ 6,283,462</u> | <u>\$ 300,283</u>        |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>        |                     |                     |                     |                     |                          |
| Operating income (loss)  | \$ 551,014          | \$ 490,817          | \$ 198,847          | \$ 1,240,678        | \$ 77,421                |
| <b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities</b> |                     |                     |                     |                     |                          |
| Depreciation   | 558,099             | 200,972             | 97,954              | 857,025             | -                        |
| (Increase) decrease in accounts receivable   | 43,892              | 8,045               | 34,347              | 86,284              | -                        |
| (Increase) decrease in inventory   | 10,574              | (768)               | -                   | 9,806               | -                        |
| (increase) decrease in interfund balances  | 2,390               | (2,390)             | -                   | -                   | -                        |
| Increase (decrease) in accounts payable  | (138,360)           | (87,818)            | (9,462)             | (235,640)           | -                        |
| Increase (decrease) in accrued payroll   | 2,465               | 3,411               | 2,727               | 8,603               | -                        |
| Increase (decrease) in compensated absences  | (3,196)             | (4,344)             | (5,549)             | (13,089)            | -                        |
| <b>Total Adjustments</b>   | <u>475,864</u>      | <u>117,108</u>      | <u>120,017</u>      | <u>712,989</u>      | <u>-</u>                 |
| <b>Net Cash Provided by Operating Activities</b>   | <u>\$ 1,026,878</u> | <u>\$ 607,925</u>   | <u>\$ 318,864</u>   | <u>\$ 1,953,667</u> | <u>\$ 77,421</u>         |

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

# Draft 7-18-18

## CITY OF CRAIG NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Craig, Colorado (the “City”), is a home Rule City (a municipal corporation, as defined by Colorado Revised Statutes). An elected Mayor and City Council are responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes. The City provides the following services: public safety, public works, culture and recreation facilities and activities, water and wastewater services, and sanitation services.

The City’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 the City are discussed below.

#### Reporting Entity

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

*Component Units* - The accompanying financial statements present the primary government and the following blended component unit (an entity for which the government is considered to be financially accountable).

*The Center of Craig* – The Center services all citizens of the City and is governed by a board appointed by the City Council. The City has pledged to support the entity in its operations for providing meeting and activity space for citizens and organizations of the City. The Center of Craig is reported as a part of the General Fund. The Center does not issue separate financial statements.

*Joint Ventures* - The Craig/Moffat County Airport joint operations was created for the purposes of operating an airport for the benefit of the citizens of Craig and unincorporated Moffat County. The City provides a small amount of funding for on-going airport operations. The Airport is included in the financial statements of Moffat County.

#### Government-Wide and Fund Financial Statements

The City’s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City’s public safety, public works, and culture and recreation are classified as governmental activities. The City’s water, wastewater, and sanitation services are classified as business type activities.

# Draft 7-18-18

## CITY OF CRAIG

### NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Government-Wide Financial Statements* - In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) 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 City's net position are reported in three parts, net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, highways and streets, utilities, etc.). The functions are also supported by general government revenues (sales and property taxes, and other taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, operating and capital grants. Program revenues must be directly associated with the function (police, roads, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (sales and property taxes, investment earnings, etc.).

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

*Fund Financial Statements* - The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The City reports the following governmental funds.

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The ACET Fund accounts for the activities of ACET and the Criminal Justice Grant.

The Capital Projects Fund accounts for taxes set aside for construction or replacement of curbs, gutters and drainage on streets.

The City reports the following proprietary or business-type funds:

The Water Fund accounts for the delivery of water to the citizens of the City.

The Wastewater Fund accounts for sewer service to the citizens of the City.

The Sanitation Fund accounts for waste collection and disposal for the citizens of the City.

# Draft 7-18-18

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fund Financial Statements (Continued)

The Internal Service Fund accounts for medical benefits provided to City employees.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Long-term Economic Focus and Accrual Basis - Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis - The government 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 (within 60 days after December 31). 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.

Financial Statement Presentation - Amounts reported as program revenues include 1) charges to customers for goods and services provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from 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. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### Financial Statement Accounts

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

# Draft 7-18-18

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Accounts (Continued)

Investments – Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Receivables are reported net of an allowance for uncollectible accounts. As of December 31, 2017, the City had an allowance of \$25,291 in business-type activities.

Property Taxes – Property taxes are assessed in one year as a lien on the property, but not collected by the governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as unearned revenue.

Interfund Receivables and Payables – Balances at year-end between funds are reported as “due to / from other funds” in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as “internal balances” in the government-wide financial statements.

Inventory – Inventories are recorded at average cost.

Capital Assets – Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (only infrastructure acquired after January 1, 2000), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives.

| <u>Description</u>         | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Infrastructure             | 20 – 50 years          |
| Buildings and improvements | 10 – 50 years          |
| Furniture and fixtures     | 10 years               |
| Vehicles                   | 4 – 8 years            |
| Other equipment            | 5 – 10 years           |
| Computer equipment         | 5 years                |

Compensated Absences – Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered, and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial Statement Accounts (Continued)

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the City's past experience of making termination payments.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only when due.

*Deferred Inflows of Resources* – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category. The item, unavailable property tax revenue, is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

*Fund Balance* – The City 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 provider, 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 City Council.

*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 City Council 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.

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CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City does not have a formal minimum fund balance policy. However, the City's budget includes a calculation of a targeted reserve positions and management and reports the targeted amounts annually to City Council.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires the City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for the proprietary funds. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year end.

At required by Colorado Statutes and the Home Rule Charter, the City followed the required timetable noted below in preparing, approving, and enacting its budget for 2017.

For the 2017 budget year, prior to August 25, 2016, the County Assessor sent to the City an assessed valuation of all taxable property within the City's boundaries.

The Mayor, or other qualified person appointed by the Council, submitted to the Council, on or before October 15, 2016, a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the City's operating requirements.

Prior to December 15, 2016, a public hearing was held for the budget, the Council certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Council adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.

After adoption of the budget resolution, the City may make the following changes: a) it may transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

# Draft 7-18-18

## CITY OF CRAIG

### NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

#### NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2016 were collected in 2017 and taxes certified in 2017 will be collected in 2018. Taxes are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (no later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16<sup>th</sup>.

#### TABOR Amendment

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

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

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The City has reserved \$254,691, which is the approximate required reserve at December 31, 2017.

On November 7, 2000, voters within the City approved the collection, retention and expenditure of all revenues and other funds collected during 2000 and each subsequent year without raising any additional taxes.

The City's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

#### NOTE 3 - CASH AND INVESTMENTS

The City's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the for \$250,000 of the City's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA by pledging amounts at least equal to 102% of the uninsured deposits. The carrying amount of the City's demand deposits was \$519,692 at year end with a bank balance of \$546,276. The City's demand deposits were insured for \$250,000 by FDIC and the balance of \$269,682 is covered by PDPA.

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CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 3 - CASH AND INVESTMENTS Continued

The City's investment policy permits investments in the following type of obligations:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Local Government Investment Pools
- Money Market Mutual Funds
- Securities specifically approved by the City Council

At December 31, 2017, the City had the following investments measured at net asset value:

| <u>Investments Measured<br/>at Net Asset Value</u> | <u>Total</u>         |
|--|----------------------|
| Colorado Trust                                     | \$ 10,617,275        |
| CSIP   | 63                   |
| Csafe  | <u>180,042</u>       |
| Total  | <u>\$ 10,797,380</u> |

Investment Pool represents investments in COLOTRUST, C-SAFE, and CSIP. The fair value of the pool is determined by the pool's share price. The City has no regulatory oversight for the pool. At December 31, 2017, the City's investments in COLOTRUST and C-SAFE were 98% and 2% of the City's investment portfolio, respectively. Investment in CSIP was less than 1% of the investment portfolio.

*Interest Rate Risk* – As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. At December 31, COLOTRUST and CSAFE had weighted average to final maturities of 94 and 32 days.

*Credit Risk* – State law and City policy limit investments to those authorized by State statutes including U.S. agencies and 2a7-like pools. The City's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The investments all carry a S&P Rating of AAAM.

*Concentration of Credit Risk* – The City diversifies its investments by security type and institution. Financial institutions holding City funds must provide the City with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado's PDPA requirement noted above mitigates concentration of credit risk.

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## CITY OF CRAIG NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

### NOTE 3 - CASH AND INVESTMENTS Continued)

A reconciliation of deposits and investments to the financial statement captions is as follows:

Deposits and Investments

|                  |                      |
|------------------|----------------------|
| Deposits         | \$ 519,692           |
| Cash on hand     | 2,532                |
| Investment pools | <u>10,797,380</u>    |
|                  | <u>\$ 11,319,604</u> |

|                    | <u>Cash</u><br><u>Equivalents</u> | <u>Investments</u>   | <u>Total</u>         |
|--------------------|-----------------------------------|----------------------|----------------------|
| Governmental funds | \$ 414,849                        | \$ 4,621,293         | \$ 5,036,142         |
| Proprietary funds  | <u>107,375</u>                    | <u>6,176,087</u>     | <u>6,283,462</u>     |
| Total              | <u>\$ 522,224</u>                 | <u>\$ 10,797,380</u> | <u>\$ 11,319,604</u> |

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

|  | <u>Balance</u><br><u>1/1/2017</u> | <u>Additions</u>    | <u>Deductions</u> | <u>Balance</u><br><u>12/31/2017</u> |
|--|-----------------------------------|---------------------|-------------------|-------------------------------------|
| <u>Governmental Activities:</u>                |                                   |                     |                   |                                     |
| <u>Capital assets not being depreciated</u>    |                                   |                     |                   |                                     |
| Land   | \$ 1,309,762                      | \$ 0                | \$ 0              | \$ 1,309,762                        |
| Total not being depreciated                    | <u>1,309,762</u>                  | <u>0</u>            | <u>0</u>          | <u>1,309,762</u>                    |
| <u>Capital assets being depreciated</u>        |                                   |                     |                   |                                     |
| Infrastructure                                 | 42,397,658                        | 0                   | 0                 | 42,397,658                          |
| Buildings and improvements                     | 3,840,941                         | 288,351             | 0                 | 4,129,292                           |
| Vehicles and equipment                         | <u>6,563,615</u>                  | <u>267,424</u>      | <u>(276,357)</u>  | <u>6,554,682</u>                    |
| Total capital assets being depreciated         | <u>52,802,214</u>                 | <u>555,775</u>      | <u>(276,357)</u>  | <u>53,081,632</u>                   |
| <u>Accumulated depreciation</u>                |                                   |                     |                   |                                     |
| Infrastructure                                 | (33,184,809)                      | (558,425)           | 0                 | (33,743,234)                        |
| Buildings and improvements                     | (2,469,945)                       | (197,368)           | 0                 | (2,667,313)                         |
| Vehicles and equipment                         | <u>(6,065,594)</u>                | <u>(278,260)</u>    | <u>276,357</u>    | <u>(6,067,497)</u>                  |
| Total accumulated depreciation                 | <u>(41,720,348)</u>               | <u>(1,034,053)</u>  | <u>276,357</u>    | <u>(42,478,044)</u>                 |
| Depreciable capital assets, net                | <u>11,081,866</u>                 | <u>(478,278)</u>    | <u>0</u>          | <u>10,603,588</u>                   |
| Governmental Activities<br>Capital Assets, Net | <u>\$12,391,628</u>               | <u>\$ (478,278)</u> | <u>\$ 0</u>       | <u>\$11,913,350</u>                 |

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## CITY OF CRAIG NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

### NOTE 4 - CAPITAL ASSETS (CONTINUED)

|   | <u>Balance</u><br><u>1/1/2017</u> | <u>Additions</u>    | <u>Deductions</u> | <u>Balance</u><br><u>12/31/2017</u> |
|---|-----------------------------------|---------------------|-------------------|-------------------------------------|
| <u>Business-type Activities:</u>                |                                   |                     |                   |                                     |
| <u>Capital assets not being depreciated</u>     |                                   |                     |                   |                                     |
| Land  | \$ 1,719,009                      | \$ 0                | \$ 0              | \$ 1,719,009                        |
| Total not being depreciated                     | <u>1,719,009</u>                  | <u>0</u>            | <u>0</u>          | <u>1,719,009</u>                    |
| <u>Capital assets being depreciated</u>         |                                   |                     |                   |                                     |
| Buildings and improvements                      | 37,432,369                        | 143,150             | 0                 | 37,575,519                          |
| Vehicles and equipment                          | <u>4,479,388</u>                  | <u>543,327</u>      | <u>(347,489)</u>  | <u>4,675,226</u>                    |
| Total capital assets being depreciated          | <u>41,911,757</u>                 | <u>686,477</u>      | <u>(347,489)</u>  | <u>42,250,745</u>                   |
| <u>Accumulated depreciation</u>                 |                                   |                     |                   |                                     |
| Buildings and improvements                      | (17,652,720)                      | (705,128)           | 0                 | (18,357,848)                        |
| Vehicles and equipment                          | <u>(3,900,621)</u>                | <u>(151,897)</u>    | <u>347,489</u>    | <u>(3,705,029)</u>                  |
| Total accumulated depreciation                  | <u>(21,553,341)</u>               | <u>(857,025)</u>    | <u>347,489</u>    | <u>(22,062,877)</u>                 |
| Depreciable capital assets, net                 | <u>20,358,416</u>                 | <u>(170,548)</u>    | <u>0</u>          | <u>20,187,868</u>                   |
| Business-type activities<br>Capital Assets, Net | <u>\$22,077,425</u>               | <u>\$ (170,548)</u> | <u>\$ 0</u>       | <u>\$21,906,877</u>                 |

Depreciation expense was charged to functions of the primary government as follows

|   |                     |
|---|---------------------|
| Governmental activities                             |                     |
| General government                                  | \$ 198,766          |
| Public safety                                       | 37,806              |
| Road and bridge                                     | 747,042             |
| Parks and recreation                                | <u>50,439</u>       |
| Total depreciation expense government activities    | <u>\$ 1,034,053</u> |
| Business-type activities                            |                     |
| Water   | \$ 558,099          |
| Wastewater  | 200,972             |
| Sanitation  | <u>97,954</u>       |
| Total depreciation expense Business-type activities | <u>\$ 857,025</u>   |

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CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Business-type activities owed governmental activities \$260,410 at December 31, 2017 as a result of internal service fund activity of the enterprise funds being consolidated into the governmental activities.

There were no transfers for the year ended December 31, 2017.

NOTE 6 - LONG-TERM DEBT

*Colorado Water Resources and Power Development Authority Note 2006* – In 2006, the City entered into an agreement with the Colorado Water Resources and Power Development Authority. The City's participation related to the Authority's 2006 Series A, Clean Water Revenue Bond Issue, to finance improvements to the City's water system. The improvements are financed by a 20-year note in the amount of \$6,056,378, payable in annual installments of varying amounts.

The 2006 note includes a covenant requiring certain levels of fund equity and ratios of operating income to debt service. Management believes it is in compliance with the loan covenant.

*Debt Service Requirements*

The following outlines the debt service requirements for the CWRPDA None - 2006

| <u>Year</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>       |
|-------------|---------------------|-------------------|--------------------|
| 2018        | \$ 290,750          | \$ 128,320        | \$ 419,070         |
| 2019        | 296,236             | 121,089           | 417,325            |
| 2020        | 307,208             | 114,396           | 421,604            |
| 2021        | 312,693             | 107,456           | 420,149            |
| 2022        | 318,179             | 99,678            | 417,858            |
| 2023-2027   | <u>1,771,930</u>    | <u>319,913</u>    | <u>2,091,842</u>   |
|             | <u>\$ 3,296,996</u> | <u>\$ 890,851</u> | <u>\$4,187,848</u> |

*Accrued Compensated Absences* - Earned but unused vacation and sick benefits amounted to \$346,837 in governmental activities and \$89,861 in business-type activities at December 31, 2017.

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

|                                | <u>1/1/2017</u>   | <u>Additions</u>  | <u>Payments</u>   | <u>12/31/2017</u> | <u>Amount Due<br/>In One Year</u> |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------------|
| <u>Governmental Activities</u> |                   |                   |                   |                   |                                   |
| Roof repair Loan               | \$ 0              | \$ 22,950         | \$ 0              | \$ 22,950         | \$ 11,475                         |
| Compensated absences           | <u>385,035</u>    | <u>291,595</u>    | <u>329,793</u>    | <u>346,837</u>    | <u>0</u>                          |
| Total                          | <u>\$ 385,035</u> | <u>\$ 314,545</u> | <u>\$ 329,793</u> | <u>\$ 369,787</u> | <u>\$ 11,475</u>                  |

# Draft 7-18-18

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 6 - LONG-TERM DEBT (Continued)

Business Activities

|                             |                     |                  |                   |                     |                   |
|-----------------------------|---------------------|------------------|-------------------|---------------------|-------------------|
| Note payable Colorado Water | \$ 3,582,260        | \$ 0             | \$ 285,264        | \$ 3,296,996        | \$ 290,750        |
| Compensated absences        | <u>102,950</u>      | <u>74,808</u>    | <u>87,898</u>     | <u>89,860</u>       | <u>0</u>          |
| Total                       | <u>\$ 3,685,210</u> | <u>\$ 74,808</u> | <u>\$ 373,162</u> | <u>\$ 3,386,856</u> | <u>\$ 290,750</u> |

NOTE 7 - PENSION PLANS

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the plan participants and their beneficiaries.

The accrual basis of accounting is used for the plan. Revenues are recognized when earned and expenditures are recognized when incurred. Investments are recorded at market value.

Plan investment purchases are determined by the plan participant and therefore, the plan's investment concentration varies between participants. The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City is neither the trustee nor the administrator for the plan.

Deferred Compensation Plan – Section 401(a)

The City participates in a defined contribution retirement plan covering all full-time employees. The plan is administrated by ICMA Retirement Corporation and the City has no fiduciary responsibility for the plan. The city contributes 12% of the compensation and the employees contribute 6%. Plan contributions for the year ended December 31, 2017 were \$637,087 for the City and \$336,542 for the employees. The plan vests at a rate of 20% per year and is fully vested after five years. As of December 31, 2017, the plan had 55 employees fully vested and 24 non-vested employees. City Council has the authority to establish and amend the benefit terms and contributing rates. Unvested City contributions for employees who leave employment before five years are used to reduce the City's current period contribution requirement. Forfeitures totaled \$1,802 and the City's pension expense was \$634,061 during the year ended December 31, 2017.

NOTE 8 - COMMITMENT AND CONTIGENCIES

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

# Draft 7-18-18

## CITY OF CRAIG

### NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

#### NOTE 8 - COMMITMENT AND CONTIGENCIES (Continued)

The City has entered into employment contracts with certain City staff. These employment contracts are of varying length and include termination payments of different amounts.

#### NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and general liability. The City carries commercial and trust coverage for these risks and does not expect claims to exceed their coverage.

#### NOTE 10 -INTERGOVERNMENTAL AGREEMENT

On October 21,2014, the City entered into a agreement with the Colorado River Water Conservation District ('CRWCD"). The agreement specifies the allocation of expenses for the operation, maintenance, repair and replacement of Elkhead Reservoir. Recreation facility and management expenses at Elkhead Reservoir shall be allocated 50% to the City and 50% to CRWCD. All other operation, maintenance, repair and replacement costs shall be allocated 51.75% to the City and 48.25% to CRWCD. The City received reimbursement of 2017 operating expenses of \$17,775.

#### NOTE 11 -RELATED PARTY TRANSACTIONS

The City from time to time in the normal course of business executes transactions with local businesses which in some cases may be owned by members of the City Council as well as provide utility services to those members and businesses. The City believes that transaction when they arise are handled in a manner which is consistent with its normal procurement policies.

Draft 7-18-18

**REQUIRED SUPPLEMENTARY INFORMATION**

# Draft 7-18-18

## CITY OF CRAIG, COLORADO SCHEDULE OF REVENUES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2017  
(With Comparative Actual Amounts for 2016)

|                                  | 2017                            |                  | Final Budget<br>Variance<br>Positive<br>(Negative) | 2016             |
|----------------------------------|---------------------------------|------------------|--|------------------|
|                                  | Original<br>and Final<br>Budget | Actual           |  | Actual           |
| <b>REVENUES</b>                  |                                 |                  |  |                  |
| Taxes                            |                                 |                  |  |                  |
| General property taxes           | \$ 1,253,820                    | \$ 1,251,366     | \$ (2,454)   | \$ 1,255,426     |
| Highway user taxes               | 310,000                         | 309,545          | (455)  | 308,215          |
| Specific ownership taxes         | 86,000                          | 111,561          | 25,561   | 99,246           |
| Sales tax                        | 4,938,000                       | 4,864,976        | (73,024)   | 5,004,915        |
| Franchise tax                    | 295,000                         | 292,843          | (2,157)  | 294,736          |
| Severance tax                    | 180,000                         | 206,382          | 26,382   | 182,146          |
| Interest and penalties           | -                               | 5,665            | 5,665  | 6,217            |
| Cigarette taxes                  | 20,000                          | 19,656           | (344)  | 21,593           |
| Total taxes                      | 7,082,820                       | 7,061,994        | (20,826)   | 7,172,494        |
| Licenses and permits             |                                 |                  |  |                  |
| Building permits                 | 50,000                          | 103,755          | 53,755   | 80,298           |
| Miscellaneous                    | 8,300                           | 11,494           | 3,194  | 11,684           |
| Total licenses and permits       | 58,300                          | 115,249          | 56,949   | 91,982           |
| Intergovernmental revenues       |                                 |                  |  |                  |
| Motor vehicle tax                | 45,000                          | 43,495           | (1,505)  | 44,528           |
| State grants                     | 69,650                          | 92,188           | 22,538   | 309,614          |
| Mineral lease                    | 300,000                         | 581,085          | 281,085  | 637,846          |
| State lottery                    | 85,000                          | 87,405           | 2,405  | 98,038           |
| Public safety grants             | 104,780                         | 53,160           | (51,620)   | 91,807           |
| Total intergovernmental revenues | 604,430                         | 857,333          | 252,903  | 1,181,833        |
| Charges for services             |                                 |                  |  |                  |
| Recreation program fees          | 105,150                         | 104,535          | (615)  | 95,009           |
| Swimming pool fees               | 112,050                         | 105,342          | (6,708)  | 103,583          |
| Concessions                      | -                               | 1,443            | 1,443  | 1,171            |
| Total charges for services       | 217,200                         | 211,320          | (5,880)  | 199,763          |
| Fines and forfeitures            | 61,000                          | 53,924           | (7,076)  | 66,375           |
| Investment Earnings              | 6,100                           | 43,422           | 37,322   | 25,157           |
| Miscellaneous                    |                                 |                  |  |                  |
| Rents and royalties              | 23,000                          | 22,795           | (205)  | 22,834           |
| Miscellaneous                    | 20,150                          | 24,868           | 4,718  | 48,591           |
| Total Miscellaneous              | 43,150                          | 47,663           | 4,513  | 71,425           |
| <br>Total Revenues               | <br>\$ 8,073,000                | <br>\$ 8,390,905 | <br>\$ 317,905                                     | <br>\$ 8,809,029 |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2017**  
**(With Comparative Actual Amounts for 2016)**

|                            | 2017                |                     |                     | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2016                |
|----------------------------|---------------------|---------------------|---------------------|---|---------------------|
|                            | Original<br>Budget  | Final<br>Budget     | Actual              |   | Actual              |
| <b>EXPENDITURES</b>        |                     |                     |                     |   |                     |
| General government         |                     |                     |                     |   |                     |
| City council               | \$ 215,660          | \$ 215,660          | \$ 214,787          | \$ 873  | \$ 362,459          |
| Administration             | 271,385             | 271,385             | 232,467             | 38,918  | 376,588             |
| Engineering                | 82,510              | 82,510              | 76,510              | 6,000   | 51,308              |
| Finances                   | 299,400             | 299,400             | 290,749             | 8,651   | 296,292             |
| Clerk and personnel        | 242,260             | 242,260             | 241,815             | 445   | 216,976             |
| Building maintenance       | 87,720              | 87,720              | 57,922              | 29,798  | 77,820              |
| City attorney              | 97,640              | 97,640              | 96,541              | 1,099   | 99,826              |
| Total general government   | <u>1,296,575</u>    | <u>1,296,575</u>    | <u>1,210,791</u>    | <u>85,784</u>   | <u>1,481,269</u>    |
| Judicial                   |                     |                     |                     |   |                     |
| Municipal                  | <u>54,150</u>       | <u>54,150</u>       | <u>49,471</u>       | <u>4,679</u>  | <u>59,245</u>       |
| Total judicial             | <u>54,150</u>       | <u>54,150</u>       | <u>49,471</u>       | <u>4,679</u>  | <u>59,245</u>       |
| Public safety              |                     |                     |                     |   |                     |
| Police                     | <u>3,217,685</u>    | <u>3,217,685</u>    | <u>3,065,278</u>    | <u>152,407</u>  | <u>3,355,491</u>    |
| Total public safety        | <u>3,217,685</u>    | <u>3,217,685</u>    | <u>3,065,278</u>    | <u>152,407</u>  | <u>3,355,491</u>    |
| Road and bridge            | <u>2,275,725</u>    | <u>2,275,725</u>    | <u>2,141,333</u>    | <u>134,392</u>  | <u>2,012,658</u>    |
| Community Development      | <u>101,505</u>      | <u>101,505</u>      | <u>101,123</u>      | <u>382</u>  | <u>90,911</u>       |
| Parks and Recreation       |                     |                     |                     |   |                     |
| General operations         | 794,095             | 794,095             | 700,756             | 93,339  | 853,087             |
| Pool complex               | 367,625             | 367,625             | 306,053             | 61,572  | 320,615             |
| Center of Craig            | 29,200              | 29,200              | 27,234              | 1,966   | 23,733              |
| Recreation programs        | <u>224,200</u>      | <u>224,200</u>      | <u>222,991</u>      | <u>1,209</u>  | <u>212,050</u>      |
| Total parks and recreation | <u>1,415,120</u>    | <u>1,415,120</u>    | <u>1,257,034</u>    | <u>158,086</u>  | <u>1,409,485</u>    |
| Capital outlay             | <u>1,149,350</u>    | <u>1,504,390</u>    | <u>532,825</u>      | <u>971,565</u>  | <u>490,544</u>      |
| Total Expenditures         | <u>\$ 9,510,110</u> | <u>\$ 9,865,150</u> | <u>\$ 8,357,855</u> | <u>\$ 1,507,295</u>                                     | <u>\$ 8,899,603</u> |

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

Draft 7-18-18

**SUPPLEMENTARY INFORMATION**

# Draft 7-18-18

**CITY OF CRAIG, COLORADO  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2017**

|  | ACET       | Capital<br>Projects | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|------------|---------------------|--|
| <b>ASSETS</b>  |            |                     |  |
| Cash and cash equivalents  | \$ 191,711 | \$ 457,447          | \$ 649,158                                 |
| Receivables, net   |            |                     |  |
| Property tax   | -          | 141,033             | 141,033                                    |
| Accounts   | -          | 2,167               | 2,167                                      |
| Total assets   | \$ 191,711 | \$ 600,647          | \$ 792,358                                 |
| <b>LIABILITIES AND FUND BALANCE</b>  |            |                     |  |
| <b>LIABILITIES</b>   |            |                     |  |
| Accounts payable   | \$ 1,726   | \$ 5,150            | \$ 6,876                                   |
| Total liabilities  | 1,726      | 5,150               | 6,876                                      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |            |                     |  |
| Unavailable property tax   | -          | 141,033             | 141,033                                    |
| Total deferred inflows of resources  | -          | 141,033             | 141,033                                    |
| <b>FUND BALANCES</b>   |            |                     |  |
| Assigned to  |            |                     |  |
| Public safety  | 189,985    | -                   | 189,985                                    |
| Capital projects   | -          | 454,464             | 454,464                                    |
| Total fund balances  | 189,985    | 454,464             | 644,449                                    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b> | \$ 191,711 | \$ 600,647          | \$ 792,358                                 |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**COMBINING SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

|   | <u>ACET</u>       | <u>Capital<br/>Projects</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|---|-------------------|-----------------------------|--|
| <b>Revenues</b>   |                   |                             |  |
| Property taxes  | \$ -              | \$ 147,921                  | \$ 147,921   |
| Specific ownership taxes                                  | -                 | 13,128                      | 13,128   |
| Grants  | 18,696            | -                           | 18,696   |
| Investment earnings                                       | 2,314             | 6,031                       | 8,345  |
| Miscellaneous   | 8,543             | -                           | 8,543  |
| Total revenues  | <u>29,553</u>     | <u>167,080</u>              | <u>196,633</u>                                       |
| <b>Expenditures</b>                                       |                   |                             |  |
| Public Safety   | 54,147            | -                           | 54,147   |
| Treasurer's fees  | -                 | 2,952                       | 2,952  |
| Capital outlay  | -                 | 162,136                     | 162,136  |
| Total expenditures  | <u>54,147</u>     | <u>165,088</u>              | <u>219,235</u>                                       |
| Excess (deficiency) of revenues over<br>over expenditures | (24,594)          | 1,992                       | (22,602)   |
| Fund Balances - Beginning                                 | <u>214,579</u>    | <u>452,472</u>              | <u>667,051</u>                                       |
| Fund Balances - Ending                                    | <u>\$ 189,985</u> | <u>\$ 454,464</u>           | <u>\$ 644,449</u>                                    |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**ACET FUND**  
**For the Year Ended December 31, 2017**  
**(With Comparative Actual Amounts for 2016)**

|   | 2017                            |            |  | 2016       |
|---|---------------------------------|------------|--|------------|
|   | Original<br>and Final<br>Budget | Actual     | Final Budget<br>Variance<br>Positive<br>(Negative) | Actual     |
| <b>Revenues</b>   |                                 |            |  |            |
| Intergovernmental   | \$ 17,425                       | \$ 18,696  | \$ 1,271   | \$ 18,674  |
| Investment earnings                                       | 800                             | 2,314      | 1,514  | 1,313      |
| Miscellaneous   | 500                             | 8,543      | 8,043  | 11,640     |
| Total revenues  | 18,725                          | 29,553     | 10,828   | 31,627     |
| <b>Expenditures</b>                                       |                                 |            |  |            |
| Public safety   | 78,170                          | 54,147     | 24,023   | 34,161     |
| Total expenditures  | 78,170                          | 54,147     | 24,023   | 34,161     |
| Excess (deficiency) of revenues over<br>over expenditures | \$ (59,445)                     | (24,594)   | \$ 34,851  | (2,534)    |
| Fund Balances - Beginning                                 |                                 | 214,579    |  | 217,113    |
| Fund Balances - Ending                                    |                                 | \$ 189,985 |  | \$ 214,579 |

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**For the Year Ended December 31, 2017**  
**(With Comparative Actual Amounts for 2016)**

|   | <u>2017</u>                |                         |                   | <b>Final Budget<br/>Variance<br/>Positive<br/>(Negative)</b> | <u>2016</u>       |
|---|----------------------------|-------------------------|-------------------|--|-------------------|
|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     |  | <b>Actual</b>     |
| <b>Revenues</b>   |                            |                         |                   |  |                   |
| Property taxes  | \$ 147,580                 | \$ 147,580              | \$ 147,921        | \$ 341   | \$ 148,465        |
| Specific ownership taxes                                  | 8,800                      | 8,800                   | 13,128            | 4,328  | 9,398             |
| Intergovernmental   | 183,000                    | 183,000                 | -                 | (183,000)  | -                 |
| Investment earnings                                       | 2,000                      | 2,000                   | 6,031             | 4,031  | 3,106             |
| Miscellaneous   | -                          | -                       | -                 | -  | 7,950             |
| Total revenues  | <u>341,380</u>             | <u>341,380</u>          | <u>167,080</u>    | <u>(174,300)</u>   | <u>168,919</u>    |
| <b>Expenditures</b>                                       |                            |                         |                   |  |                   |
| Treasurer's fees  | 3,000                      | 3,000                   | 2,952             | 48   | 2,962             |
| Capital outlay  | <u>303,000</u>             | <u>305,000</u>          | <u>162,136</u>    | <u>142,864</u>   | <u>142,691</u>    |
| Total expenditures  | <u>306,000</u>             | <u>308,000</u>          | <u>165,088</u>    | <u>142,912</u>   | <u>145,653</u>    |
| Excess (deficiency) of revenues over<br>over expenditures | <u>\$ 35,380</u>           | <u>\$ 33,380</u>        | 1,992             | <u>\$ (31,388)</u>   | 23,266            |
| Fund Balances - Beginning                                 |                            |                         | <u>452,472</u>    |  | <u>429,206</u>    |
| Fund Balances - Ending                                    |                            |                         | <u>\$ 454,464</u> |  | <u>\$ 452,472</u> |

# Draft 7-18-18

## CITY OF CRAIG, COLORADO SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN NET POSITION BUDGET (NON-GAAP BASIS) AND ACTUAL WITH RECONCILIATION TO GAAP BASIS WATER FUND

For the Year Ended December 31, 2017  
(With Comparative Actual Amounts for 2016)

|                                       | 2017               |                 |               | Final Budget<br>Variance<br>Positive<br>(Negative) | 2016          |
|---------------------------------------|--------------------|-----------------|---------------|--|---------------|
|                                       | Original<br>Budget | Final<br>Budget | Actual        |  | Actual        |
| <b>Revenues</b>                       |                    |                 |               |  |               |
| Charges for services                  | \$ 3,107,000       | \$ 3,107,000    | \$ 3,059,410  | \$ (47,590)  | \$ 3,094,544  |
| Meter sales                           | 2,500              | 2,500           | 1,431         | (1,069)  | 2,515         |
| Tap fees                              | -                  | -               | 12,810        | 12,810   | 13,660        |
| Investment earnings                   | 10,000             | 10,000          | 30,911        | 20,911   | 18,173        |
| Intergovernmental                     | 250,000            | 250,000         | -             | (250,000)  | 1,870         |
| Miscellaneous                         | 45,000             | 45,000          | 111,190       | 66,190   | 81,759        |
|                                       | 3,414,500          | 3,414,500       | 3,215,752     | (198,748)  | 3,212,521     |
| <b>Expenditures</b>                   |                    |                 |               |  |               |
| Salaries                              | 688,030            | 688,030         | 719,240       | (31,210)   | 702,538       |
| Employee benefits                     | 369,480            | 369,480         | 366,272       | 3,208  | 353,523       |
| Repairs and maintenance               | 476,000            | 636,000         | 389,547       | 246,453  | 708,814       |
| Utilities                             | 214,500            | 214,500         | 216,637       | (2,137)  | 225,400       |
| Chemicals                             | 147,500            | 147,500         | 151,774       | (4,274)  | 128,293       |
| Insurance and bonds                   | 64,350             | 64,350          | 54,952        | 9,398  | 55,198        |
| Supplies                              | 62,650             | 62,650          | 56,516        | 6,134  | 43,628        |
| Other purchased services              | 144,250            | 144,250         | 107,980       | 36,270   | 154,646       |
| Capital outlay                        | 699,000            | 725,000         | 143,150       | 581,850  | 182,539       |
| Interest expense                      | 88,270             | 88,270          | 88,802        | (532)  | 92,973        |
| Lease fees                            | 48,500             | 48,500          | 44,415        | 4,085  | 48,451        |
| Debt principal                        | 285,270            | 285,270         | 285,264       | 6  | 274,293       |
|                                       | 3,287,800          | 3,473,800       | 2,624,549     | 849,251  | 2,970,296     |
| Change in net position - budget basis | \$ 126,700         | \$ (59,300)     | 591,203       | \$ 650,503   | 242,225       |
| Reconciliation to GAAP basis          |                    |                 |               |  |               |
| Depreciation                          |                    |                 | (558,099)     |  | (563,008)     |
| Debt principal                        |                    |                 | 285,264       |  | 274,293       |
| Capital outlay                        |                    |                 | 143,150       |  | 182,539       |
| Change in net position - GAAP basis   |                    |                 | 461,518       |  | 136,049       |
| Net Position - Beginning              |                    |                 | 17,382,162    |  | 17,246,113    |
| Net Position - Ending                 |                    |                 | \$ 17,843,680 |  | \$ 17,382,162 |

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

# Draft 7-18-18

## CITY OF CRAIG, COLORADO SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN NET POSITION BUDGET (NON-GAAP BASIS) AND ACTUAL WITH RECONCILIATION TO GAAP BASIS WATERWASTE FUND

For the Year Ended December 31, 2017  
(With Comparative Actual Amounts for 2016)

|                                       | 2017                            |              |  | 2016         |
|---------------------------------------|---------------------------------|--------------|--|--------------|
|                                       | Original<br>and Final<br>Budget | Actual       | Final Budget<br>Variance<br>Positive<br>(Negative) | Actual       |
| Revenues                              |                                 |              |  |              |
| Charges for services                  | \$ 1,832,500                    | \$ 1,808,306 | \$ (24,194)  | \$ 1,650,673 |
| Tap fees                              | -                               | 7,170        | 7,170  | 7,650        |
| Investment earnings                   | 6,650                           | 12,395       | 5,745  | 6,280        |
| Miscellaneous                         | 9,000                           | 4,070        | (4,930)  | 15,622       |
| Grants                                | 250,000                         | -            | (250,000)  | -            |
|                                       | 2,098,150                       | 1,831,941    | (266,209)  | 1,680,225    |
| Expenditures                          |                                 |              |  |              |
| Salaries                              | 487,670                         | 510,751      | (23,081)   | 484,960      |
| Employee benefits                     | 234,740                         | 244,928      | (10,188)   | 226,706      |
| Repairs and maintenance               | 193,000                         | 109,441      | 83,559   | 127,815      |
| Utilities                             | 153,000                         | 121,256      | 31,744   | 110,150      |
| Chemicals                             | 30,000                          | 33,277       | (3,277)  | 13,731       |
| Insurance and bonds                   | 29,910                          | 9,552        | 20,358   | 25,842       |
| Supplies                              | 40,000                          | 17,727       | 22,273   | 24,496       |
| Other purchased services              | 70,000                          | 73,655       | (3,655)  | 72,711       |
| Capital outlay                        | 500,000                         | 379,684      | 120,316  | 686,184      |
|                                       | 1,738,320                       | 1,500,271    | 238,049  | 1,772,595    |
| Change in net position - budget basis | \$ 359,830                      | 331,670      | \$ (28,160)  | (92,370)     |
| Reconciliation to GAAP basis          |                                 |              |  |              |
| Depreciation                          |                                 | (200,972)    |  | (205,112)    |
| Capital outlay                        |                                 | 379,684      |  | 686,184      |
| Change in net position - GAAP basis   |                                 | 510,382      |  | 388,702      |
| Net Position - Beginning              |                                 | 4,883,542    |  | 4,494,840    |
| Net Position - Ending                 |                                 | \$ 5,393,924 |  | \$ 4,883,542 |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN**  
**NET POSITION BUDGET (NON-GAAP BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS**  
**SANITATION FUND**

**For the Year Ended December 31, 2017**  
**(With Comparative Actual Amounts for 2016)**

|                                       | 2017                |                     |                     | Final Budget<br>Variance<br>Positive<br>(Negative) | 2016                |
|---------------------------------------|---------------------|---------------------|---------------------|--|---------------------|
|                                       | Original<br>Budget  | Final<br>Budget     | Actual              |  | Actual              |
| <b>Revenues</b>                       |                     |                     |                     |  |                     |
| Charges for services                  | \$ 1,404,800        | \$ 1,404,800        | \$ 1,451,497        | \$ 46,697  | \$ 1,422,284        |
| Miscellaneous revenue                 | 7,000               | 7,000               | 14,761              | 7,761  | 2,835               |
| Intergovernmental                     | -                   | -                   | -                   | -  | 7,726               |
| Interest income                       | 350                 | 350                 | 18,337              | 17,987   | 9,240               |
|                                       | 1,412,150           | 1,412,150           | 1,484,595           | 72,445   | 1,442,085           |
| <b>Expenditures</b>                   |                     |                     |                     |  |                     |
| Salaries                              | 437,430             | 437,430             | 424,120             | 13,310   | 446,991             |
| Employee benefits                     | 231,030             | 231,030             | 217,636             | 13,394   | 219,882             |
| Repairs and maintenance               | 39,500              | 39,500              | 45,595              | (6,095)  | 45,109              |
| Utilities                             | 8,000               | 8,000               | 7,569               | 431  | 8,089               |
| Landfill fees                         | 325,000             | 325,000             | 327,576             | (2,576)  | 328,637             |
| Insurance and bonds                   | 20,800              | 20,800              | 16,508              | 4,292  | 15,804              |
| Supplies                              | 448,450             | 614,450             | 106,158             | 508,292  | 102,380             |
| Other purchased services              | 40,650              | 40,650              | 24,295              | 16,355   | 24,251              |
|                                       | 1,550,860           | 1,716,860           | 1,169,457           | 547,403  | 1,191,143           |
| Change in net position - budget basis | <u>\$ (138,710)</u> | <u>\$ (304,710)</u> | 315,138             | <u>\$ 619,848</u>                                  | 250,942             |
| Reconciliation to GAAP basis          |                     |                     |                     |  |                     |
| Depreciation                          |                     |                     | (97,954)            |  | (125,533)           |
| Change in net position - GAAP basis   |                     |                     | 217,184             |  | 125,409             |
| Net Position - Beginning              |                     |                     | 2,000,117           |  | 1,874,708           |
| Net Position - Ending                 |                     |                     | <u>\$ 2,217,301</u> |  | <u>\$ 2,000,117</u> |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**INTERNAL SERVICES - MEDICAL BENEFIT FUND**  
**December 31, 2017 and 2016**

|                           | <u>2017</u>       | <u>2016</u>       |
|---------------------------|-------------------|-------------------|
| Assets                    |                   |                   |
| Cash and cash equivalents | \$ 300,283        | \$ 222,818        |
| Total Assets              | <u>300,283</u>    | <u>222,818</u>    |
| Net position              |                   |                   |
| Unrestricted              | <u>300,283</u>    | <u>222,818</u>    |
| Total Net Position        | <u>\$ 300,283</u> | <u>\$ 222,818</u> |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN**  
**NET POSITION BUDGET AND ACTUAL**  
**INTERNAL SERVICES - MEDICAL BENEFIT FUND**  
**For the Year Ended December 31, 2017**  
**(With Comparative Actual Amounts for 2016)**

|                              | 2017                            |                   | Final Budget<br>Variance<br>Positive<br>(Negative) | 2016              |
|------------------------------|---------------------------------|-------------------|--|-------------------|
|                              | Original<br>and Final<br>Budget | Actual            |  | Actual            |
| Operating revenues           |                                 |                   |  |                   |
| Charges for services         | \$ 2,091,500                    | \$ 2,036,154      | \$ (55,346)  | \$ 2,065,717      |
| Total revenues               | <u>2,091,500</u>                | <u>2,036,154</u>  | <u>(55,346)</u>                                    | <u>2,065,717</u>  |
| Operating Expenses           |                                 |                   |  |                   |
| Insurance premiums           | 2,036,810                       | 1,902,546         | 134,264  | 1,994,832         |
| Claims incurred              | 65,000                          | 49,913            | 15,087   | 65,779            |
| Administrative fees          | 2,500                           | 6,274             | (3,774)  | 5,817             |
| Total operating expenses     | <u>2,104,310</u>                | <u>1,958,733</u>  | <u>145,577</u>                                     | <u>2,066,428</u>  |
| Operating income (loss)      | <u>(12,810)</u>                 | <u>77,421</u>     | <u>90,231</u>                                      | <u>(711)</u>      |
| Non-operating revenues       |                                 |                   |  |                   |
| Investment earnings          | -                               | 44                | 44   | 36                |
| Total non-operating revenues | <u>-</u>                        | <u>44</u>         | <u>44</u>  | <u>36</u>         |
| Net income (loss)            | <u>\$ (12,810)</u>              | <u>77,465</u>     | <u>\$ 90,275</u>                                   | <u>(675)</u>      |
| Net Position - Beginning     |                                 | <u>222,818</u>    |  | <u>223,493</u>    |
| Net Position -Ending         |                                 | <u>\$ 300,283</u> |  | <u>\$ 222,818</u> |

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

# Draft 7-18-18

**CITY OF CRAIG, COLORADO**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICES - MEDICAL BENEFIT FUND**  
**December 31, 2017 and 2016**

|  | <u>2017</u>       | <u>2016</u>       |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities             |                   |                   |
| Cash received from users                         | \$ 2,036,154      | \$ 2,065,717      |
| Cash paid on claims                              | (49,913)          | (65,779)          |
| Cash paid for premiums and administration        | (1,908,820)       | (2,000,649)       |
| Net Cash Provided (Used) by Operating Activities | <u>77,421</u>     | <u>(711)</u>      |
| <br>   |                   |                   |
| Cash Flows from Investing Activities             |                   |                   |
| Interest received                                | 44                | 36                |
| Net Cash Provided (Used) by Investing Activities | <u>44</u>         | <u>36</u>         |
| <br>   |                   |                   |
| Net change in cash and cash equivalents          | 77,465            | (675)             |
| Cash and Cash Equivalents - Beginning            | <u>222,818</u>    | <u>223,493</u>    |
| <br>   |                   |                   |
| Cash and Cash Equivalents - Ending               | <u>\$ 300,283</u> | <u>\$ 222,818</u> |
| <br>   |                   |                   |
| Reconciliation of Operating Income (Loss) to     |                   |                   |
| Net Cash Provided by Operating Activities        |                   |                   |
| Operating income (loss)                          | <u>\$ 77,421</u>  | <u>\$ (711)</u>   |
| <br>   |                   |                   |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 77,421</u>  | <u>\$ (711)</u>   |

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

Draft 7-18-18

**OTHER SUPPLEMENTARY INFORMATION  
STATE COMPLIANCE**

# Draft 7-18-18

Financial Planning 02/01  
Form # 350-050-36

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

|                                     |                        |   |
|-------------------------------------|------------------------|---|
| <b>LOCAL HIGHWAY FINANCE REPORT</b> |                        | City or County:<br><b>CITY OF CRAIG</b> |
|                                     |                        | YEAR ENDING :<br>December 2017          |
| City of Craig                       | Prepared By:<br>Phone: | Bruce M. Nelson<br>(970) 826-2007       |

## 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    |
|---|-----------|---|-----------|
| <b>A. Receipts from local sources:</b>        |           | <b>A. Local highway disbursements:</b>            |           |
| 1. Local highway-user taxes                   |           | 1. Capital outlay (from page 2)                   | 663,231   |
| a. Motor Fuel (from Item I.A.5.)              |           | 2. Maintenance:                                   | 1,799,830 |
| b. Motor Vehicle (from Item I.B.5.)           |           | 3. Road and street services:                      |           |
| c. Total (a.+b.)                              |           | a. Traffic control operations                     | 23,354    |
| 2. General fund appropriations                | 1,858,980 | b. Snow and ice removal                           | 4,247     |
| 3. Other local imposts (from page 2)          | 272,059   | c. Other  |           |
| 4. Miscellaneous local receipts (from page 2) | 6,583     | d. Total (a. through c.)                          | 27,601    |
| 5. Transfers from toll facilities             |           | 4. General administration & miscellaneous         |           |
| 6. Proceeds of sale of bonds and notes:       |           | 5. Highway law enforcement and safety             |           |
| a. Bonds - Original Issues                    |           | 6. Total (1 through 5)                            | 2,490,662 |
| b. Bonds - Refunding Issues                   |           | <b>B. Debt service on local obligations:</b>      |           |
| c. Notes                                      |           | 1. Bonds:   |           |
| d. Total (a. + b. + c.)                       | 0         | a. Interest                                       |           |
| 7. Total (1 through 6)                        | 2,137,622 | b. Redemption                                     |           |
| <b>B. Private Contributions</b>               |           | c. Total (a. + b.)                                | 0         |
| <b>C. Receipts from State government</b>      |           | 2. Notes:   |           |
| (from page 2)                                 | 353,040   | a. Interest                                       |           |
| <b>D. Receipts from Federal Government</b>    |           | b. Redemption                                     |           |
| (from page 2)                                 | 0         | c. Total (a. + b.)                                | 0         |
| <b>E. Total receipts (A.7 + B + C + D)</b>    | 2,490,662 | 3. Total (1.c + 2.c)                              | 0         |
|   |           | <b>C. Payments to State for highways</b>          |           |
|   |           | <b>D. Payments to toll facilities</b>             |           |
|   |           | <b>E. Total disbursements (A.6 + B.3 + C + D)</b> | 2,490,662 |

## IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

|                              | Opening Debt | Amount Issued | Redemptions | Closing Debt |
|------------------------------|--------------|---------------|-------------|--------------|
| <b>A. Bonds (Total)</b>      |              |               |             | 0            |
| 1. Bonds (Refunding Portion) |              |               |             |              |
| <b>B. Notes (Total)</b>      |              |               |             | 0            |

## V. LOCAL ROAD AND STREET FUND BALANCE

|  | A. Beginning Balance | B. Total Receipts | C. Total Disbursements | D. Ending Balance | E. Reconciliation |
|--|----------------------|-------------------|------------------------|-------------------|-------------------|
|  |                      | 2,490,662         | 2,490,662              |                   | 0                 |

**Notes and Comments:**

# Draft 7-18-18

|   |                           |  |  |
|---|---------------------------|--|--|
| <b>LOCAL HIGHWAY FINANCE REPORT</b>                             |                           | STATE:<br>Colorado                         |  |
|   |                           | YEAR ENDING (mm/yy):<br>December 2017      |  |
| <b>II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL</b>       |                           |  |  |
| <b>ITEM</b>   | <b>AMOUNT</b>             | <b>ITEM</b>                                | <b>AMOUNT</b>                            |
| <b>A.3. Other local imposts:</b>                                |                           | <b>A.4. Miscellaneous local receipts:</b>  |  |
| a. Property Taxes and Assessments                               | 147,370                   | a. Interest on investments                 | 6,583                                    |
| 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                                | 124,689                   | g. Other Misc. Receipts                    |  |
| 6. Total (1. through 5.)  | 124,689                   | h. Other                                   |  |
| c. Total (a. + b.)  | 272,059                   | i. Total (a. through h.)                   | 6,583                                    |
|   | (Carry forward to page 1) |  | (Carry forward to page 1)                |
| <b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b> |                           |  |  |
| <b>ITEM</b>   | <b>AMOUNT</b>             | <b>ITEM</b>                                | <b>AMOUNT</b>                            |
| <b>C. Receipts from State Government</b>                        |                           | <b>D. Receipts from Federal Government</b> |  |
| 1. Highway-user taxes   | 309,545                   | 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                                  | 43,495                    | 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.)  | 43,495                    | g. Total (a. through f.)                   | 0  |
| 4. Total (1. + 2. + 3.f)  | 353,040                   | 3. Total (1. + 2.g)                        |  |
|   |                           |  | (Carry forward to page 1)                |
|   |                           | ON NATIONAL<br>HIGHWAY<br>SYSTEM<br>(a)    | OFF NATIONAL<br>HIGHWAY<br>SYSTEM<br>(b) |
|   |                           | TOTAL<br>(c)                               |  |
| <b>A.1. Capital outlay:</b>                                     |                           |  |  |
| a. Right-Of-Way Costs   |                           |  | 0  |
| b. Engineering Costs  |                           | 6,224                                      | 6,224                                    |
| c. Construction:  |                           |  |  |
| (1). New Facilities   |                           |  | 0  |
| (2). Capacity Improvements                                      |                           |  | 0  |
| (3). System Preservation  |                           | 367,013                                    | 367,013                                  |
| (4). System Enhancement & Operation                             |                           | 289,994                                    | 289,994                                  |
| (5). Total Construction (1) + (2) + (3) + (4)                   |                           | 0  | 657,007                                  |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)             |                           | 0  | 663,231                                  |
|   |                           |  | (Carry forward to page 1)                |
| <b>Notes and Comments:</b>                                      |                           |  |  |
|   |                           |  |  |