

***CITY OF CRIPPLE CREEK***

**FINANCIAL STATEMENTS**

**December 31, 2011**

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## Independent Auditors' Report

Honorable Mayor and Members  
of the City Council  
Cripple Creek, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Cripple Creek, Colorado (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2010 financial statement and in our report dated July 12, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As discussed in Note 1 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No 54 as of and for the year ended December 31, 2011.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, on pages I through XIV and page 43, respectively, 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 budgetary comparison schedule for the Water and Sewer Fund and the Local Highway Finance Report are presented for the purpose of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

*RubinBrown LLP*

July 17, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Cripple Creek (City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the calendar year ended December 31, 2011. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### Financial Highlights

- The City's assets exceeded its liabilities by \$47,802,813 (total net assets) for the calendar year reported. This represents a decrease of \$2,356,980 or 4.7% over 2010. Much of the decrease was caused primarily from depreciation expense.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$38,596,444 include property, equipment and infrastructure, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$2,156,146 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations. This figure is significantly higher than 2010 because of the implementation of GASB 54. See Note 15 for more details.
  - (3) Unassigned net assets of \$7,050,223 represent the portion available to maintain the City's continuing obligations to citizens and creditors. This figure was also greatly impacted by GASB 54.
- The City's governmental funds reported total ending fund balance of \$8,496,155 this year. This compares to the prior year ending fund balance of \$9,260,794 showing a decrease of \$764,639 during the current year. Unassigned fund balance of \$6,340,009 for calendar year 2011 shows a \$2,728,785 decrease, or 30% from the prior year. This figure was also greatly impacted by the implementation of GASB 54.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$6,340,009, or 97% of total General Fund annual expenditures.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

### Overview of the Financial Statements

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

### Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

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The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by sales taxes and device fees and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and streets. The business-type activity includes the water and sewer system.

The government-wide financial statements are presented on pages 3 & 4 of this report.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. All of the City's funds are classified as major.

The City has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 5 - 8 of this report.

The *Proprietary fund* is reported in the fund financial statements and generally report services for which the City charges customers a fee. The one City proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for water and sewer utilities.

The basic enterprise fund financial statements are presented on pages 9 - 12 of this report.

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

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 13 of this report.

### ***Other Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget presentations. Budgetary comparison statements are included as "required supplementary information" for the General Fund and the three major special revenue funds. Budgetary comparison schedules for the Enterprise Fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget. Required supplementary information can be found on pages 43 - 44, and other additional material on pages 45 - 47 of this report.

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules of these funds are presented in a subsequent section of this report.

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

The City's net assets at calendar year-end are \$47,802,813. Note that governmental activities encompass the City's General and Historic Preservation Funds. The business activities encompass the City's Enterprise Fund, which are primarily water collection/distribution and water/wastewater treatment. The following table provides a summary of the City's net assets:

**Summary of Net Assets**

	Governmental Activities	Business Activities	Total	% of Total
<b>Assets:</b>				
Current assets	\$8,508,518	\$822,505	\$9,331,023	18.7%
Long Term Assets	350,000	112,554	462,554	0.9%
Capital assets	<u>22,264,870</u>	<u>17,779,979</u>	<u>40,044,849</u>	80.3%
<b>Total Assets</b>	<b>31,123,388</b>	<b>18,715,038</b>	<b>49,838,426</b>	<b>100%</b>
<b>Liabilities:</b>				
Current liabilities	445,715	143,157	588,872	28.9%
Long-term liabilities	<u>93,748</u>	<u>1,352,993</u>	<u>1,446,741</u>	71.1%
<b>Total Liabilities</b>	<b>539,463</b>	<b>1,496,150</b>	<b>2,035,613</b>	<b>100%</b>
<b>Net assets:</b>	<b>30,583,925</b>	<b>17,218,888</b>	<b>47,802,813</b>	
Invested in capital assets, net of debt	22,204,955	16,391,489	38,596,444	80.7%
Restricted	2,156,146		2,156,146	4.5%
Unrestricted	<u>6,222,824</u>	<u>827,399</u>	<u>7,050,223</u>	14.7%
<b>Total net assets</b>	<b><u>\$30,583,925</u></b>	<b><u>\$17,218,888</u></b>	<b><u>\$47,802,813</u></b>	<b>100%</b>

*Additional Information:*

<i>Current Ratio</i>	19.1	5.7	15.8
2010 Net assets	\$32,928,536	\$17,231,257	\$50,159,793
2011 Net assets	\$30,583,925	\$17,218,888	\$47,802,813
Dollar Change	\$(2,344,611)	\$(12,369)	\$(2,356,980)
Percent Change	-7.1%	-0.1%	-4.7%

The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 19.1 to 1 and 5.7 to 1 for business-type activities. For the City overall, the current ratio is 15.8 to 1. Governmental activities decreased primarily due to depreciation expense and business-type activities decreased because of expenditures on infrastructure and depreciation expense.

The City reported a decreased balance in net assets for the governmental activity and a decrease in the business-type activities. Net assets decreased \$2,344,611, or -7.1% for governmental activities. Governmental activities net assets were down primarily because of lower revenues in device fees and the closing of the Economic Development and Medical Plaza Funds. Very few capital assets were added to the governmental funds in 2011 compared to 2010. The business-type activities decreased by \$12,369, or .1% for the year. Business-type activities had lower revenues and reduced expenses compared to the year before. The City's overall financial position decreased by \$2,356,980, or -4.7%.

Note that approximately 72.8% of the governmental activities' net assets are tied up in capital. The City uses these capital assets to provide services to its citizens. However, with business type activities, the City has spent approximately 103.3% of its net assets on capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. 83.8% of the City's total net assets are included in capital assets.

The following three tables provide more detailed comparisons in the change of net assets from 2010 to 2011, by both governmental activities and business-type activities, as well as total net assets.

**Summary of Change in Net Assets for Governmental Activities 2011 Compared to 2010**

	2011	2010	Dollar Change	Percent Change
<b>Assets:</b>				
Current assets	\$ 8,508,518	\$ 9,585,926	\$(1,077,408)	-11.2%
Long Term Assets	350,000		462,554	100.0%
Capital assets	<u>22,264,870</u>	<u>23,904,831</u>	<u>(1,639,961)</u>	-6.9%
<b>Total Assets</b>	<b>31,123,388</b>	<b>33,490,757</b>	<b>(2,367,369)</b>	<b>-7.1%</b>
<b>Liabilities:</b>				
Current liabilities	445,715	406,915	38,800	9.5%
Long-term liabilities	<u>93,748</u>	<u>155,306</u>	<u>(61,558)</u>	-39.6%
<b>Total Liabilities</b>	<b>539,463</b>	<b>562,221</b>	<b>(22,758)</b>	<b>-4.0%</b>
<b>Net assets:</b>	<b>30,583,925</b>	<b>32,928,536</b>	<b>(2,344,611)</b>	<b>-7.1%</b>
Invested in capital assets, net of debt	22,204,955	23,786,981	(1,582,026)	-6.7%
Restricted	2,156,146	192,000	1,964,146	1023.0%
Unrestricted	<u>6,222,824</u>	<u>8,949,555</u>	<u>(2,726,731)</u>	-30.5%
<b>Total net assets</b>	<b><u>\$ 30,583,925</u></b>	<b><u>\$ 32,928,536</u></b>	<b><u>\$(2,344,611)</u></b>	<b>-7.1%</b>

**Summary of Statement of Net Assets for Business-type Activities 2011 Compared to 2010**

	2011	2010	Dollar Change	Percent Change
<b>Assets:</b>				
Current assets	\$ 822,505	\$ 843,407	\$ (20,902)	-2.5%
Long-term assets	112,554	109,704	2,850	2.6%
Capital assets	<u>17,779,979</u>	<u>17,926,569</u>	<u>(146,590)</u>	-0.8%
<b>Total Assets</b>	<b>18,715,038</b>	<b>18,879,680</b>	<b>(164,642)</b>	<b>-0.9%</b>
<b>Liabilities:</b>				
Current liabilities	143,157	236,227	(93,070)	-39.4%
Long-term liabilities	<u>1,352,993</u>	<u>1,412,196</u>	<u>(59,203)</u>	-4.2%
<b>Total Liabilities</b>	<b>1,496,150</b>	<b>1,648,423</b>	<b>(152,273)</b>	<b>-9.2%</b>
<b>Net assets:</b>	<b>17,218,888</b>	<b>17,231,257</b>	<b>(12,369)</b>	<b>-0.1%</b>
Invested in capital assets, net of debt	16,391,489	16,473,880	(82,391)	-0.5%
Unrestricted	<u>827,399</u>	<u>757,377</u>	<u>70,022</u>	9.2%
<b>Total net assets</b>	<b>\$ 17,218,888</b>	<b>\$ 17,231,257</b>	<b>\$ (12,369)</b>	<b>-0.1%</b>

**Summary of Statement of Total Net Assets - 2011 Compared to 2010**

	2011	2010	Dollar Change	Percent Change
<b>Assets:</b>				
Current assets	\$9,331,023	\$10,429,333	\$(1,098,310)	-10.5%
Long-term assets	462,554	109,704	352,850	321.6%
Capital assets	<u>40,044,849</u>	<u>41,831,400</u>	<u>(1,786,551)</u>	-4.3%
<b>Total Assets</b>	<b>49,838,426</b>	<b>52,370,437</b>	<b>(2,532,011)</b>	<b>-4.8%</b>
<b>Liabilities:</b>				
Current liabilities	588,872	643,142	(54,270)	-8.4%
Long-term liabilities	<u>1,446,741</u>	<u>1,567,502</u>	<u>(120,761)</u>	-7.7%
<b>Total Liabilities</b>	<b>2,035,613</b>	<b>2,210,644</b>	<b>(175,031)</b>	<b>-7.9%</b>
<b>Net assets:</b>	<b>47,802,813</b>	<b>50,159,793</b>	<b>(2,356,980)</b>	<b>-4.7%</b>
Invested in capital assets,				
net of debt	38,596,444	40,260,861	(1,664,417)	-4.1%
Restricted	2,156,146	192,000	1,964,146	1023.0%
Unrestricted	<u>7,050,223</u>	<u>9,706,932</u>	<u>(2,656,709)</u>	-27.4%
<b>Total net assets</b>	<b><u><u>\$47,802,813</u></u></b>	<b><u><u>\$50,159,793</u></u></b>	<b><u><u>\$(2,356,980)</u></u></b>	<b>-4.7%</b>

**Summary of Statement of Activities - Net Assets for Governmental and Business-type**

	Governmental Activities	Business-Type Activities	Total	Percent of Total
Revenues:				
<i>Program Revenues:</i>				
Charges for Service	\$ 483,853	\$ 559,642	\$ 1,043,495	11.5%
Grants, contributions, etc.	5,029		5,029	0.1%
Total Program Revenues	488,882	559,642	1,048,524	11.6%
<i>General Revenues:</i>				
Property Taxes	118,761		118,761	1.3%
Sales Taxes	455,757		455,757	5.0%
Gaming Taxes	2,459,519		2,459,519	27.1%
Other Taxes	8,249		8,249	0.1%
Device Fees	2,587,200	1,720,040	4,307,240	47.5%
Investment Earnings	30,607	1,855	32,462	0.4%
Miscellaneous	467,371	164,139	661,510	7.0%
Total General Revenues	6,127,464	1,886,034	8,013,498	88.4%
Total Revenues	6,616,346	2,445,676	9,062,022	100.0%
Expenses:				
General Government	3,305,114		3,305,114	28.9%
Public Safety	3,150,314		3,150,314	27.6%
Streets	1,286,529		1,286,529	11.3%
Culture and Recreation	1,219,000		1,219,000	10.7%
Water and Sewer		2,458,045	2,458,045	21.5%
Total Expenses	8,960,957	2,458,045	11,419,002	100.0%
Change in Net Assets	(2,344,611)	(12,369)	(2,356,980)	
Beginning Net Assets	32,928,536	17,231,257	50,159,793	
Ending Net Assets	\$ 30,583,925	\$ 17,218,888	\$ 47,802,813	

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## GOVERNMENTAL REVENUES

The City is heavily reliant on gaming industry to generate revenues. 42% of governmental general revenues are device fees. Device fees, state gaming tax distribution to the general fund, and the distribution of gaming tax through the historic preservation fund make up 82% of all governmental activities revenue. The City levies device fees quarterly. However, beginning in July 2009 casinos are allowed to pay the fees monthly. Each casino pays a fee for each gaming device (slot machine, table, etc.). A current schedule of device fees may be obtained from the City's finance office 689-2502.

Although the City received \$118,761 in property taxes and \$455,757 in sales taxes, the gaming taxes, which are received annually from the State of Colorado, based on market share, make up 40% of governmental general revenues. Therefore, when you combine device fee revenue (42%) and gaming taxes (40%), the governmental general revenues directly attributable to gaming is 82%. The City of Cripple Creek is very reliant on the gaming industry for its revenues. Other sources of governmental revenues experienced the following changes for 2011: property taxes were down \$3,522 or 3% due to lower property valuations, sales tax collections were up \$11,964 or 3%. Investment earnings were down \$41,209 or 56%, due to lower interest rates for reinvestment and the amount of funds available to invest.

## GOVERNMENTAL FUNCTIONAL EXPENSES

Eighty six percent of total governmental expenditures are spent on general government, public safety and streets, which is six percent more than in 2010. The streets expenses include the depreciation of infrastructure.

The following table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that is placed on the City's taxpayers by each of these functions.

### Government Activities

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General Government	3,305,114	(3,000,079)
Public Safety	3,150,314	(3,133,309)
Streets	1,286,529	(1,194,596)
Culture & Recreation	1,219,000	(1,144,091)
Total	8,960,957	(8,472,075)

Although the City reports very little program revenue, much of the general government functions, listed in the above table, are funded by device fees. Device fees are reported as general revenue, rather than program revenue, therefore, the net cost of services mirror the total cost of services.

The following table compares total cost of services for government activities in 2011 to those of 2010. Note that total costs of services decreased 1.3%.

**Government Activities Total Cost of Service - 2011 Compared to 2010**

	Total Cost 2011	Total Cost 2010	Dollar Change	Percent Change
General government	3,305,114	3,519,579	(214,465)	-6.1%
Public Safety	3,150,314	3,185,754	(35,440)	-1.1%
Streets	1,286,529	1,242,667	43,862	3.5%
Culture & Recreation	1,219,000	1,131,539	87,461	7.7%
Total	\$8,960,957	\$9,079,539	\$(118,582)	-1.3%

**BUSINESS-TYPE ACTIVITIES  
 Revenues vs. Costs**

The operating revenues for the water and sewer fund were up \$107,279, or 17.4% from 2010 due primarily to higher water sales to the CC & V Mine and operating expenses were down \$38,394 or 1.6% over 2010. These activities reported a \$1,660,115 operating loss compared to an operating loss of \$1,805,788 for the prior year, a decrease of \$145,673 or 8%. Although operating losses are common in this fund, the user rates are not established to recover total cost since a portion of the device fees are included in this fund to offset the operating losses. As such, the total net assets decreased in calendar 2011 by \$12,369 versus an increase of \$54,894 in calendar 2010. Personnel service costs (labor costs) decreased \$78,607 or 7.7% over 2010. Depreciation costs increased approximately \$32,634, or 4.0% over calendar 2010.

**Financial Analysis of the City's Funds**

***Governmental Funds***

As discussed, governmental funds (General and Historic Preservation Funds) are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$8,496,155. Of this year-end total, \$6,340,009, or 74.6% is unassigned indicating availability for continuing City service requirements. Legally restricted fund balances (i.e., the reserved fund balances) relates to the Tabor (Tax Payer Bill of Rights) requirement to set aside a portion of fund balance for emergencies, funds donated for a specific purpose and funds restricted for Historic Preservation totaled \$2,156,146. The total ending fund balances of governmental funds shows a decrease of \$764,639 or 8.3% compared to the prior year. Most of the decrease came from the closing of the Economic Development and Medical Plaza Funds because of the implementation of GASB 54.

***Major Governmental Funds***

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance decreased by \$137,077, or 2%. The 2011 property taxes decreased 3%. Property taxes represent only 1.8% of total general fund revenues. Sales taxes increased 3% in 2011. Device fees decreased \$390,905, or 13%. Gaming taxes received by the general fund decreased \$79,929, or approximately 5%. The decrease was caused by a state-wide decrease in gaming taxes paid, which the City receives a portion of based on market share between the three towns. Investment earnings were down \$22,219 or 46%.

The expenditures side shows an increase of \$280,820 or 4.5% over the prior year. The General Fund's ending fund balance is considered adequate, representing the equivalent of 102% of annual expenditures. The figure was 108% for 2010.

The Historic Preservation Fund decreased its fund balance by \$188,704 or 9.2%. Revenues decreased 143,949, or 13.6% compared to 2010.

**Budgetary Highlights**

The following table highlights the 2011 adopted budget vs. the actual experience that was incurred during the year.

**Budgetary Highlights by Fund**

	<b>2011 Adopted Budget</b>	<b>2011 Actual</b>	<b>Variance - Actual to Budget</b>
<b>General Fund:</b>			
Revenues	6,306,690	5,698,894	(607,796)
Expenditures	9,258,117	6,524,829	(2,733,288)
<b>Historic Preservation Fund:</b>			
Revenues	913,280	917,452	4,172
Expenditures	1,327,854	856,156	(471,698)
<b>Enterprise Fund:</b>			
Revenues & Transfers	2,488,500	2,445,676	(42,824)
Expenditures	2,848,488	2,375,654	(472,834)

**Capital Assets and Debt Administration**

*Capital Assets*

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2011, was \$22,264,870 and \$17,779,979 respectively. The total decrease in this net investment was 6.9% for governmental and a decrease of 0.8% for business-type activities. See Note 4 for additional information about changes in capital assets during the calendar year and outstanding at the end of the year.

The following table provides a summary of capital asset activity.

**Capital Assets**

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Non-depreciable assets:						
Land	\$7,580,495	\$7,568,845	\$973,015	\$973,015	\$8,553,510	\$8,541,860
Water rights			1,611,812	1,591,946	1,611,812	1,591,946
Total non-depreciable	7,580,495	7,568,845	2,584,827	2,564,961	10,165,322	10,133,806
Depreciable assets:						
Land improvements			6,259,769	6,060,109	6,259,769	6,060,109
Buildings	14,640,018	14,580,671			14,640,018	14,580,671
Equipment	1,779,773	1,650,141	1,472,034	1,407,833	3,251,807	3,057,974
Infrastructure and plants	22,530,618	22,599,961	16,924,903	16,523,761	39,455,521	39,123,722
Total Depreciable assets	38,950,409	38,830,773	24,656,706	23,991,703	63,607,115	62,822,476
Less accumulated depreciation	24,266,034	22,494,787	9,461,554	8,630,095	33,727,588	31,124,882
Book value - depreciable assets	14,684,375	16,335,986	15,195,152	15,361,608	29,879,527	31,697,594
Percentage depreciated	62%	58%	38%	36%	53%	50%
Book value - all assets	\$22,264,870	\$23,904,831	\$17,779,979	\$17,926,569	\$40,044,849	\$41,831,400
Change in \$	(1,639,961)		(146,590)		(1,786,551)	
Change in %	-6.9%		-0.8%		-4.3%	

At December 31, 2011, the depreciable capital assets for governmental activities were 62% depreciated. This compares to 58% at December 31, 2010. With the City's business type activities, 38% of the asset values were depreciated at December 31, 2011 compared to 36% at December 31, 2010. Overall, the City percentage of assets depreciated in both governmental and business activity is 53% at December 31, 2011.

**Long-term Debt**

The governmental activities long-term debt consists of capital leases and compensated absences due to employees for earned, but untaken vacation.

At the end of the calendar year in the Water and Sewer Fund, the City had total bonded principal debt outstanding of \$1,352,500, which represents a decrease of 2.1% from 2010. The combined amount for both principal and interest is \$2,373,896, down \$103,050, or 4.2% from 2010. These bonds are supported by pledged revenues generated primarily by the water and sewer fund. This fund also reports notes payable and compensated absences payable.

**Outstanding  
Borrowing**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>		<b>% Change</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	
Revenue Bonds	-	-	843,400	863,700	843,400	863,700	-2.4%
Capital Leases	59,915	117,850	35,990	70,789	95,905	188,639	-49.2%
Notes			509,100	518,200	509,100	518,200	-1.8%
Compensated absences	117,185	119,239	39,473	29,690	156,658	148,929	5.2%
<b>Total</b>	<b>177,100</b>	<b>237,089</b>	<b>1,427,963</b>	<b>1,482,379</b>	<b>1,605,063</b>	<b>1,719,468</b>	<b>-6.7%</b>

See Note 5 for additional information about the City's long-term debt.

**Economic Conditions Affecting the City**

The City of Cripple Creek continues to experience declines in its revenues caused by: 1). The smoking ban, which went into effect in January 2008 and 2). the recession, which began in 2008 and has impacted the State of Colorado and the nation as a whole. Three main areas of revenue have been significantly impacted by the recession. These areas are:

1). Gaming Revenues. The City receives the majority of its revenues from the gaming industry in the form of device fees and gaming taxes distributed by the state. The number of devices in the City continues to decline from the high achieved in the third quarter of 2008 of 5,170, when the Wildwood Casino opened, to 3,949 devices by the end of 2011, a decline of 1,221 machines, or 24%. In 2011, the City had one new casino open – Big Jims. The severe drop in the number of devices in the City will have an on-going negative impact on the City's finances. For 2011, total device fees were down \$595,911K, or 12.2%

The amount of gaming taxes distributed annually to the City's General and Historic Preservation Funds in 2011 also declined. Gaming taxes were down \$131,945, or 5.1% over 2010. The combined decline in device fees and gaming taxes gave the City \$727,856K less revenue to operate on in 2011 from these two sources alone.

2). Investment Earnings. In response to the recession in 2008 and 2009, the Federal Government, through the Federal Reserve, has dramatically lowered targeted interest rates (Fed Funds Rate) to near zero percent, which in turn has impacted the yields on Treasury Bonds. This in turn has dramatically reduced the amount of money the City is able to earn on its investments and bank accounts, whether invested in state sanctioned investment pools, such as Colotrust, or directly in certificates of deposit. For example, in 2007, prior to the Fed's interest rate lowering strategy, the City earned \$507,132 in interest on investments. For 2011, the figure is \$32,462, which represents a decline of \$474,670, or 93.6%, from the 2007 level. This represents a tremendous decline in revenues in a four year period. Comparing 2011 to 2010, the City had \$41,209 less in revenue from interest on investments. In 2011, the City renewed a number of longer-term certificates of deposit at substantially lower interest rates than they originally carried. The amount earned by the City on investments is impacted by the fund balances available to invest and constantly fluctuating treasury yields and interest rates.

3). Sales Tax. Because of the recession, sales tax had declining, but 2011 saw a slight increase. Sales tax dollars go into the City's General Fund. Sales taxes in 2008 were \$622,288, in 2009 \$462,395, in 2010 they were \$443,793, and for 2011 they increased to 455,757, an increase of 2.7%. Comparing 2011 to 2008, sales tax had dropped \$166,531, or 26.8%. It will take a significant increase in coming years to get sales tax back to its prerecession level. Part of the reduction over the last few years was the change in the distribution of .3% of sales tax to Community of Caring (The Aspen Mine Center). Prior to 2009, Community of Caring had been capped at receiving \$50,000 per year from sales taxes. In 2009, this equated to an additional \$20,000 being distributed to them. In 2011, they received approximately \$67,000 in sales tax, or an additional \$17,000.

The change in just the three revenue items outlined above: gaming revenues, investment income, and sales tax, combined to give the City \$757,101 less money to operate with in 2011 compared to 2010.

**Summary of Revenues and Expenses**

**Total Revenues - All Funds**

	<b>2011</b>	<b>2010</b>	<b>Dollar Change</b>	<b>Percent Change</b>
General Fund	5,698,894	5,980,933	(282,039)	-4.7%
Historic Preservation Fund	917,452	1,061,401	(143,949)	-13.6%
Economic Development Fund		3,438	(3,438)	-100.0%
Medical Plaza Fund		274,158	(274,158)	-100.0%
Enterprise Fund	2,445,676	2,551,113	(105,437)	-4.1%
<b>Total</b>	<b>9,062,022</b>	<b>9,871,043</b>	<b>(809,021)</b>	<b>-8.2%</b>

**Total Expenditures - All Funds**

	<b>2011</b>	<b>2010</b>	<b>Dollar Change</b>	<b>Percent Change</b>
General Fund	6,524,829	6,244,009	280,820	4.5%
Historic Preservation Fund	856,156	881,560	(25,404)	-2.9%
Economic Development Fund		46,266	(46,266)	-100.0%
Medical Plaza Fund		437,252	(437,252)	-100.0%
Enterprise Fund	2,375,654	3,394,386	(1,018,732)	-30.0%
<b>Total</b>	<b>9,756,639</b>	<b>11,003,473</b>	<b>(1,246,834)</b>	<b>-11.3%</b>

**Excess (Deficit) Revenues to Expenses**

	<b>2011</b>	<b>2010</b>	<b>Dollar Change</b>	<b>Percent Change</b>
General Fund	(825,935)	(263,076)	(562,859)	214.0%
Historic Preservation Fund	61,296	179,841	(118,545)	-65.9%
Economic Development Fund	-	(42,828)	42,828	-100.0%
Medical Plaza Fund	-	(163,094)	163,094	-100.0%
Enterprise Fund	70,022	(843,273)	913,295	-108.3%
<b>Total</b>	<b>(694,617)</b>	<b>(1,132,430)</b>	<b>437,813</b>	<b>-38.7%</b>

Note that deficit spending is covered by the fund balance dollars in each fund.

The table on the prior page summarizes the revenues and expenses for the entire City comparing 2011 to 2010. In total, revenues were down \$809,021, or 8.2%. To offset the continuing decline in revenues, the City reduced total expenditures by \$1,246,834, or 11.3%.

In summary, the City continues to face declining revenues and has reached a point where budget cuts have begun to limit the City's ability to market itself and attract visitors through special events, theater, etc. These budget cuts also mean declining investments in infrastructure and core services. The City's 2012 budget for expenditures has been reduced by \$1.8 million, or 16%, compared to the 2011 budget. The long-term solutions to these financial issues are for the number of devices in town to increase or the fee per device to be raised. The fee charged per device has not increased in twenty years, even though the cost of operating the City increases each year. Gaming taxes distributed to the City's General and Historic Preservation Funds will not increase until the industry, as a whole, sees increases in business and the City must continue to fight to retain market share compared to the other two gaming towns. Marketing share between the three gaming towns, based on Adjusted Gross Proceeds, is the basis for the tax distribution. In addition, water/sewer rates, which have not increased in twenty years, must also be increased to help offset the costs of needed infrastructure improvements.

#### **Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's finance director at 689-2502.

**CITY OF CRIPPLE CREEK**  
**STATEMENT OF NET ASSETS**  
**December 31, 2011**

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents (Note 2)	\$ 269,479	\$ 48,622	\$ 318,101
Investments (Note 2)	7,893,494	757,306	8,650,800
Due from Other Funds (Note 13)			
Receivables:			
Accounts (Net) (Note 3)	227,326	16,577	243,903
Property Taxes	118,219		118,219
<b>CAPITAL ASSETS (Note 4)</b>			
Nondepreciable Capital Assets	7,580,495	2,584,827	10,165,322
Depreciable Capital Assets, Net	14,684,375	15,195,152	29,879,527
<b>LONG-TERM ASSETS</b>			
Restricted Cash (Note 2)		112,554	112,554
Investments Maturing In More Than One Year	350,000		350,000
<b>Total Assets</b>	<b>31,123,388</b>	<b>18,715,038</b>	<b>49,838,426</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	165,460	43,038	208,498
Accrued Expenses	78,684	25,149	103,833
Unearned Revenue	118,219		118,219
Compensated Absences Payable (Note 5)	23,437	7,895	31,332
Capital Leases (Note 5)	59,915	35,990	95,905
Notes Payable (Note 5)		9,585	9,585
Revenue Bonds Payable (Note 5)		21,500	21,500
<b>LONG-TERM LIABILITIES (Note 5)</b>			
Compensated Absences Payable	93,748	31,578	125,326
Notes Payable		499,515	499,515
Revenue Bonds Payable		821,900	821,900
<b>Total Liabilities</b>	<b>539,463</b>	<b>1,496,150</b>	<b>2,035,613</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt (Note 7)	22,204,955	16,391,489	38,596,444
Restricted for:			
Emergencies (Note 11)	190,831		190,831
Culture and Recreation	100,000		100,000
Historic Preservation	1,865,315		1,865,315
Unrestricted	6,222,824	827,399	7,050,223
<b>Total Net Assets</b>	<b>\$ 30,583,925</b>	<b>\$ 17,218,888</b>	<b>\$ 47,802,813</b>

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



**City of Cripple Creek**  
**BALANCE SHEET - Governmental Funds**  
**December 31, 2011**

<b>ASSETS</b>	<u>General</u>	<u>Historic Preservation</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 233,630	\$ 35,849	\$ 269,479
Investments	6,352,788	1,890,706	8,243,494
Receivables:			
Accounts	216,668	10,658	227,326
Property Taxes	118,219		118,219
 Total Assets	 <u>6,921,305</u>	 <u>1,937,213</u>	 <u>8,858,518</u>
 <b>LIABILITIES &amp; FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	100,929	64,531	165,460
Accrued Expenditures	71,317	7,367	78,684
Deferred Revenue	118,219		118,219
 Total Liabilities	 <u>290,465</u>	 <u>71,898</u>	 <u>362,363</u>
 <b>FUND BALANCES</b>			
Restricted	290,831	1,865,315	2,156,146
Unassigned	6,340,009		6,340,009
 Total Fund Balances	 <u>6,630,840</u>	 <u>1,865,315</u>	 <u>8,496,155</u>
 Total Liabilities and Fund Balances	 <u>\$ 6,921,305</u>	 <u>\$ 1,937,213</u>	 <u>\$ 8,858,518</u>

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

**CITY OF CRIPPLE CREEK**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**December 31, 2011**

Total Governmental Fund Balances \$ 8,496,155

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

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

Nondepreciable Capital Asset		7,580,495
Depreciable Capital Assets	\$ 38,950,409	
Less Accumulated Depreciation	<u>(24,266,034)</u>	14,684,375

Capital Leases are reported as liabilities on the statement  
of net assets and are not reported in the governmental  
fund balances. (59,915)

Compensated absences are not reported in the funds statements  
until due, but are reported in the statement of net assets  
when the liability is incurred

Compensated Absences	<u>(117,185)</u>
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Net Assets of Governmental Activities \$ 30,583,925

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

**CITY OF CRIPPLE CREEK**

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

**For The Year Ended December 31, 2011**

	<u>General</u>	<u>Historic Preservation</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property Tax	\$ 118,761	\$	\$ 118,761
Sales Tax	455,757		455,757
Device Fees	2,587,200		2,587,200
Gaming Taxes	1,607,855	851,664	2,459,519
Other Taxes	51,131		51,131
Intergovernmental	141,787		141,787
Licenses and Permits	59,096		59,096
Charges for Service	219,955		219,955
Fines and Forfeitures	17,005		17,005
Investment Earnings	25,765	4,842	30,607
Rental Income	3,128		3,128
Miscellaneous	411,454	60,946	472,400
	<u>5,698,894</u>	<u>917,452</u>	<u>6,616,346</u>
Total Revenues			
<b>EXPENDITURES</b>			
General Government	2,638,719	538,637	3,177,356
Public Safety	2,530,195		2,530,195
Streets	105,862		105,862
Culture and Recreation	866,155	218,912	1,085,067
Capital Outlay	321,934	98,607	420,541
Debt Service:			
Principal Retirements	57,935		57,935
Interest Payments	4,029		4,029
	<u>6,524,829</u>	<u>856,156</u>	<u>7,380,985</u>
Total Expenditures			
Other Financing Sources (Uses)			
Transfers In (Out)	<u>250,000</u>	<u>(250,000)</u>	<u></u>
Other Financing Sources (Uses)	<u>250,000</u>	<u>(250,000)</u>	<u></u>
Net Changes in Fund Balances	(575,935)	(188,704)	(764,639)
FUND BALANCES, Beginning of Year (Restated)	<u>7,206,775</u>	<u>2,054,019</u>	<u>9,260,794</u>
FUND BALANCES, End of Year	<u>\$ 6,630,840</u>	<u>\$ 1,865,315</u>	<u>\$ 8,496,155</u>

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

**CITY OF CRIPPLE CREEK**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2011**

Net Change in Fund Balances - Total Governmental Funds		\$	(764,639)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>			
<p>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. For 2011, Depreciation Expense was significantly greater than the amount the City spent in Capital Outlay.</p>			
	Depreciation Expense	\$ (2,060,502)	
	Capital Outlay	<u>420,541</u>	(1,639,961)
<p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets.</p>			
			57,935
<p>Compensated absences reported in the government-wide statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>			
	Liability at December 31, 2011	\$ (117,185)	
	Liability at December 31, 2010	<u>119,239</u>	
Changes in Compensated Absences			<u>2,054</u>
Change in Net Assets of Governmental Activities		\$	<u><u>(2,344,611)</u></u>

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

**City of Cripple Creek**  
**WATER and SEWER FUND**  
**STATEMENT OF NET ASSETS**  
**December 31, 2011**  
**(With comparative actual amounts as of December 31, 2010)**

<b>ASSETS</b>	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 48,622	\$ 144,549
Investments	757,306	749,229
Accounts Receivable	<u>16,577</u>	<u>19,629</u>
Total Current Assets	<u>822,505</u>	<u>913,407</u>
<b>NON-CURRENT ASSETS</b>		
Restricted Assets:		
Cash and Cash Equivalents	112,554	109,704
Capital Assets:		
Non-Depreciable Capital Assets	2,584,827	2,564,961
Depreciable Capital Assets, Net	<u>15,195,152</u>	<u>15,361,608</u>
Total Noncurrent Assets	<u>17,892,533</u>	<u>18,036,273</u>
Total Assets	<u>18,715,038</u>	<u>18,949,680</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	43,038	144,414
Accrued Wages	25,149	21,630
Due to the General Fund	-	70,000
Compensated Absences Payable	7,895	5,938
Capital Leases	35,990	34,800
Notes Payable	9,585	9,145
Revenue Bonds Payable	<u>21,500</u>	<u>20,300</u>
Total Current Liabilities	<u>143,157</u>	<u>306,227</u>
<b>LONG-TERM LIABILITIES</b>		
Compensated Absences Payable	31,578	23,752
Capital Leases	-	35,989
Notes Payable	499,515	509,055
Revenue Bonds Payable	<u>821,900</u>	<u>843,400</u>
Total Long-Term Liabilities	<u>1,352,993</u>	<u>1,412,196</u>
Total Liabilities	<u>1,496,150</u>	<u>1,718,423</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	16,391,489	16,473,880
Unrestricted	<u>827,399</u>	<u>757,377</u>
<b>Total Net Assets</b>	<u><u>\$ 17,218,888</u></u>	<u><u>\$ 17,231,257</u></u>

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

**CITY OF CRIPPLE CREEK**

**WATER AND SEWER FUND  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGE IN NET ASSETS**

For the Year Ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Water Fees	\$ 422,718	\$ 352,220
Sewer Fees	136,924	133,606
Tap Fees	18,000	3,000
Miscellaneous	146,139	127,676
	<u>723,781</u>	<u>616,502</u>
Total Operating Revenues		
	<u>723,781</u>	<u>616,502</u>
<b>OPERATING EXPENSES</b>		
Professional Services	86,795	84,601
Supplies	154,263	125,798
Personnel Services	947,599	1,026,206
Maintenance and Repairs	172,468	210,641
Utilities and Telephone	137,236	118,751
Depreciation	851,459	818,825
Other	34,076	37,468
	<u>2,383,896</u>	<u>2,422,290</u>
Total Operating Expenses		
	<u>2,383,896</u>	<u>2,422,290</u>
<b>Operating Loss</b>	<u>(1,660,115)</u>	<u>(1,805,788)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest and Fiscal Charges	(74,149)	(73,929)
Interest Earnings	1,855	9,565
Device Fees (Security for Debt)	1,720,040	1,925,046
	<u>1,647,746</u>	<u>1,860,682</u>
Total Non-Operating Revenues (Expenses)		
	<u>1,647,746</u>	<u>1,860,682</u>
Changes in Net Assets	(12,369)	54,894
NET ASSETS, Beginning of Year	<u>17,231,257</u>	<u>17,176,363</u>
NET ASSETS, End of Year	<u><u>\$ 17,218,888</u></u>	<u><u>\$ 17,231,257</u></u>

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

CITY OF CRIPPLE CREEK

**WATER AND SEWER FUND  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2011**

(With comparative amounts for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 726,833	\$ 623,426
Cash Payments to Employees for Personnel Services	(934,297)	(1,016,036)
Cash Payments for Goods and Services	<u>(686,214)</u>	<u>(464,680)</u>
Net Cash Used in Operating Activities	<u>(893,678)</u>	<u>(857,290)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Device Fees	<u>1,720,040</u>	<u>1,925,046</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,720,040</u>	<u>1,925,046</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payments to the General Fund	(70,000)	(200,000)
Principal Paid on Revenue Bonds	(20,300)	(19,100)
Principal Paid on Notes	(9,100)	(8,700)
Principal Paid on Capital Leases	(34,799)	(33,649)
Other Capital Interest	(74,149)	(73,929)
Payments for Capital Acquisitions	<u>(704,869)</u>	<u>(1,615,564)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(913,217)</u>	<u>(1,950,942)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Sale of Investments	245,000	916,607
Investment Earnings	1,855	9,565
Purchase of Investments	<u>(255,927)</u>	<u>                    </u>
Net Cash (Used) Provided by Investing Activities	<u>(9,072)</u>	<u>926,172</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(95,927)	42,981
CASH AND EQUIVALENTS, Beginning of Year	<u>144,549</u>	<u>101,568</u>
CASH AND EQUIVALENTS, End of Year	<u><u>\$ 48,622</u></u>	<u><u>\$ 144,549</u></u>

(continued)

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

CITY OF CRIPPLE CREEK

WATER AND SEWER FUND  
STATEMENT OF CASH FLOWS (continued)  
For the Year Ended December 31, 2011

(With comparative amounts for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
<b>Reconciliation of Operating Loss to Net Cash</b>		
Operating Loss	\$ (1,660,115)	\$ (1,805,788)
<b>Adjustments</b>		
Depreciation	851,459	818,825
(Increases) Decreases in Assets:		
Accounts Receivable	3,052	6,924
Increases (Decreases) in Liabilities:		
Accounts Payable	(101,376)	112,579
Accrued Wages	3,519	4,964
Compensated Absences Payable	<u>9,783</u>	<u>5,206</u>
Net Cash Used in Operating Activities	<u>\$ (893,678)</u>	<u>\$ (857,290)</u>

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

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cripple Creek, Colorado (City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City has opted not to apply Financial Accounting Standards Board (FASB) statements and interpretations after November 30, 1989 to its governmental and business-type activities at the government-wide financial reporting level, and to its enterprise fund at the fund reporting level.

The most significant of the City's accounting policies are described below.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board, and (1) the City is able to significantly influence the programs or services performed or provided by the organizations or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes, or issues their debt. Based upon this criterion, the City is the total reporting entity, and no component units are included.

**Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Basis of Presentation (Continued)*

***Government-wide Financial Statements*** - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with user fees charged to external customers.

The statement of net assets presents the financial position of the governmental and business-type activities of the City at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Basis of Presentation (Continued)**

***Fund Financial Statements*** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns.

***Fund Accounting*** - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary and fiduciary.

***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may, or must, be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

**The General Fund** - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Colorado.

**Historic Preservation Fund** - This fund is used to rebuild and promote the City and the community through the preservation and protection of the City's historic environment and its National Historic Landmark District status.

Two funds classified and reported as special revenue funds for the year ended December 31, 2010 do not meet special revenue fund reporting criteria under GASB Statement 54, and therefore were combined with the General Fund for the fiscal year ended December 31, 2011. See Note 13 for more detail.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Basis of Presentation (Continued)**

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary fund is classified as a major enterprise fund, consisting of the following:

Water and Sewer Fund - This fund provides water and sewer services to the City residents.

Fiduciary Fund - In the past, the City reported a fiduciary fund, which was a pension trust fund for the Volunteer Fire Pension Plan. However, it has been determined that the City does not have to report this entity because it is not a component unit, and the City has no control over the group. The required disclosures regarding funding of this Plan are still reported herein.

**Measurement Focus**

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities reports revenues and expenses.

***Fund Financial Statements*** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Basis of Presentation (Continued)**

Like the government-wide statements, the enterprise fund is accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. The enterprise fund uses the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

***Revenues - Exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

***Revenues - Non-exchange Transactions*** - Non-exchange transactions, in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, gaming taxes, device fees, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Property taxes are assessed in one

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Revenues - Non-exchange Transactions (Continued)***

year for the subsequent year's budget. Therefore, at December 31, the City reports property taxes receivable and an equal amount of deferred revenue. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized on the governmental funds balance sheet.

Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, device fees, gaming taxes, interest and federal and state grants.

**Deferred/Unearned Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

At the government-wide financial reporting level, deferred revenues are classified as unearned revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Cash, Cash Equivalents, and Investments**

For the purpose of presentation on the Statement of Cash Flows, 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. Investments are stated at fair value based on quoted market prices.

**Receivables**

All trade, notes, and property tax receivables are reported net of allowance for uncollectables, where applicable.

**Property Taxes**

Property taxes are levied on January 1 of each year. Taxes are payable in full on April 30, or in two installments on February 28 and June 15. Liens are attached to the assessed property if taxes become delinquent.

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets, but does not report these assets in the City fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise fund statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars.

The City's infrastructure includes roads, bridges, storm sewers, sidewalks, curbs and gutters, intersections, street lights, parks, street signs, and water and sewer lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Capital Assets (Continued)*

All reported capital assets are depreciated except for land, water rights, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business - Type Activities Estimated Lives</u>
Buildings	25 years	25 - 40 years
Machinery and Equipment	5 years	4 - 10 years
Vehicles	5 - 20 years	4 - 10 years
Reservoir, plant, systems		15 - 60 years
Infrastructure	3 - 35 years	

For governmental activities at the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

*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 the employer will compensate the employees for the benefits through paid time off or some other means for government-wide and proprietary fund presentations. Sick leave benefits do not vest. All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements for both governmental funds and the enterprise fund. The enterprise fund also reports the total compensated liability at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Accrued Liabilities and Long-term Obligations**

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year. Loans and capital leases are recognized as a liability in the governmental fund financial statements when due.

**Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

***Fund Balance*** - Generally, fund balance represents the difference between the current assets and current liabilities. The City restricts those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. Assigned fund balance is management’s intent to set aside these resources for specific services. See Note 15 regarding GASB 54 and its impact on fund balance reporting.

***Net Assets*** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for water and sewer services. Operating expenses are necessary costs incurred to provide these services.

**Contributions of Capital**

Contributions of capital in enterprise fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another, without a requirement for repayment, are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Any transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Comparative Data**

The basic financial statements include certain prior-year partial comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

**Stewardship, Compliance and Accountability**

***Budgetary Information*** - The City adopts an annual operating budget for the general fund, each special revenue fund, and the enterprise fund. The budget resolution reflects the total of each department's appropriation in each fund.

The governmental fund budgets are adopted on a basis consistent with GAAP. The budget for the enterprise fund is adopted on a non-GAAP modified accrual budgetary basis.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the individual fund level. Any change in total to a fund appropriation requires approval of the City Council.

The Finance Director may approve budget transfers between departments and/or functions. During the year, the Finance Director approved minor budget revisions within each department. All unexpended annual appropriations lapse at year-end.

NOTE 2: CASH AND INVESTMENTS

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) of 1989 requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 2: CASH AND INVESTMENTS (Continued)

*Deposits (Continued)*

of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commission for banks and financial services is required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2011, the City's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with PDPA. The City does not have a deposit policy for custodial credit risk beyond Colorado state statute requirements. Furthermore, cash deposits are held at an institution participating in the FDIC's Transaction Account Guarantee Program. This deposit insurance program supplements the FDIC's basic deposit insurance program through December 31, 2012. Under this program, non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

At December 31, 2011 the City's cash on hand and deposits had the following book and bank balances:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty Cash	\$ 71	\$
Insured Deposits	250,000	250,000
Collateralized	68,030	340,790
Certificates of Deposit	2,591,000	2,591,000
Total Deposits	<u>\$ 2,909,101</u>	<u>\$ 3,181,790</u>

Note - Cash and restricted cash do not include the CD's that were included in the deposit risk section for disclosure purposes, but are combined in the total investment section for this summary section of the cash/investment footnote.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 2: CASH AND INVESTMENTS (Continued)

**Restricted Cash**

The Water and Sewer Fund (an enterprise fund) is required to establish a “*Bond Reserve Account*,” related to the 1992 revenue bonds, restricted for the payment of the bonds and related interest. Annual payments of \$6,992 for a total of ten years are to be contributed to the account until such time the account is fully funded in the amount of \$69,992. As of December 31, 2011, the Bond Reserve Account held a balance of \$73,201 to meet the requirement. The difference between the requirement and the actual amount is interest earned on the account.

The 1997 promissory note requires a reserve fund be established to pay for principal and interest if the City does not make the loan payments. The requirements of the reserve are approximately 1/12 of the annual principal and interest payments. As of December 31, 2011, the enterprise fund reserved \$39,353 to meet the requirement.

**Investments**

Colorado state statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include the following:

- Obligations of the United States and certain U.S. government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of U.S. local government entities.
- Bankers’ acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 2: CASH AND INVESTMENTS (Continued)

*Investments (Continued)*

The City had the following investments at December 31, 2011:

	<u>Cost</u>	<u>Carrying Amount</u>
COLOTRUST	\$6,522,354	\$6,522,354
Total Investments	<u>\$6,522,354</u>	<u>\$6,522,354</u>

The City had invested \$6,522,354 in Colorado Government Liquid Asset Trust (COLOTRUST or Trust). This Trust is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities Commission administers and enforces all state statutes governing public investment pools. The Trust operates similarly to a money market fund, and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, which are rated AAAM by Standard and Poor’s. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Financial statements and information about the pool for COLOTRUST may be obtained through its website at [www.colotrust.com](http://www.colotrust.com).

The designated custodial bank provides safekeeping and depository services to the Trust in connection with the direct investment and withdrawal functions of the Trust. All securities owned by the Trust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by the Trust.

In addition, the City held eleven different Certificates of Deposit with multiple institutions as of December 31, 2011, with an aggregate value of \$2,591,000. The Certificates of Deposit have varying ending dates to create a “laddered” investment.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 2: CASH AND INVESTMENTS (Continued)

**Total Cash, Cash Equivalents, and Investments**

Total Cash and Restricted Cash	\$	430,655
Total Investments		<u>9,000,800</u>
Total Cash, Cash Equivalents and Investments	\$	<u><u>9,431,455</u></u>

Interest Rate Risk - Beyond Colorado state statute requirements, the City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments to the above-mentioned investment vehicles to the top two ratings issued by nationally recognized statistical rating organizations. The City has an investment policy that would further limit its investment choices.

Custodial Credit Risk - The City places no limit on the amount that may be invested in any one issuer, and the City does have a formal policy to address custodial credit risk beyond Colorado state statute requirements.

Concentration risk - The City has approximately 72% of its total investments with COLOTRUST.

NOTE 3: RECEIVABLES

Receivables at December 31, 2011, consisted of taxes/fees, accounts (billings for user charges), other grants and notes receivable arising from loans in the economic development revolving loan program. Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated, not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 3: RECEIVABLES (Continued)

In 2002, the City’s Economic Development fund started a “revolving loan” program. The program lends funds to businesses in the city limits and, as the loans are being paid down, the funds are reinvested in new loans. As of December 31, 2011, there is one loan with principal balances totaling \$30,657.

NOTE 4: CAPITAL ASSETS

Capital asset government activity for the year ended December 31, 2011 was as follows:

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2011</u>
Government Activities				
Capital assets not being depreciated				
Land	\$ 7,568,845	\$ 11,650	\$ -	\$ 7,580,495
	<u>7,568,845</u>	<u>11,650</u>	<u>-</u>	<u>7,580,495</u>
Other Capital Assets				
Buildings	14,580,671	59,347		14,640,018
Equipment	1,650,141	129,632		1,779,773
Roads	14,057,798			14,057,798
Storm sewers	2,334,281			2,334,281
Sidewalks, curbs and gutters	1,387,980			1,387,980
Intersections	737,362			737,362
Street lights	772,909	88,271		861,180
Bridges	377,594			377,594
Vehicles	2,282,678	131,641	289,255	2,125,064
Parks	590,016			590,016
Street Signs	59,343			59,343
Total other capital assets	<u>38,830,773</u>	<u>408,891</u>	<u>289,255</u>	<u>38,950,409</u>
Total Cost	<u>\$ 46,399,618</u>	<u>\$ 420,541</u>	<u>\$ 289,255</u>	<u>\$ 46,530,904</u>

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

Note 4: CAPITAL ASSETS (Continued)

Accumulated Depreciation:

Buildings	\$ 5,548,505	\$ 598,140	\$ -	\$ \$6,146,645
Equipment	1,558,794	66,583		1,625,377
Roads	10,087,283	922,217		11,009,500
Storm sewers	867,020	66,694		933,714
Sidewalks, curbs and gutters	718,885	69,399		788,284
Intersections	537,583	49,157		586,740
Street lights	511,722	85,229		596,951
Bridges	120,831	15,104		135,935
Vehicles	1,952,235	170,616	289,255	1,833,596
Parks	532,588	17,363		549,951
Street Signs	59,341			59,341
Total accumulated depreciation	<u>22,494,787</u>	<u>2,060,502</u>	<u>289,255</u>	<u>24,266,034</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 23,904,831</u>	<u>\$ (1,639,961)</u>	<u>\$ -</u>	<u>\$ 22,264,870</u>

Governmental activities depreciation expenses were as follows:

	<u>2011</u>
General Government	\$ 129,812
Public Safety	616,090
Streets	1,180,667
Culture & Recreation	133,933
Total governmental activities depreciation	<u>\$ 2,060,502</u>

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 4: CAPITAL ASSETS (Continued)

Capital asset business-type activity for the year ended December 31, 2011 was as follows:

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2011</u>
Business-type Activities:				
Capital Assets not Being Depreciated				
Land	\$ 973,015	\$ -	\$ -	\$ 973,015
Water rights	1,591,946	19,866		1,611,812
Total Capital Assets not				
Being Depreciated	<u>2,564,961</u>	<u>19,866</u>		<u>2,584,827</u>
Other Capital Assets:				
Land Improvements	6,060,109	199,660		6,259,769
Water System	11,967,150	140,635		12,107,785
Sewer System	2,132,094	250,452		2,382,546
Sewer Plant	2,424,517	10,055		2,434,572
Equipment	<u>1,407,833</u>	<u>84,201</u>	<u>20,000</u>	<u>1,472,034</u>
Total Other Capital Assets	23,991,703	685,003	20,000	24,656,706
Total Capital Asset Cost	<u><u>26,556,664</u></u>	<u><u>704,869</u></u>	<u><u>20,000</u></u>	<u><u>27,241,533</u></u>
Accumulated Depreciation:				
Land Improvements	780,218	143,114		923,332
Water System	4,369,113	309,402		4,678,515
Sewer System	941,653	60,471		1,002,124
Sewer Plant	616,205	34,569		650,774
Equipment	<u>1,922,906</u>	<u>303,903</u>	<u>20,000</u>	<u>2,206,809</u>
Total Accumulated Depreciation	<u><u>8,630,095</u></u>	<u><u>851,459</u></u>	<u><u>20,000</u></u>	<u><u>9,461,554</u></u>
Business-Type Activities Capital				
Assets, Net	<u><u>\$ 17,926,569</u></u>	<u><u>\$ (146,590)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,779,979</u></u>

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 5: LONG-TERM DEBT

The City reports long-term debt related to both business-type activities and governmental activities.

**Business-type Activities - USDA Note Payable**

In 1997, the City signed a 40-year promissory note for \$508,000 at 4.75% interest rate with the Department of Agriculture (USDA) for water related improvements, primarily water meters. An additional \$92,000 was borrowed in 1998, increasing the loan to \$600,000. The note requires payments totaling approximately \$34,000 through 2038. The principal and interest amounts remaining to be paid at December 31, 2011 were as follows:

1997 SERIES USDA BOND			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 9,600	\$ 24,061	\$ 33,661
2013	10,000	23,600	33,600
2014	10,500	23,117	33,617
2015	11,100	22,611	33,711
2016	11,600	22,081	33,681
2017-2021	52,100	82,491	134,591
2022-2026	80,400	87,731	168,131
2027-2031	101,700	66,414	168,114
2032-2036	128,600	39,506	168,106
2037-2038	93,500	7,886	101,386
Total	<u>\$ 509,100</u>	<u>\$ 399,498</u>	<u>\$ 908,598</u>

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 5: LONG-TERM DEBT (Continued)

**Business-type Water and Sewer Bonds**

In 1992, the City issued a 1992 USDA Water Revenue Series Bond in the amount of \$1,086,000 at 5.50% interest, requiring semi-annual payments of approximately \$70,000 with the final payment due 2032. Annual debt service requirements to amortize water and sewer bonds outstanding as of December 31, 2011 follow:

1992 SERIES USDA BOND			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 21,500	\$ 48,191	\$ 69,691
2013	22,700	46,937	69,637
2014	24,100	45,612	69,712
2015	25,400	44,209	69,609
2016	26,900	42,725	69,625
2017-2021	160,100	188,610	348,710
2022-2026	211,700	136,689	348,389
2027-2031	282,900	65,984	348,884
2032-2032	68,100	2,941	71,041
Total	<u>\$ 843,400</u>	<u>\$ 621,898</u>	<u>\$ 1,465,298</u>

All notes and bond payments are collateralized by pledged gaming device fee revenues and general water distribution revenues. Over the years, the City has issued revenue bonds with pledged revenues as collateral. The revenue bonds have been issued as General Obligation Bonds. The bonds were issued to finance various construction projections within the Enterprise Fund, with the pledged revenue coming from device fees.

	<u>Amount of Pledge</u>	<u>Term of Commitment</u>
G.O. Bonds	\$1,686,000	1992 - 2038

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 5: LONG-TERM DEBT (Continued)

**Business-type Water and Sewer Bonds (Continued)**

The total pledged revenue is not estimable in comparison to pledged debt in that revenues are uncertain as to future amounts. However, the debt coverage requirements for each issue must be met or the bonds will be in default. This provides sufficient coverage each year for the pledged debt. The debt service coverage or comparison of pledged revenues, net of specific operating expenses, for each pledged debt is provided in the table below.

Fiscal Year	Applicable Revenues	Less Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2011	\$2,445,676	\$2,403,895	\$41,781	\$29,400	\$71,729	0.4

**Capital Leases**

The City has entered into capital leases for various pieces of equipment. These leases meet the criteria of a capital lease because they transfer benefits and risks of ownership to the lessee at the end of the lease term. Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level. The outstanding balance of the corresponding liabilities is included in governmental activities on the statement of net assets.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 5: LONG-TERM DEBT (Continued)

**Governmental Fund**

In February 2008, the City entered into a five-year capital lease for the purchase of a ladder truck for the Fire Department in the amount of \$290,000, requiring annual principal and interest payments of \$61,964. Interest accrues at a rate of 3.42%. Capital assets of \$317,143 have been capitalized under this agreement less the accumulated depreciation of \$253,714.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 59,915</u>	<u>\$ 2,049</u>	<u>\$ 61,964</u>
Total	<u>\$ 59,915</u>	<u>\$ 2,049</u>	<u>\$ 61,964</u>

**Proprietary Fund**

In February 2008, the City entered into a five-year capital lease for the purchase of a Link Belt Excavator for the Public Works Department in the amount of \$174,196, requiring annual principal and interest payments of \$37,220. Interest accrues at a rate of 3.42%. Capital assets of \$174,196 have been capitalized under this agreement less the accumulated depreciation of \$139,357.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 35,990</u>	<u>\$ 1,230</u>	<u>\$ 37,220</u>
Total	<u>\$ 35,990</u>	<u>\$ 1,230</u>	<u>\$ 37,220</u>

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 5: LONG-TERM DEBT (Continued)

**Changes in Long-term Debt**

Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2011:

<b>Governmental Activities</b>	12/31/2010	Additions to Principal	Reductions to Principal	Ending 12/31/2011	Due In One Year
Capital Leases	\$ 117,850	\$ -	\$ 57,935	\$ 59,915	\$ 59,915
Compensated Absences	119,239	-	2,054	117,185	23,437
Total Governmental Activities	<u>\$ 237,089</u>	<u>\$ -</u>	<u>\$ 59,989</u>	<u>\$ 177,100</u>	<u>\$ 83,352</u>

<b>Business Type Activities</b>	12/31/2010	Additions to Principal	Reductions of Principal	Ending 12/31/2011	Due In One Year
Capital Leases	\$ 70,789	\$ -	\$ 34,799	\$ 35,990	\$ 35,990
Water Revenue Bonds - 1992 (FmHA)	863,700	-	20,300	843,400	21,500
USDA Notes-1997 (USDA)	518,200	-	9,100	509,100	9,585
Compensated Absences	29,690	9,783	-	39,473	7,895
Total Business-Type Activities	<u>\$ 1,482,379</u>	<u>\$ 9,783</u>	<u>\$ 64,199</u>	<u>\$ 1,427,963</u>	<u>\$ 74,970</u>

Principal and interest payments related to the water and sewer revenue bonds and USDA notes will be paid by the Enterprise Fund.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 6: PENSIONS

**General Employees Retirement**

City employees are covered under a 401(a) defined contribution plan maintained and administered through Colorado County Officials and Employees Retirement Association (CCOERA). The plan is established and amended under Colorado State Statute. Under the terms of the defined contribution plan, participants are required to contribute 8% of annual compensation with a matching amount from the City. Vesting begins immediately upon participation with 100% vesting occurring after five years of credited service or age 62, whichever is earlier. Defined contribution plans are not required to have actuarial valuations performed. The payroll for the City for the year ended December 31, 2011 was approximately \$3,955,411, and payroll for the employees covered by this plan was approximately \$3,230,125. The contributions made by the City totaled \$258,410 while the employees contributed the same amount in matching funds. In addition, employees can contribute additional funds into CCOERA'S 457 plan.

**Fire Department Employees Retirement**

The City's Fire Department line personnel participate in the Fire and Police Pension Association (FPPA). In 2011, the City contributed \$49,844 to FPPA for fire personnel. The City of Cripple Creek's Police Department participates in the CCOERA plan and contributes to Social Security and Medicare on a monthly basis. They are not able to participate in the State of Colorado's Fire and Police Pension Association (FPPA) because they were enrolled in Social Security and did not elect to become members of the FPPA in 1982. Financial data for FPPA can be obtained at [www.fppaco.org](http://www.fppaco.org).

**FPPA Statewide Death & Disability Plan**

***Plan Description*** - The Plan is a multi-employer, cost sharing defined benefit plan covering full-time employees of substantially all fire and police departments in Colorado.

Contributions to the Plan are used solely for the payment of death and disability benefits. The Plan was established in 1980 pursuant to Colorado Revised Statutes and can be amended through such statutes.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 6: PENSIONS (Continued)

**FPPA Statewide Death & Disability Plan (Continued)**

**Contributions** - Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado Statute. The statewide plan has 372 participating employers. Included in that number, there were 9 contributing employers, as of December 31, 2011, who have elected supplementary coverage by the statewide plan.

The State made a one-time contribution in 1997 of \$39,000,000 to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated. Members hired on or after January 1, 1997, contribute a percentage of the payroll based on actuarial experience. For 2011 this represented 1.8%, 1.9% for 2010, and 1.7% for 2009.

The City contributed \$13,915; \$14,296; and \$12,118 to the Plan during 2011, 2010, and 2009.

**Benefits** - If a member dies prior to retirement, the surviving spouse is entitled to a benefit equal to 40% of the member's monthly base salary. Dependent children are also entitled to benefits according to an established scale. Benefit entitlement continues until death or remarriage of the spouse and death, marriage, or other termination of dependency of children.

A member who becomes disabled prior to retirement shall be eligible for disability benefits. The benefit is 70% of base salary for cases of total disability and 50% for cases of occupational disability, reduced by the amount of certain other benefits received.

Benefits paid to members are evaluated and may be re-determined on October 1 of each year. Any increase in the level of benefits cannot exceed the lesser of the increase in the Consumer Price Index or 3%.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 7: NET ASSETS

Net assets on the government-wide statement of net assets as of December 31, 2011 are as follows:

	Governmental Activities	Business - Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 46,530,904	\$ 27,241,533
Less: accumulated depreciation	(24,266,034)	(9,461,554)
Book value	22,264,870	17,779,979
Less: capital related debt	(59,915)	(1,388,490)
Investments in capital assets, net of related debt	\$ 22,204,955	\$ 16,391,489

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss related to employees while on the job, property and casualty losses. The City has purchased commercial insurance with various levels of deductibles to cover these losses. Claims have not exceeded coverage in any of the past three years.

NOTE 9: CONTINGENT LIABILITIES

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.

As of December 31, 2011, there were a number of pending claims and lawsuits involving the City. The outcome of these matters is currently unknown; however, the City's legal counsel has reviewed all such litigation and claims and is of the opinion that any outstanding claims not covered by insurance would not materially affect the City's financial position.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 9: CONTINGENT LIABILITIES (continued)

The City has entered into an agreement with Centura Health to provide health care services at the City's medical facility. In the event that the clinic has expenses greater than revenues, the City will fund 50% of the shortfall, up to \$150,000. This agreement extends through December 31, 2012.

NOTE 10: COMMITMENTS

No reportable significant commitments have been made between December 31, 2011 and the date of the independent auditors' report.

NOTE 11: TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an Amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of the state and local governments. The City, through the election process, has exempted certain revenues, not including property tax revenue, from this Amendment. The Amendment is complex and subject to judicial interpretation. The City recorded \$190,831 for emergency reserves in the General Fund, which it believes maintains compliance with this amendment. The \$190,831 figure is calculated as 3% of operating expenses in the General Fund.

NOTE 12: ECONOMIC DEPENDENCY

The City derives a large percentage of its revenues from gaming tax and device fees. The financial position of the City would be significantly different without those revenues.

NOTE 13: INTERFUND TRANSACTIONS

The Historic Preservation Fund made a transfer to the General Fund of \$250,000, which will not be paid back. The \$250,000 was used by Marketing - \$100,000 and the Butte Theater - \$150,000.

Two funds classified and reported as special revenue funds for the year ended December 31, 2010 do not meet special revenue fund reporting criteria under GASB Statement 54, and therefore were combined with the General Fund for the fiscal year ended December 31, 2011. To close out the two funds, their remaining fund balances, noted below, were transferred to the General Fund.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 13: INTERFUND TRANSACTIONS (continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 438,858	\$ -
Economic Development Fund		758,672
Medical Plaza Fund		(319,814)
 Total	 <u>\$ 438,858</u>	 <u>\$ 438,858</u>

Note that on page 7 the Statement of Revenues, Expenditures and Changes in Fund Balance the figure for the Fund Balances, Beginning of Year of \$7,206,775 for the General Fund represents the ending balance for the General Fund as of 12/31/2010 of \$6,767,917 plus the \$438,858 transfer in from the closing of the Economic Development and Medical Funds.

NOTE 14: RELATED PARTY TRANSACTIONS

In October 2010, Councilman Gary Ledford submitted a request for a Historic Preservation Commercial Grant. The Historic Preservation Commission and City Council awarded him a grant of \$24,500 for the Imperial Hotel & Casino building, which Councilman Ledford purchased in August 2010. Councilman Ledford abstained from voting on the grant and any discussion relating to it. \$14,281 was paid on this grant in 2010. In 2011, another grant was awarded to Mr. Ledford for \$15,900 of which \$11,991 was paid out. It should be noted that Mr. Ledford resigned from the City Council in June 2011.

NOTE 15: GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT #54

The City of Cripple Creek complies with Governmental Accounting Standards Board (GASB) Statements in municipal government financial reporting; and as of the fiscal year ended December 31, 2011, the City complied with the requirements set forth in GASB Statement #54 (GASB 54) in issuing its Financial Statements. GASB 54 defines new reporting requirements of the components of governmental fund balances, which are designed to indicate the extent to which the government is bound to honor constraints on the specific purposes for which revenues to the

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 15: GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT #54  
(continued)

fund can be spent. It also defines the components of governmental fund balances to be Non-spendable, Restricted, Committed, Assigned or Unassigned, dependent upon the restrictions on the revenues to those funds.

GASB 54 further defines the levels of legal constraints on the fund balances, or in the case of an assigned portion of fund balance, allows that a body or official be designated for the purpose of determining amounts that are reported as Assigned due to an “intended” use by the City of Cripple Creek, without further legal limitation. It has also placed more explicit definitions on Governmental Special Revenue funds allowed in the City’s financial reporting. To be in compliance with GASB 54, the Cripple Creek City Council adopted Resolution No. 2011-09, which was approved on December 7, 2011. The primary points of the resolution are:

- 1) The City of Cripple Creek has determined that the revenues and expenses of the Economic Development Fund and Medical Plaza Fund do not comply with the revised GASB definitions for Special Revenue funds, and will, as of 2011, no longer be tracked and reported as special revenue funds.
- 2) The Finance Director is hereby designated as the person to determine fund balance amounts that will be reported as Assigned on the City’s year-end financial statements.
- 3) In the case where there are various components of fund balance available to be spent for a specific purpose, the City’s policy is to spend the most restricted funds first.
- 4) The Finance Director is to establish and maintain Fund and Fund Balance reporting policies and procedures, which will be detailed in the Notes to the City’s Financial Statements.

The table below delineates the City’s 12/31/2011 ending fund balances for the Governmental Funds by the five categories outlined by GASB 54.

CITY OF CRIPPLE CREEK

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE 15: GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT #54  
(continued)

	<u>General Fund</u>	<u>Historic Preservation Fund</u>	<u>Total</u>
<b>Fund Balances:</b>			
Non-spendable	\$ -	\$ -	\$ -
Restricted			-
Emergencies (Note 2)	190,831		190,831
Parks & Recreation	100,000		100,000
Historic Preservation		1,865,315	1,865,315
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>6,340,009</u>	<u>-</u>	<u>6,340,009</u>
<b>Total Fund Balance</b>	<u>\$ 6,630,840</u>	<u>\$ 1,865,315</u>	<u>\$ 8,496,155</u>

***Required Supplementary Information (Unaudited)***

**CITY OF CRIPPLE CREEK  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property Tax	\$ 118,961	\$ 118,961	\$ 118,761	\$ (200)
Sales Tax	365,000	365,000	455,757	90,757
Device Fees	2,693,700	2,693,700	2,587,200	(106,500)
Gaming Taxes	1,640,000	1,640,000	1,607,855	(32,145)
Other Taxes	49,500	49,500	51,131	1,631
Intergovernmental	133,544	133,544	141,787	8,243
Licenses and Permits	65,200	65,200	59,096	(6,104)
Charges for Service	208,402	208,402	219,955	11,553
Fines and Forfeitures	11,000	11,000	17,005	6,005
Investment Earnings	47,400	47,400	25,765	(21,635)
Rental Income	2,500	2,500	3,128	628
Miscellaneous	971,483	971,483	411,454	(560,029)
<b>Total Revenues</b>	<b>6,306,690</b>	<b>6,306,690</b>	<b>5,698,894</b>	<b>(607,796)</b>
<b>EXPENDITURES</b>				
General Government	2,908,695	2,908,695	2,638,719	269,976
Public Safety	2,794,929	2,794,929	2,530,195	264,734
Streets	118,125	118,125	105,862	12,263
Culture and Recreation	917,581	917,581	866,155	51,426
Capital Outlay	2,456,823	2,456,823	321,934	2,134,889
Debt Service:				
Principal Retirements	61,964	61,964	57,935	4,029
Interest & Fiscal Charges			4,029	(4,029)
<b>Total Expenditures</b>	<b>9,258,117</b>	<b>9,258,117</b>	<b>6,524,829</b>	<b>2,733,288</b>
Other Financing Sources (Uses)				
Transfer In (Out)			250,000	(250,000)
Other Financing Sources (Uses)			250,000	(250,000)
<b>Net Changes in Fund Balances</b>	<b>\$ (2,951,427)</b>	<b>\$ (2,951,427)</b>	<b>(575,935)</b>	<b>\$ 2,375,492</b>
FUND BALANCES, Beginning of Year (Restated)			7,206,775	
FUND BALANCES, End of Year			<b>\$ 6,630,840</b>	

See the accompanying independent auditors' report.

**CITY OF CRIPPLE CREEK  
HISTORIC PRESERVATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Gaming Taxes	\$ 867,680	\$ 867,680	\$ 851,664	\$ (16,016)
Charges for Service	300	300		(300)
Investment Earnings	16,200	16,200	4,842	(11,358)
Miscellaneous	29,100	29,100	60,946	31,846
<b>Total Revenues</b>	<u>913,280</u>	<u>913,280</u>	<u>917,452</u>	<u>4,172</u>
<b>EXPENDITURES</b>				
General Government	530,905	530,905	538,637	(7,732)
Culture and Recreation	324,095	324,095	218,912	105,183
Capital Outlay	472,854	472,854	98,607	374,247
<b>Total Expenditures</b>	<u>1,327,854</u>	<u>1,327,854</u>	<u>856,156</u>	<u>471,698</u>
Other Financing Sources (Uses)				
Transfer In (Out)			<u>(250,000)</u>	
Other Financing Sources (Uses)			<u>(250,000)</u>	
<b>Net Changes in Fund Balances</b>	<u>\$ (414,574)</u>	<u>\$ (414,574)</u>	(188,704)	<u>\$ 225,870</u>
FUND BALANCES, Beginning of Year			<u>2,054,019</u>	
FUND BALANCES, End of Year			<u>\$ 1,865,315</u>	

See the accompanying independent auditors' report.

CITY OF CRIPPLE CREEK

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2011

**Note RSI-1 Budgetary Information**

Budgets for major governmental funds are adopted on the modified accrual basis where capital outlays are treated as expenditures and depreciation is not budgeted. The modified accrual basis of accounting includes differences from certain FASB ASC requirements, such as those related to accounting for capital lease proceeds, as well as gains or losses from the sale of general fixed assets. In addition, debt service principal payments are included in the budget. The operating budget includes proposed expenditures and the means of financing them. The City Council must approve transfers between funds, or increases to a fund's budget. (See Note 1 for additional budgetary information.)

**Note RSI-2 Expenditures/Expenses in Excess of Appropriation**

Colorado's budget law requires that expenditures and transfers for a department or fund cannot exceed the appropriations for that department or fund. Appropriations for a department or fund may be increased provided unanticipated resources offset them.

The budget is controlled at the category line level within each division within GAAP fund. However, the legal level of appropriation is division within fund. If the division expenditures exceed the division budget by more than \$500, then the expenditures are deemed to be in excess of the appropriations. In 2011, there were no divisions within the major funds that had expenditures in excess of their Council approved appropriations.

*Supplementary Information*

CITY OF CRIPPLE CREEK

WATER AND SEWER FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For Year Ended December 31, 2011

(With comparative actual amounts for year ended December 31, 2010)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2010 Actual
<b>REVENUES</b>					
Charges for Service	\$ 567,200	\$ 567,200	\$ 559,642	\$ (7,558)	\$ 485,826
Device Fees (Security for Debt)	1,791,800	1,791,800	1,720,040	(71,760)	1,925,046
Reimbursements	90,000	90,000	114,558	24,558	97,235
Tap Fees	-	-	18,000	18,000	3,000
Other Income	32,000	32,000	31,581	(419)	30,441
Investment Earnings	7,500	7,500	1,855	(5,645)	9,565
<b>Total Revenues</b>	<b>2,488,500</b>	<b>2,488,500</b>	<b>2,445,676</b>	<b>(42,824)</b>	<b>2,551,113</b>
<b>EXPENDITURES</b>					
Professional Services	112,100	112,100	86,795	25,305	84,601
Supplies	119,034	119,034	154,263	(35,229)	125,798
Personnel Services	1,081,773	1,081,773	947,599	134,174	1,026,206
Maintenance and Repairs	394,076	394,076	172,468	221,608	210,641
Utilities and Telephone	155,600	155,600	137,236	18,364	118,751
Other/Miscellaneous	58,250	58,250	34,076	24,174	37,468
Capital Outlay	717,115	717,115	704,869	12,246	1,615,565
Debt Service	210,540	210,540	138,348	72,192	175,357
<b>Total Expenditures</b>	<b>2,848,488</b>	<b>2,848,488</b>	<b>2,375,654</b>	<b>472,834</b>	<b>3,394,386</b>
<b>Change in Net Assets</b>	<b>\$ (359,988)</b>	<b>\$ (359,988)</b>	<b>\$ 70,022</b>	<b>\$ 430,010</b>	<b>\$ (843,273)</b>
<b>Reconciliation to GAAP Basis:</b>					
Add:					
Capital Outlay			704,869		1,615,565
Principal Retirement			64,199		101,428
Less:					
Depreciation			(851,459)		(818,825)
Net Income			(12,369)		54,894
NET ASSETS, Beginning of Year			17,231,257		17,176,363
NET ASSETS, End of Year			\$ 17,218,888		\$ 17,231,257

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

***Special Reports Section***

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: City of Cripple Creek
		YEAR ENDING : December 2011
This Information From The Records Of (example - City of _ or County of _ City of Cripple Creek	Prepared By: Phone: 719-689-2502	Debra Blevins

**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)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	60,535
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	2,806
2. General fund appropriations		b. Snow and ice removal	27,843
3. Other local imposts (from page 2)	428,350	c. Other	118,659
4. Miscellaneous local receipts (from page 2)	11,515	d. Total (a. through c.)	149,308
5. Transfers from toll facilities		4. General administration & miscellaneous	64,383
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	219,237
a. Bonds - Original Issues		6. Total (1 through 5)	493,463
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)	439,865	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	53,597	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	493,463	b. Redemption	
		c. Total (a. + b.)	0
		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>	
			493,463

**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
		493,463	493,463		(0)

Notes and Comments:

See the accompanying independent auditors' report.

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2011	
<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	122,090	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	11,515
1. Sales Taxes	258,594	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	37,877	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	9,789	g. Other Misc. Receipts	
6. Total (1. through 5.)	306,260	h. Other	
c. Total (a. + b.)	428,350	i. Total (a. through h.)	11,515
	(Carry forward to page 1)		(Carry forward to page 1)
ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	49,051	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	4,547	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	4,547	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	53,597	3. Total (1. + 2.g)	
			(Carry forward to page 1)
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)
<b>Notes and Comments:</b>			