
**CITY OF CRIPPLE CREEK,
COLORADO**
*FINANCIAL STATEMENTS
DECEMBER 31, 2015*



Contents

	Page
Financial Section	
Independent Auditors' Report.....	1 - 3
Management's Discussion And Analysis (Unaudited).....	I - XIV
Basic Financial Statements	
<u>Government-Wide Financial Statements</u>	
Statement Of Net Position	4
Statement Of Activities	5
<u>Fund Financial Statements</u>	
<i>Governmental Funds</i>	
Balance Sheet.....	6
Reconciliation Of The Governmental Funds Balance Sheet To The Statement Of Net Position	7
Statement Of Revenues, Expenditures And Changes In Fund Balances	8
Reconciliation Of The Governmental Funds Statement Of Revenues, Expenditures And Changes In Fund Balances To The Statement Of Activities.....	9
<i>Proprietary Funds</i>	
<i>Water And Sewer Fund</i>	
Statement Of Net Position	10
Statement Of Revenues, Expenses And Changes In Net Position.....	11
Statement Of Cash Flows.....	12
Notes To Basic Financial Statements.....	13 - 43
Required Supplementary Information (Unaudited)	
Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual - General Fund.....	44
Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual - Historic Preservation Fund.....	45
Schedule Of The City's Proportionate Share Of The Net Pension Assets	46
Schedule Of The City's Contributions To The Pension Plan.....	47
Notes To Required Supplementary Information.....	48

Contents

	Page
Supplementary Information	
<i>Governmental Funds</i>	
<i>Major Funds</i>	
<u>General Fund</u>	
Comparative Balance Sheet	49
Comparative Statement Of Revenues, Expenditures And Changes In Fund Balance	50
<u>Historic Preservation Fund</u>	
Comparative Balance Sheet	51
Comparative Statement Of Revenues, Expenditures And Changes In Fund Balance	52
<i>Proprietary Fund</i>	
<i>Enterprise Fund</i>	
<u>Water And Sewer Fund</u>	
Schedule Of Revenues, Expenses And Changes In Net Position - Budget And Actual (Non-GAAP Budgetary Basis)	53
Special Reports Section	
Local Highway Finance Report	54 - 55



RubinBrown LLP
Certified Public Accountants
& Business Consultants

Independent Auditors' Report

1900 16th Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

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

Report On The Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matters

As discussed in Notes 7 and 16, the City adopted the provisions of Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I - XIV, budgetary comparison information on pages 44 - 45, the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions and related ratios on pages 46 and 47 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, which 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The comparative fund financial statements, the budgetary comparison schedule for the Water and Sewer Fund and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative fund financial statements, the budgetary comparison schedule for the Water and Sewer Fund and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Report On Comparative Information

We have previously audited the City's 2014 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated July 1, 2015. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RubinBrown LLP

June 29, 2016

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, 2015. 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 \$42,751,135 (total net position) for the calendar year reported. This represents a decrease of \$1,508,481 or 3.5% over 2014. Much of the decrease was caused by the depreciation expense recorded with the completion of the Bennett Avenue Revitalization Project.
- Total net position are comprised of the following:
 - (1) Capital assets, net of related debt, of \$36,321,263 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 position of \$2,129,568 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$4,300,304 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$5,564,562 this year. This compares to the prior year ending fund balance of \$5,466,566 showing an increase of \$97,996 during the current year. Unassigned fund balance of \$3,434,994 for calendar year 2015 shows a \$5,396 decrease.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$3,434,994, or 46% 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 Position*. 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 position*. Over time, increases or decreases in net position 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.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position 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, culture and recreation, interest and streets. The business-type activity includes the water and sewer system.

The government-wide financial statements are presented on pages 4 & 5 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. 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 6 - 9 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 10 - 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 major special revenue fund. 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 44 – 53, and other additional material on page 54 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 position at calendar year-end is \$42,751,135. 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 position:

Summary of Net Position

	Governmental Activities	Business Activities	Total	% of Total
Assets:				
Current assets	\$5,827,644	\$749,419	\$6,577,063	14.7%
Long-term assets	160,592	124,522	285,114	0.6%
Capital assets	17,124,308	20,748,425	37,872,733	84.7%
Total Assets	23,112,544	21,622,366	44,734,910	100%
Deferred Outflows of Resources				
Deferred pension outflow (Note 7)	73,180	-	73,180	
Liabilities:				
Current liabilities	304,234	119,454	423,688	21.9%
Long-term liabilities	314,966	1,195,731	1,510,697	78.1%
Total Liabilities	619,200	1,315,185	1,934,385	100%
Deferred Inflows of Revenues				
Property tax revenue	119,262		119,262	
Deferred pension inflow (Note 7)	3,308		3,308	
Net Position:	22,443,954	20,307,181	42,751,135	
Net investment in capital assets	16,790,338	19,530,925	36,321,263	85.0%
Restricted	2,129,568		2,129,568	5.0%
Unrestricted	3,524,048	776,256	4,300,304	10.1%
Total Net Position	\$22,443,954	\$20,307,181	\$42,751,135	100%

Additional Information:

<i>Current Ratio</i>	19.2	6.3	15.5	
2014 Net Position	\$22,955,950	\$21,122,858	\$44,078,808	
(As restated in Note 16)	\$23,136,758		\$44,259,616	
2015 Net Position	\$22,443,954	\$20,307,181	\$42,751,135	
Dollar Change	\$(692,804)	\$(815,677)	\$(1,508,481)	
Percent Change	-3.0%	-3.9%	-3.4%	

The City continues to maintain an adequate 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 19.2 to 1 and 6.3 to 1 for business-type activities. For the City overall, the current ratio is 15.5 to 1. Governmental activities decreased primarily due to the reduction in investments. Business-type activities increased because of the significant decrease in current liabilities, which was high in 2014 due to accounts payable dollars still owed on the Bennett Avenue Revitalization Project.

The City reported a decreased balance in net position for the governmental activity and an increase in the business-type activities. Net position decreased \$692,804, or -3% for governmental activities. Governmental activities net position were down primarily because expenditures exceeded revenue. The business-type activities decreased by \$815,677, or 3.9% for the year. Business-type activities had decreased revenues, which dropped greater than expenses and decreased expenses compared to the year before. The City's overall financial position decreased by \$1,508,481, or -3.4%.

Note that approximately 76.3% of the governmental activities' net position are tied up in capital. The City uses these capital assets to provide services to its citizens. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. 88.6% of the City's total net position are included in capital assets. The following three tables provide more detailed comparisons in the change of net position from 2014 to 2015, by both governmental activities and business-type activities, as well as total net position.

Summary of Change in Net Position for Governmental Activities 2015 Compared to 2014

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 5,827,644	\$ 5,693,106	\$ 134,538	2.4%
Long-term assets	160,592		160,592	
Capital assets	<u>17,124,308</u>	<u>17,934,620</u>	<u>(810,312)</u>	-4.5%
Total Assets	23,112,544	23,627,726	(515,182)	-2.2%
Deferred Outflows of Resources				
Deferred pension outflow (Note 7)	73,180		73,180	
Liabilities:				
Current liabilities	304,234	226,624	77,610	34.2%
Long-term liabilities	<u>314,966</u>	<u>325,526</u>	<u>(10,560)</u>	-3.2%
Total Liabilities	619,200	552,150	67,050	12.1%
Deferred Inflows of Revenues				
Property tax revenue	119,262	119,626	(364)	-0.3%
Deferred pension inflow (Note 7)	3,308		3,308	
Net Position	22,443,954	23,136,758 *1	(692,804)	-3.0%
Net investment in capital assets	16,790,338	17,802,593	(1,012,255)	-5.7%
Restricted	2,129,568	2,026,176	103,392	5.1%
Unrestricted	<u>3,524,048</u>	<u>3,307,989</u>	<u>216,059</u>	6.5%
Total Net Position	\$ 22,443,954	\$ 23,136,758	\$(692,804)	-3.0%

*1 2014's Net Position is restated as explained in Note 16

Summary of Statement of Net Position for Business-type Activities 2015 Compared to 2014

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 749,419	\$ 1,200,983	\$ (451,564)	-37.6%
Long-term assets	124,522	121,498	3,024	2.5%
Capital assets	<u>20,748,425</u>	<u>21,822,235</u>	<u>(1,073,810)</u>	-4.9%
Total Assets	21,622,366	23,144,716	(1,522,350)	-6.6%
Liabilities:				
Current liabilities	119,454	675,491	(556,037)	-82.3%
Long-term liabilities	<u>1,195,731</u>	<u>1,346,367</u>	<u>(150,636)</u>	-11.2%
Total Liabilities	1,315,185	2,021,858	(706,673)	-35.0%
Net Position:	20,307,181	21,122,858	(815,677)	-3.9%
Net investment in capital assets	19,530,925	20,416,887	(885,962)	-4.3%
Restricted	-	-	-	
Unrestricted	<u>776,256</u>	<u>705,971</u>	<u>70,285</u>	10.0%
Total Net Position	\$ 20,307,181	\$ 21,122,858	\$ (815,677)	-3.9%

Summary of Statement of Total Net Position - 2015 Compared to 2014

	2015	2014	Dollar Change	Percent Change
Assets:				
Current assets	\$ 6,577,063	\$6,894,089	\$(317,026)	-4.6%
Long-term assets	285,114	121,498	163,616	134.7%
Capital assets	<u>37,872,733</u>	<u>39,937,663</u>	<u>(2,064,930)</u>	-5.2%
Total Assets	44,734,910	46,953,250	(2,218,340)	-4.7%
Deferred Outflows of Resources				
Deferred pension outflow (Note 7)	73,180		73,180	
Liabilities:				
Current liabilities	423,688	902,115	(478,427)	-53.0%
Long-term liabilities	<u>1,510,697</u>	<u>1,671,893</u>	<u>(161,196)</u>	-9.6%
Total Liabilities	1,934,385	2,574,008	(639,623)	-24.8%
Deferred Inflows of Revenues				
Property tax revenue	119,262	119,626	(364)	-0.3%
Deferred pension inflow (Note 7)	3,308		3,308	
Net Position:	42,751,135	44,259,616 *1	(1,508,481)	-3.4%
Net investment in				
capital assets	36,321,263	38,219,480	(1,898,217)	-5.0%
Restricted	2,129,568	2,026,176		
Unrestricted	<u>4,300,304</u>	<u>4,013,960</u>	<u>286,344</u>	7.1%
Total Net Position	\$ <u>42,751,135</u>	\$ <u>44,259,616</u>	\$ <u>(1,508,481)</u>	-3.4%

*1 2014's Net Position is restated as explained in Note 16

Summary of Statement of Activities - Net Position for Governmental and Business-type

	Governmental Activities	Business-Type Activities	Total	Percent of Total
Revenues:				
<i>Program Revenues:</i>				
Charges for Service	\$ 876,366	\$ 866,733	\$ 1,743,099	17.9%
Grants, contributions, etc.	444,585	43,632	488,217	5.0%
Total Program Revenues	1,320,951	910,365	2,231,316	22.9%
<i>General Revenues:</i>				
Property Taxes	112,442		112,442	1.2%
Sales Taxes	534,234		534,234	5.5%
Gaming Taxes	2,299,703		2,299,703	23.6%
Other Taxes	128,152		128,152	1.3%
Device Fees	3,698,039	372,760	4,070,799	41.8%
Investment Earnings	12,532	1,155	13,687	0.1%
Miscellaneous	278,350	67,233	345,583	3.5%
Transfers	-	-	-	0.0%
Total General Revenues	7,063,452	441,148	7,504,600	77.1%
Total Revenues	8,384,403	1,351,513	9,735,916	100.0%
Expenses:				
General Government	3,784,173		3,784,173	33.5%
Public Safety	3,288,578		3,288,578	29.1%
Streets	1,009,230		1,009,230	8.9%
Culture and Recreation	1,047,994		1,047,994	9.3%
Interest	7,358		7,358	0.1%
Water and Sewer		2,167,190	2,167,190	19.2%
Total Expenses	9,137,333	2,167,190	11,304,523	100.0%
Change in Net Position	(692,804)	(815,677)	(1,508,481)	
Beginning Net Position	23,136,758	21,122,858	44,259,616	
Ending Net Position	\$ 22,443,954	\$ 20,307,181	\$ 42,751,135	

GOVERNMENTAL REVENUES

The City is heavily reliant on gaming industry to generate revenues. 44% of governmental general revenues are device fees. Device fees, the state gaming tax distribution to the general fund, and the distribution of gaming tax through the historic preservation fund make up 71.5% 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 \$112,442 in property taxes and \$534,234 in sales taxes, the gaming taxes, which are received annually from the State of Colorado, based on market share, make up 27.4% of governmental general revenues. Therefore, when you combine device fee revenue (44%) and gaming taxes (27.4%), the governmental revenues directly attributable to gaming is 71.5%. The City of Cripple Creek is very reliant on the gaming industry for its revenues. Three other sources of governmental revenues experienced the following changes for 2015: property taxes were down \$6,250, sales tax collections were up \$56,151 or 11.7%. Investment earnings were down \$1,448 or 10.4%, due to the lower amount of funds available to invest.

GOVERNMENTAL FUNCTIONAL EXPENSES

Eighty eight percent of total governmental expenditures are spent on general government, public safety and streets, which is one percent more than in 2014. 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 cost illustrates the financial burden that are placed on the City's taxpayers by each of these functions.

Government Activities Total Cost of Service - 2015 Compared to 2014

	Total Cost 2015	Total Cost 2014	Dollar Change	Percent Change
General government	3,784,173	3,408,276	375,897	11.0%
Public Safety	3,288,578	3,354,343	(65,765)	-2.0%
Streets	1,009,230	1,098,174	(88,944)	-8.1%
Interest	7,358	4,799	2,559	
Culture & Recreation	1,047,994	1,219,050	(171,056)	-14.0%
Total	\$ 9,137,333	\$ 9,084,642	\$52,691	0.6%

Although the City reports 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.

BUSINESS-TYPE ACTIVITIES Revenues vs. Costs

The operating revenues for the water and sewer fund were down \$42,502, or 4.3% from 2014. Operating expenses were down \$691,209 or 25% more than 2014, due to the transfer of the Streets and Fleet functions to the General Fund. These business-type activities reported a \$1,169,114 operating loss compared to an operating loss of \$1,817,821 for the prior year, a decrease of \$648,707 or 36%. 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. The total net position decreased in calendar 2015 by \$815,677 versus an increase of \$1,005,213 in calendar 2014. Personnel service costs (labor costs) decreased \$101,981 or 14% over 2014, which was related to the transfer of the Streets and Fleet functions to the General Fund. Depreciation costs increased approximately \$5,221 over calendar 2014.

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 \$5,564,562. Of this year-end total, \$3,434,994, or 62% 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 \$2,129,568. The total ending fund balances of governmental funds shows a increase of \$97,996 or 1.8% compared to the prior year.

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 \$5,396. The 2015 property taxes were lower due to abatements. Property taxes represent only 1.5% of total general fund revenues. Sales taxes increased 11.7% in 2015. Device fee revenue increased \$1,068,757, or 41% for the year. This is because a large portion of the device fees were transferred from the Enterprise Fund to the General Fund to cover the expenses of the Streets and Fleet function, which were moved between the funds. Gaming taxes received by the general fund increased \$25,704, or approximately 1.7%. The increase was caused by a state-wide increase in gaming taxes paid, which the City receives a portion of based on market share between the three towns. Investment earnings were down \$2,598 or 24%, due to less funds being available for investment.

In the General Fund, the expenditures side shows an increase of \$204,020 or 2.8% over the prior year. The General Fund's ending fund balance is considered adequate, representing the equivalent of 50% of annual expenditures. The figure was 52% for 2014.

The Historic Preservation Fund increased its fund balance by \$103,392 or 6%. Revenues increased \$246,508, or 30% compared to 2014, primarily due to the transfer of the Historic Butte Theater from the General Fund to the Historic Preservation Fund. Expenses increased \$298,444, or 52%, due to the move of the Historic Butte Theater.

Budgetary Highlights

The following table highlights the 2015 adopted budget vs. the actual experience that was incurred during the year.

Budgetary Highlights by Fund

	2015 Adopted Budget	2015 Actual	Variance - Actual to Budget
General Fund:			
Revenues	7,908,235	7,293,113	(615,122)
Expenditures	8,257,745	7,416,302	841,443
Historic Preservation Fund:			
Revenues	980,609	1,073,612	93,003
Expenditures	911,896	870,220	41,676
Enterprise Fund:			
Revenues	1,188,666	1,351,513	162,847
Expenditures	1,282,210	1,281,255	955

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, 2015, was \$17,124,308 and \$20,748,425 respectively. The total decrease in this net investment was 4.5% for governmental and a decrease of 4.9% 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	
	2015	2014	2015	2014	2015	2014
Non-depreciable assets:						
Land	\$7,639,241	\$7,580,495	\$973,015	\$973,015	\$8,612,256	\$8,553,510
Construction in progress						-
Water rights			1,658,254	1,650,702	1,658,254	1,650,702
Total non-depreciable	7,639,241	7,580,495	2,631,269	2,623,717	10,270,510	10,204,212
Depreciable assets:						
Land improvements			12,271,155	12,271,155	12,271,155	12,271,155
Buildings	14,725,433	14,725,433			14,725,433	14,725,433
Equipment	2,289,501	2,263,857	1,511,648	1,702,290	3,801,149	3,966,147
Infrastructure and plants	23,535,845	23,364,853	17,631,208	17,491,898	41,167,053	40,856,751
Total Depreciable assets	40,550,779	40,354,143	31,414,011	31,465,343	71,964,790	71,819,486
Less accumulated depreciation	31,065,712	30,000,018	13,296,855	12,266,825	44,362,567	42,266,843
Book value - depreciable assets	9,485,067	10,354,125	18,117,156	19,198,518	27,602,223	29,552,643
Percentage depreciated	77%	74%	42%	39%	62%	59%
Book value - all assets	\$17,124,308	\$17,934,620	\$20,748,425	\$21,822,235	\$37,872,733	\$39,756,855
Change in \$	(810,312)		(1,073,810)		(1,884,122)	
Change in %	-4.5%		-4.9%		-4.7%	

At December 31, 2015, the depreciable capital assets for governmental activities were 77% depreciated. This compares to 74% at December 31, 2014. With the City's business type activities, 42% of the asset values were depreciated at December 31, 2015 compared to 39% at December 31, 2014. Overall, the City percentage of assets depreciated in both governmental and business activity is 62%.

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 \$1,217,500, which represents a decrease of 2.9% from 2014. The combined amount for both principal and interest is \$1,985,475, down \$105,104, or 5% from 2014. 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

	Governmental		Business-type		Totals		%
	Activities		Activities				Change
	2015	2014	2015	2014	2015	2014	
Revenue Bonds	\$ -	\$ -	\$749,700	\$775,100	\$749,700	\$775,100	-3.3%
Capital Leases	333,970	312,835	-	151,248	333,970	464,083	-28.0%
Notes			467,800	479,000	467,800	479,000	-2.3%
Compensated absences	141,410	132,401	20,914	18,803	162,324	151,204	7.4%
Total	\$475,380	\$445,236	\$1,238,414	\$1,424,151	\$1,713,794	\$1,869,387	-8.3%

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

Economic Conditions Affecting the City

The City experienced an increase in its total revenues in 2015 – increasing by \$477,265, or 5.2%. Three very important areas of revenue experienced the following in 2015:

- 1). Device Fees. Device Fees continued their on-going decline and were down \$100,665, or 2.4%, due to the on-going reduction of the number of devices in town.
- 2). Gaming Taxes. Gaming taxes were up \$32,184, or 1.45%. This is the first year they have increased since 2007.
- 3). Sales Tax. Sales tax was up \$56,151, or 11.7%, due to improving overall economic conditions.

These three sources combined for \$12,330 in less revenue for 2015. The City will likely experience continued declining revenues in device fees, but increases in gaming and sales taxes in 2016.

Summary of Revenues and Expenditures

Total Revenues - All Funds

	2015	2014	Dollar Change	Percent Change
General Fund	\$ 7,293,113	\$5,878,044	\$1,415,069	24.1%
Historic Preservation Fund	1,073,612	827,104	246,508	29.8%
Enterprise Fund	1,351,513	2,535,825	(1,184,312)	-46.7%
Total	9,718,238	9,240,973	477,265	5.2%

Total Expenditures - All Funds

	2015	2014	Dollar Change	Percent Change
General Fund	7,416,302	7,212,282	204,020	2.8%
Historic Preservation Fund	870,220	571,776	298,444	52.2%
Enterprise Fund	1,281,255	7,602,958	(6,321,703)	-83.1%
Total	9,567,777	15,387,016	(5,819,239)	-37.8%

Excess (Deficit) Revenues to Expenditures

	2015	2014	Dollar Change	Percent Change
General Fund	(123,189)	(1,334,238)	1,211,049	-90.8%
Historic Preservation Fund	203,392	255,328	(51,936)	-20.3%
Enterprise Fund	70,258	(5,067,133)	5,137,391	101.4%
Total	\$ 150,461	\$(6,146,043)	\$6,296,504	102.4%

Note that deficit spending is covered by the fund balance dollars in each fund, or transfers between funds.

Note that Enterprise Fund's 2014 revenues exclude the \$1.33 million transfer in from the General Fund.

On the expense side of the equation, the City decreased total expenditures by \$5,819,239, or 38%, from 2014 to 2015. The bulk of the decrease was the completion of the Bennett Avenue Revitalization Project in 2014. A total of \$5.7 million was spent on this project in 2013 and 2014, but it has been capitalized and depreciated over its estimated useful life of forty years. The General Fund, continued to outspend revenues – essentially using fund balance dollars (reserves) to cover operating expenses

In summary, the City had more revenue in 2015 and less in expenses compared to 2014. Over the past few years, the City has turned to grant funding to complete needed infrastructure projects and operate its Transit system. 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 four plus 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 increase when 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. Market share between the three gaming towns, based on Adjusted Gross Proceeds, is the basis for the tax distribution

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, COLORADO

STATEMENT OF NET POSITION

December 31, 2015

Assets And Deferred Outflows Of Resources

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Current Assets			
Cash and cash equivalents (Note 2)	\$ 555,891	\$ 189,631	\$ 745,522
Investments (Note 2)	4,873,035	472,033	5,345,068
Receivables			
Accounts (Note 3)	279,301	87,910	367,211
Property taxes	119,262	—	119,262
Internal balances	155	(155)	—
Capital Assets (Note 4)			
Nondepreciable capital assets	7,639,241	2,631,269	10,270,510
Depreciable capital assets, net	9,485,067	18,117,156	27,602,223
Long-Term Assets			
Restricted investments (Note 2)	—	124,522	124,522
Net pension asset (Note 7)	160,592	—	160,592
Total Assets	23,112,544	21,622,366	44,734,910
Deferred Outflows Of Resources			
Deferred pension outflow (Note 7)	73,180	—	73,180

Liabilities, Deferred Inflows Of Resources And Net Position

Current Liabilities			
Accounts payable	117,068	49,200	166,268
Accrued expenses	26,752	2,973	29,725
Accrued interest	—	14,553	14,553
Unearned revenues	—	10,045	10,045
Compensated absences payable (Note 5)	28,282	4,183	32,465
Capital leases payable (Note 5)	132,132	—	132,132
Notes payable (Note 5)	—	11,600	11,600
Revenue bonds payable (Note 5)	—	26,900	26,900
Long-Term Liabilities (Note 5)			
Capital leases payable	201,838	—	201,838
Compensated absences payable	113,128	16,731	129,859
Notes payable	—	456,200	456,200
Revenue bonds payable	—	722,800	722,800
Total Liabilities	619,200	1,315,185	1,934,385
Deferred Inflows Of Resources			
Property tax revenue	119,262	—	119,262
Deferred pension inflow (Note 7)	3,308	—	3,308
Net Position			
Net investment in capital assets (Note 9)	16,790,338	19,530,925	36,321,263
Restricted for			
Emergencies (Note 12)	200,000	—	200,000
Culture and recreation	100,000	—	100,000
Historic preservation	1,829,568	—	1,829,568
Debt service	—	124,522	124,522
Unrestricted	3,524,048	651,734	4,175,782
Total Net Position	\$ 22,443,954	\$ 20,307,181	\$ 42,751,135

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2015

Function/Program	Expenses	Program Revenues			Net Revenue (Expenses) And Changes In Net Position		
		Charges For Services And Sales	Operating Grants, Contributions And Interest	Capital Grants And Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General government	\$ 3,784,173	\$ 516,024	\$ 430,724	\$ 60,011	\$ (2,777,414)	\$ —	\$ (2,777,414)
Public safety	3,288,578	19,400	350	—	(3,268,828)	—	(3,268,828)
Streets	1,009,230	6,541	—	—	(1,002,689)	—	(1,002,689)
Culture and recreation	1,047,994	334,401	13,511	115	(699,967)	—	(699,967)
Interest	7,358	—	—	—	(7,358)	—	(7,358)
Total Governmental Activities	9,137,333	876,366	444,585	60,126	(7,756,256)	—	(7,756,256)
Business-Type Activities							
Water and sewer	2,167,190	866,733	—	43,632	—	(1,256,825)	(1,256,825)
Total - Primary Government	\$ 11,304,523	\$ 1,743,099	\$ 444,585	\$ 103,758	(7,756,256)	(1,256,825)	(9,013,081)
General Revenues							
Property taxes					112,442	—	112,442
Sales taxes					534,234	—	534,234
Gaming taxes					2,299,703	—	2,299,703
Other taxes					128,152	—	128,152
Device fees					3,698,039	372,760	4,070,799
Investment earnings					12,532	1,155	13,687
Miscellaneous					278,350	67,233	345,583
Total General Revenues					7,063,452	441,148	7,504,600
Changes in net position					(692,804)	(815,677)	(1,508,481)
Net Position, Beginning Of Year (As Restated - Note 16)					23,136,758	21,122,858	44,259,616
Net Position, End Of Year					\$ 22,443,954	\$ 20,307,181	\$ 42,751,135

CITY OF CRIPPLE CREEK, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS**December 31, 2015**

	Assets		
	General	Historic Preservation	Total Governmental Funds
Cash and cash equivalents	\$ 511,304	\$ 44,587	\$ 555,891
Investments	3,079,379	1,793,656	4,873,035
Receivables			
Accounts	272,338	6,963	279,301
Property taxes	119,262	—	119,262
Due from other funds	155	—	155
Total Assets	\$ 3,982,438	\$ 1,845,206	\$ 5,827,644
Liabilities, Deferred Inflows Of Resources And Fund Balance			
Liabilities			
Accounts payable	\$ 102,798	\$ 14,270	\$ 117,068
Accrued expenditures	25,384	1,368	26,752
Total Liabilities	128,182	15,638	143,820
Deferred Inflows Of Resources			
Property tax revenue	119,262	—	119,262
Fund Balance			
Restricted (Note 9)	300,000	1,829,568	2,129,568
Unassigned	3,434,994	—	3,434,994
Total Fund Balance	3,734,994	1,829,568	5,564,562
Total Liabilities, Deferred Inflows Of Resources And Fund Balance	\$ 3,982,438	\$ 1,845,206	\$ 5,827,644

CITY OF CRIPPLE CREEK, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

December 31, 2015

Total Governmental Fund Balances \$ 5,564,562

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

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

Nondepreciable capital assets		7,639,241
Depreciable capital assets	\$ 40,550,779	
Less: Accumulated depreciation	<u>(31,065,712)</u>	9,485,067

Pension plan accounts, such as deferred inflows/outflows and net
pension liability, are not receivable or payable in the current
period and, therefore, are not reported in the funds.

Net pension asset		160,592
Deferred outflow of resources		73,180
Deferred inflow of resources		<u>(3,308)</u>

Capital leases payable are not due and payable in the current
period and, therefore, are not reported in the funds.

(333,970)

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

Compensated absences		<u>(141,410)</u>
----------------------	--	------------------

Net Position Of Governmental Activities \$ 22,443,954

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For The Year Ended December 31, 2015

	General	Historic Preservation	Total Governmental Funds
Revenues			
Property taxes	\$ 112,442	\$ —	\$ 112,442
Sales taxes	534,234	—	534,234
Device fees	3,698,039	—	3,698,039
Gaming taxes	1,505,861	793,842	2,299,703
Other taxes	70,936	—	70,936
Intergovernmental	314,013	—	314,013
Licenses and permits	89,979	—	89,979
Charges for service	280,693	—	280,693
Fines and forfeitures	18,562	—	18,562
Investment earnings	8,409	4,123	12,532
Rental income	22,755	—	22,755
Operating grants, contributions and interest	100,174	8,511	108,685
Capital grants and contributions	115	—	115
Ticket and retail sales	838	247,626	248,464
Miscellaneous	536,063	19,510	555,573
Total Revenues	7,293,113	1,073,612	8,366,725
Expenditures			
General government	3,239,752	431,390	3,671,142
Public safety	2,933,792	—	2,933,792
Streets	234,160	—	234,160
Culture and recreation	521,240	438,830	960,070
Capital outlay	349,887	—	349,887
Debt service			
Principal retirements	130,113	—	130,113
Interest payments	7,358	—	7,358
Total Expenditures	7,416,302	870,220	8,286,522
Other financing sources (uses)			
Transfers in (out)	100,000	(100,000)	—
Proceeds from sale of asset	17,793	—	17,793
Other Financing Sources (Uses)	117,793	(100,000)	17,793
Net changes in fund balance	(5,396)	103,392	97,996
Fund Balance, Beginning Of Year	3,740,390	1,726,176	5,466,566
Fund Balance, End Of Year	\$ 3,734,994	\$ 1,829,568	\$ 5,564,562

CITY OF CRIPPLE CREEK, COLORADO

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015**

Net Change In Fund Balances - Total Governmental Funds \$ 97,996

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. For 2015, depreciation expense was significantly greater than the amount the City spent in capital outlay.

Depreciation expense	\$ (1,352,654)	
Capital outlay	<u>331,082</u>	(1,021,572)

The net effect of various miscellaneous transactions involving capital assets is to increase net position. The details of these differences are as follows:

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		58,746
---	--	--------

Capital assets transferred net of related capital lease from the business type funds increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		1,265
--	--	-------

Pension expense does not use current financial resources and, therefore, is not reported as an expense in the governmental funds.		49,657
---	--	--------

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 position.		130,113
---	--	---------

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.

Liability at December 31, 2015	(141,410)	
Liability at December 31, 2014	<u>132,401</u>	
Changes in compensated absences		<u>(9,009)</u>

Change In Net Position Of Governmental Activities \$ (692,804)

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF NET POSITION - WATER AND SEWER FUND

December 31, 2015

(With Comparative Actual Amounts

As Of December 31, 2014)

Assets

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 189,631	\$ 303,463
Investments	472,033	823,902
Accounts receivable	87,910	73,618
Total Current Assets	749,574	1,200,983
Noncurrent Assets		
Restricted assets		
Investments	124,522	121,498
Capital assets		
Nondepreciable capital assets	2,631,269	2,623,717
Depreciable capital assets, net	18,117,156	19,198,518
Total Noncurrent Assets	20,872,947	21,943,733
Total Assets	21,622,521	23,144,716

Liabilities And Net Position

Current Liabilities		
Accounts payable	49,200	571,913
Accrued wages	2,973	2,811
Accrued interest	14,553	15,241
Due to other funds	155	—
Unearned revenues	10,045	8,542
Compensated absences payable	4,183	3,601
Capital leases	—	36,883
Notes payable	11,600	11,100
Revenue bonds payable	26,900	25,400
Total Current Liabilities	119,609	675,491
Long-Term Liabilities		
Compensated absences payable	16,731	14,402
Capital leases	—	114,365
Notes payable	456,200	467,900
Revenue bonds payable	722,800	749,700
Total Long-Term Liabilities	1,195,731	1,346,367
Total Liabilities	1,315,340	2,021,858
Net Position		
Net investment in capital assets	19,530,925	20,416,887
Restricted	124,522	121,498
Unrestricted	651,734	584,473
Total Net Position	\$ 20,307,181	\$ 21,122,858

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

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - WATER AND SEWER FUND

For The Year Ended December 31, 2015

(With Comparative Actual Amounts

For The Year Ended December 31, 2014)

	2015	2014
Operating Revenues		
Water fees	\$ 707,190	\$ 677,258
Sewer fees	152,043	165,099
Tap fees	7,500	3,367
Miscellaneous	67,233	130,744
Total Operating Revenues	933,966	976,468
Operating Expenses		
Professional services	108,132	102,229
Supplies	28,589	159,040
Personnel services	618,361	720,342
Maintenance and repairs	110,931	351,985
Utilities and telephone	171,473	185,402
Depreciation	1,069,397	1,064,176
Other	(3,803)	211,115
Total Operating Expenses	2,103,080	2,794,289
Operating Loss	(1,169,114)	(1,817,821)
Nonoperating Revenues (Expenses)		
Interest and fiscal charges	(64,110)	(66,323)
Interest earnings	1,155	4,131
Grants	43,632	13,044
Device fees (security for debt)	372,760	1,542,182
Transfers in	—	1,330,000
Total Nonoperating Revenues (Expenses)	353,437	2,823,034
Changes in net position	(815,677)	1,005,213
Net Position, Beginning Of Year	21,122,858	20,117,645
Net Position, End Of Year	\$ 20,307,181	\$ 21,122,858

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF CASH FLOWS - WATER AND SEWER FUND For The Year Ended December 31, 2015 (With Comparative Actual Amounts For The Year Ended December 31, 2014)

	2015	2014
Cash Flows From Operating Activities		
Cash received from customers	\$ 921,177	\$ 950,711
Cash payments to employees for personnel services	(615,288)	(740,545)
Cash payments for goods and services	(937,880)	(553,658)
Net Cash Used In Operating Activities	(631,991)	(343,492)
Cash Flows From Noncapital Financing Activities		
Device fees	372,760	1,542,182
Grants	43,632	13,044
Net Cash Provided By Noncapital Financing Activities	416,392	1,555,226
Cash Flows From Capital And Related Financing Activities		
Proceeds from capital lease	—	190,642
Principal paid on revenue bonds	(25,400)	(24,100)
Principal paid on notes	(11,200)	(10,500)
Principal paid on capital leases	—	(39,394)
Transfer from General Fund for capital projects	—	1,330,000
Other capital interest	(64,798)	(66,721)
Payments for capital acquisitions	(146,834)	(5,732,528)
Net Cash Used In Capital And Related Financing Activities	(248,232)	(4,352,601)
Cash Flows From Investing Activities		
Proceeds from sale of investments	351,868	6,447,743
Investment earnings	1,155	4,131
Purchase of investments	(3,024)	(3,156,876)
Net Cash Provided By Investing Activities	349,999	3,294,998
Net Increase (Decrease) In Cash And Cash Equivalents	(113,832)	154,131
Cash And Equivalents, Beginning Of Year	303,463	149,332
Cash And Equivalents, End Of Year	\$ 189,631	\$ 303,463
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (1,169,114)	\$ (1,817,821)
Adjustments		
Depreciation	1,069,397	1,064,176
(Increase) decrease in assets		
Accounts receivable	(14,292)	(34,299)
Increase (decrease) in liabilities		
Accounts payable	(522,558)	456,113
Accrued wages	162	(14,918)
Unearned revenue	1,503	8,542
Compensated absences payable	2,911	(5,285)
Net Cash Used In Operating Activities	\$ (631,991)	\$ (343,492)

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

CITY OF CRIPPLE CREEK, COLORADO

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

1. Summary Of Significant Accounting Policies

The financial statements of the City of Cripple Creek, Colorado (the 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 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 organization 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 these criteria, 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 position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Government-Wide Financial Statements - The government-wide financial statements include the statement of net position 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 effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position 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, COLORADO

Notes To Basic Financial Statements (*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 two categories of funds: governmental and proprietary.

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.

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 City residents.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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 position. 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 balance 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.

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 position. The statements of changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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 - Nonexchange Transactions - Nonexchange 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 year for the subsequent year’s budget. Therefore, at December 31, the City reports property taxes receivable and an equal amount of deferred inflows of resources. On a modified accrual basis, revenue from nonexchange 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.

Unearned Revenue

Unearned 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 unearned revenue or as deferred inflows of resources (i.e., they are measurable but not available) rather than as revenue.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

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.

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 an allowance for uncollectables, where applicable.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on the property as of January 1 of the following 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 position, but does not report these assets in the City fund financial statements. Capital assets used by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise fund statement of net position.

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 \$5,000.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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 used by the enterprise fund is capitalized.

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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	25 years	25 - 40 years
Machinery and equipment	5 years	4 - 10 years
Vehicles	5 - 20 years	4 - 10 years
Reservoir, plant and 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.

Deferred Outflows/Inflows Of Resources

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68).

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

In addition to liabilities, the statement of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property tax revenue that is related to a future period is recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. The City has also recognized deferred inflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB 68.

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. Sick leave benefits do not vest. 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 absence liability at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

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.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Statewide Defined Benefit Plan (SWDBP) and additions to/deductions from SWDBP's fiduciary net position have been determined on the same basis as they are reported by SWDBP. For this purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 position."

Fund Balance - Generally, fund balance represents the difference between current assets, deferred outflows, current liabilities and deferred inflows. Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The City restricts amounts that have limitations imposed by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City's highest level of decision-making authority. Committed fund balance includes amounts that can only be used for specific purposes. Commitments may be modified or rescinded only through resolutions approved by the City Council. 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.

The Finance Director is designated as the person to determine fund balance amounts that will be reported as "assigned" on the City's year-end financial statements.

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.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists 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 position is 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 positions are reported as unrestricted.

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 nonoperating 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 also eliminated.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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.

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 GAAP. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2014, 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.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value 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, 2015, 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.

At December 31, 2015, 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	\$ 112	\$ —
Insured deposits	1,342,000	1,342,000
Collateralized	1,496,695	1,857,249
Total Deposits	\$ 2,838,807	\$ 3,199,249

Restricted Investments

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 10 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, 2015, the Bond Reserve Account held a balance of \$73,673 to meet the requirement. The difference between the requirement and the actual amount is interest earned on the account. The City holds the investment in a Colorado Government Liquid Asset Trust (COLOTRUST or the Trust) account.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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, 2015, the enterprise fund reserved \$50,849 to meet the requirement. The City holds the investment in a COLOTRUST account.

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

The City had the following investments at December 31, 2015:

	<u>Cost</u>	<u>Carrying Amount</u>
<u>COLOTRUST</u>	\$ 3,376,305	\$ 3,376,305

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

The City invested \$3,376,305 in COLOTRUST. The 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 both rated AAAM by Standard & 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.

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 seven certificates of deposit with seven different institutions as of December 31, 2015, with an aggregate value of \$1,592,000. The certificates of deposit have varying ending dates to create a "laddered" investment. As of December 31, 2015, the City's certificates of deposit were not exposed to custodial credit risk, as all certificates of deposit were insured by the FDIC and collateralized in accordance with PDPA.

Total Cash, Cash Equivalents And Investments

Total cash and cash equivalents	\$ 745,522
Total investments and restricted investments	<u>5,469,590</u>
Total Cash, Cash Equivalents And Investments	<u>\$ 6,215,112</u>

Interest Rate Risk - Beyond Colorado State Statute requirements, the City has 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.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

Concentration Risk - The City has approximately 62% of its total investments with COLOTRUST. However, GASB Statement No. 40 and the City's investment policy do not recognize investments in external investment pools as being an exposure to concentration risk.

3. Receivables

Receivables at December 31, 2015 consisted of taxes, fees and billings for user charges and other grant reimbursements outstanding. 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. Because the City determined all receivables to be collectible, no allowance for doubtful accounts is considered necessary at December 31, 2015.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

4. Capital Assets

Capital asset government activity for the year ended December 31, 2015 was as follows:

	Balance December 31, 2014	Additions	Deductions	Transfers	Balance December 31, 2015
Government Activities					
Capital assets not being depreciated					
Land	\$ 7,580,495	\$ 58,746	\$ —	\$ —	\$ 7,639,241
Other Capital Assets					
Buildings	14,725,433	—	—	—	14,725,433
Equipment	2,263,857	25,644	—	—	2,289,501
Roads	14,057,798	—	—	—	14,057,798
Storm sewers	2,334,281	—	—	—	2,334,281
Sidewalks, curbs and gutters	1,440,448	—	—	—	1,440,448
Intersections	737,362	—	—	—	737,362
Street lights	1,076,897	15,782	—	—	1,092,679
Bridges	377,594	—	—	—	377,594
Vehicles	2,691,114	289,656	325,088	190,642	2,846,324
Parks	590,016	—	—	—	590,016
Street signs	59,343	—	—	—	59,343
Total Other Capital Assets	40,354,143	331,082	325,088	190,642	40,550,779
Total Cost	47,934,638	389,828	325,088	190,642	48,190,020
Accumulated Depreciation					
Buildings	7,941,924	593,294	—	—	8,535,218
Equipment	1,863,375	99,024	—	—	1,962,399
Roads	13,478,619	236,629	—	—	13,715,248
Storm sewers	1,133,796	66,694	—	—	1,200,490
Sidewalks, curbs and gutters	999,104	72,022	—	—	1,071,126
Intersections	714,043	10,012	—	—	724,055
Street lights	807,502	51,318	—	—	858,820
Bridges	181,247	15,104	—	—	196,351
Vehicles	2,250,160	207,428	325,088	38,128	2,170,628
Parks	570,907	1,129	—	—	572,036
Street signs	59,341	—	—	—	59,341
Total Accumulated Depreciation	30,000,018	1,352,654	325,088	38,128	31,065,712
Governmental Activities					
Capital Assets, Net	\$ 17,934,620	\$ (962,826)	\$ —	\$ 152,514	\$ 17,124,308

Governmental activities depreciation expenses were allocated as follows:

	2015
General government	\$ 85,217
Public safety	404,443
Streets	775,070
Culture and recreation	87,924
Total Governmental Activities Depreciation	\$ 1,352,654

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

Capital asset business-type activity for the year ended December 31, 2015 was as follows:

	Balance December 31, 2014	Additions	Deductions	Transfers	Balance December 31, 2015
Business-Type Activities					
Capital assets not being depreciated					
Land	\$ 973,015	\$ —	\$ —	\$ —	\$ 973,015
Construction in progress	—	—	—	—	—
Water rights	1,650,702	7,552	—	—	1,658,254
Total Capital Assets Not Being Depreciated	2,623,717	7,552	—	—	2,631,269
Other Capital Assets					
Land improvements	12,271,155	—	—	—	12,271,155
Water system	12,645,368	139,310	—	—	12,784,678
Sewer system	2,382,548	—	—	—	2,382,548
Sewer plant	2,463,982	—	—	—	2,463,982
Equipment	1,702,290	—	—	(190,642)	1,511,648
Total Other Capital Assets	31,465,343	139,310	—	(190,642)	31,414,011
Total Capital Asset Cost	34,089,060	146,862	—	(190,642)	34,045,280
Accumulated Depreciation					
Land improvements	1,511,885	293,399	—	—	1,805,284
Water system	5,641,488	326,824	—	—	5,968,312
Sewer system	1,183,537	60,472	—	—	1,244,009
Sewer plant	757,421	37,510	—	—	794,931
Equipment	3,172,493	351,192	—	(39,366)	3,484,319
Total Accumulated Depreciation	12,266,824	1,069,397	—	(39,366)	13,296,855
Business-Type Activities Capital Assets, Net	\$ 21,822,236	\$ (922,535)	\$ —	\$ (151,276)	\$ 20,748,425

5. Long-Term Debt

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Business-Type Activities - USDA Note Payable

In 1997, the City signed a 40-year promissory note for \$508,000 at a 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, 2015 were as follows:

1997 Series USDA Bond			
Year	Principal	Interest	Total
2016	\$ 11,600	\$ 22,305	\$ 33,905
2017	12,100	21,741	33,841
2018	12,700	21,153	33,853
2019	13,300	20,537	33,837
2020	14,000	19,892	33,892
2021 - 2025	80,400	88,619	169,019
2026 - 2030	101,700	67,144	168,844
2031 - 2035	128,600	39,973	168,573
2036 - 2038	93,400	8,014	101,514
Total	\$ 467,800	\$ 309,378	\$ 777,278

Business-Type Activities - Water And Sewer Bonds

In 1992, the City issued a 1992 USDA Water Revenue Series Bond in the amount of \$1,086,000 at a 5.50% interest rate, 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, 2015 follow:

1992 Series USDA Bond			
Year	Principal	Interest	Total
2016	\$ 26,900	\$ 44,262	\$ 71,162
2017	28,500	42,674	71,174
2018	30,200	40,991	71,191
2019	31,900	39,208	71,108
2020	33,800	37,325	71,125
2021 - 2025	199,900	154,336	354,236
2026 - 2030	266,800	87,904	354,704
2031 - 2032	131,700	11,796	143,496
Total	\$ 749,700	\$ 458,497	\$ 1,208,197

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements *(Continued)*

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

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. The Water and Sewer Fund has sufficient cash available for principle and interest payments as they come due, including restricted investments, as discussed in Note 2. In addition, the computation of net pledged revenue includes depreciation expense, which does not have an impact on cash. This provides sufficient coverage each year for the pledged debt. The debt service coverage, comparison of pledged revenues net of specific operating expenses, for the collateralized debt is provided in the table below.

<u>Fiscal Year</u>	<u>Applicable Revenues</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2015	\$ 1,307,881	\$ 2,103,080	\$ (795,199)	\$ 36,600	\$ 64,110	(7.9)

Capital Leases - Governmental Activities

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 position. All capital lease activity was transferred into governmental activities during the year, and the City no longer reports any capital leases under business-type activities.

In April 2013, the City entered into a five-year capital lease for the purchase of a fire pumper truck for the Fire Department in the amount of \$370,263, requiring annual principal and interest payments of \$63,962. Interest accrues at a rate of 1.57%.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

In June 2014, the City entered into a three-year capital lease for the purchase of a fire brush truck for the Public Works Department in the amount of \$100,800, requiring annual principal and interest payments of \$34,065. Interest accrues at a rate of 1.39%.

In June 2014, the City entered into a five-year capital lease for the purchase of a dump truck for the Public Works Department in the amount of \$190,642, requiring annual principal and interest payments of \$39,394. Interest accrues at a rate of 1.66%. The asset and the related lease were transferred fully into the governmental funds as of January 1, 2015.

The principal and interest amounts remaining to be paid at December 31, 2015 were as follows:

Year	Principal	Interest	Total
2016	\$ 132,132	\$ 5,289	\$ 137,421
2017	100,115	3,241	103,356
2018	101,723	1,633	103,356
Total	\$ 333,970	\$ 10,163	\$ 344,133

The assets acquired through the capital lease are as follows (amortization expense is included in depreciation expense).

Capital assets	\$ 661,705
Less: Accumulated depreciation	<u>206,394</u>
Net Capitalized Lease Property	<u>\$ 455,311</u>

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Changes In Long-Term Debt

Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2015:

Governmental Activities	Beginning December 31, 2014	Additions To Principal	Reductions To Principal	Transfers	Ending December 31, 2015	Due In One Year
Capital lease	\$ 312,835	\$ —	\$ 130,113	\$ 151,248	\$ 333,970	\$ 132,132
Compensated absences	132,401	9,009	—	—	141,410	28,282
Total Governmental Activities	\$ 445,236	\$ 9,009	\$ 130,113	\$ 151,248	\$ 475,380	\$ 160,414

Business-Type Activities	Beginning December 31, 2014	Additions To Principal	Reductions To Principal	Transfers	Ending December 31, 2015	Due In One Year
Capital leases	\$ 151,248	\$ —	\$ —	\$ (151,248)	\$ —	\$ —
Water revenue bonds - 1992 (FmHA)	775,100	—	25,400	—	749,700	26,900
USDA notes-1997 (USDA)	479,000	—	11,200	—	467,800	11,600
Compensated absences	18,003	2,911	—	—	20,914	4,183
Total Business-Type Activities	\$ 1,423,351	\$ 2,911	\$ 36,600	\$ (151,248)	\$ 1,238,414	\$ 42,683

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.

6. Defined Contribution Pension Plan

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 5 years of credited service or age 62, whichever is earlier. Defined contribution plans are not required to have actuarial valuations performed. The contributions made by the City totaled \$237,621, and the employees contributed the same amount in matching funds. In addition, employees can contribute additional funds into CCOERA's 457 plan.

Police Department Employees Retirement

The City's Police Department participates in the CCOERA plan and contributes to Social Security and Medicare monthly. Police Department employees 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 FPPA in 1982.

7. FPPA Statewide Cost-Sharing Defined Benefit Pension Plan

Plan Description

Eligible Fire Department employees of the City are provided with pensions through SWDBP, a cost-sharing multiple-employer defined benefit pension plan administered by FPPA. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Benefits Provided

SWDBP provides retirement and disability, annual increases and death benefits for members or their beneficiaries. A member is eligible for a normal retirement pension once the member has completed 25 years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2% of the average of the member's highest 3 years' base salary for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to SWDBP. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3% or the Consumer Price Index.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least 5 years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest 3 years' base salary for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter.

Contributions

Contribution rates are established by statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of SWDBP and their employers are contributing at the rate of 8% of base salary for a total contribution rate of 16% through 2014. In 2014, the members elected to increase the member contribution rate to SWDBP beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8.0% resulting in a combined contribution rate of 20% in 2022.

Contributions from members and employers or departments re-entering the system are established by resolution and approved by the FPPA board of directors. The re-entry group has a combined contribution rate of 20% of base salary through 2014. It is a local decision as to whether the member or employer pays the additional 4% contribution. Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24% in 2022.

The contribution rate for members and employers or affiliated Social Security employers is 4% of base salary for a total contribution rate of 8% through 2014. Per the 2014 member election, members of the affiliate Social Security group will have their required contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of base salary. Employer contributions will remain at 4% resulting in a combined contribution rate of 10% in 2022.

Employer contributions are recognized by SWDBP in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions to SWDBP. Employer contributions recognized by SWDBP from the City were \$58,368 for the year ended December 31, 2015.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

Pension Assets, Pension Expense, Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions

At December 31, 2015, the City reported a net pension asset of \$160,592 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension asset was determined by an actuarial valuation as of January 1, 2015. The City's proportion of the net pension asset was based on City contributions to SWDBP for the calendar year 2014 relative to the total contributions of participating employers to SWDBP, based upon the January 1, 2015 actuarial valuation.

At December 31, 2015, the City's portion was 0.1423%, which was a decrease of 0.0027% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2015, the City recognized pension expense (income) of \$(49,657). At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>
Deferred Outflows Of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 12,662
Changes in proportion and differences between contributions and proportionate share of contributions	2,150
Contributions subsequent to measurement date	58,368
Total Deferred Outflows Of Resources	\$ 73,180
Deferred Inflows Of Resources	
Differences between expected and actual experience	\$ 3,308

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

The amount of \$58,368 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For The Year	
Ended December 31,	
2016	\$ 2,423
2017	2,423
2018	2,423
2019	2,423
2020	2,423
Thereafter	(611)
Total	\$ 11,504

Actuarial Assumptions

The January 1, 2014 actuarial valuation was used to determine the Actuarially Determined Contribution for the fiscal year ending December 31, 2014. The valuation used the following actuarial assumption and other inputs:

Actuarial method	Entry Age Normal
Amortization method	Level 5 of Payroll, Open
Amortization period	30 Years
Asset valuation	5-Year Smoothed Fair Value
Long-term investment rate of return	7.5%
Projected salary increases	4.0% - 14.0%
Cost of living adjustment	0.0%
Included inflation	3.0%

The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, with a 40% multiplier for off-duty mortality, is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, is used in the projection of post-retirement benefits.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

At least every five years, the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2011 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the actuary based upon their analysis of past experience and expectations in the future. The assumption changes were cumulative for all actuarial valuations beginning January 1, 2012. The actuarial assumptions impacted actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used. The date the new actuarial assumptions were effective for benefit purposes was October 1, 2012.

Effective with the January 1, 2013 valuations, the Board adopted a five-year smoothing methodology in the determination of the actuarial value of assets. Beginning in the January 1, 2014 valuations, the married assumption for active members was increased from 80% to 85% to reflect the passage of the Colorado Civil Union Act.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate Of Return</u>
Global Equity	40.00%	8.9%
Equity Long/Short	10.00%	7.5%
Illiquid Alternatives	18.00%	10.5%
Fixed Income	15.00%	4.6%
Absolute Return	12.00%	6.5%
Managed Futures	4.00%	5.5%
Cash	1.00%	2.5%
Total	100.00%	

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado Statutes. Based on those assumptions, the SWDBP plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the purpose of the valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)) and the resulting Single Discount Rate is 7.50%.

Sensitivity Of The City's Proportionate Share Of The Net Pension Liability (Asset) To Changes In The Discount Rate

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability (asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability (asset) would be if it were calculated using a Single Discount Rate that is one percent lower (6.50%) or one percent higher (8.50%):

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
<u>Proportionate share of the net pension asset (liability)</u>	<u>\$ (151,408)</u>	<u>\$ 160,592</u>	<u>\$ 420,842</u>

Pension Plan Fiduciary Net Position

Detailed information about the SWDBP's fiduciary net position is available in FPPA's comprehensive annual financial report, which can be obtained at <http://www.fppaco.org>.

8. Other Post-Employment Benefit Plan

FPPA Statewide Death And Disability Plan

Plan Description - The City's full-time firefighters participate in FPPA's Statewide Death And Disability Plan (the Plan), a cost-sharing, multi-employer defined benefit death and disability plan.

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.

Contributions - Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado Statute. 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 2015, this represented 2.0% for 2015, 2.0% for 2014 and 2.0% for 2013. The City contributed \$18,273, \$16,368 and \$16,369 to the Plan during 2015, 2014 and 2013, respectively.

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 redetermined on October 1 of each year. Any increase in the level of benefits cannot exceed the lesser of the increase in CPI or 3%.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

9. Net Position And Fund Balance

The net investment in capital assets on the government-wide statement of net position as of December 31, 2015 was computed as follows:

	Governmental Activities	Business- Type Activities
Net investment in capital assets		
Cost of capital assets	\$ 48,190,020	\$ 34,045,280
Less: Accumulated depreciation	31,065,712	13,296,855
Book value	17,124,308	20,748,425
Less: Capital-related debt	333,970	1,217,500
Net Investment In Capital Assets	\$ 16,790,338	\$ 19,530,925

The table below delineates the City's December 31, 2015 ending fund balances for the governmental funds:

	General Fund	Historic Preservation Fund	Total
Fund Balances			
Restricted			
Emergencies	\$ 200,000	\$ —	\$ 200,000
Parks and recreation	100,000	—	100,000
Historic preservation	—	1,829,568	1,829,568
Unassigned	3,434,994	—	3,434,994
Total Fund Balance	\$ 3,734,994	\$ 1,829,568	\$ 5,564,562

10. 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.

11. 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 designees. 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, 2015, 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.

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 \$125,000. This agreement extends through December 31, 2016.

12. Tax, Spending And Debt Limitations

Colorado voters passed an Amendment to the State Constitution, Article X, Section 20 (the Taxpayer Bill of Rights, otherwise known as TABOR), 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 TABOR. TABOR is complex and subject to judicial interpretation. The City recorded \$200,000 for emergency reserves in the General Fund, which it believes maintains compliance with TABOR.

13. 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.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

14. Interfund Transactions

The Historic Preservation Fund made a transfer to the General Fund of \$100,000, which will not be paid back. The \$100,000 was used for marketing.

15. Related-Party Transactions

The Mayor of the City is employed by the local electrical firm, District Supply. The City contracts with District Supply on an as-needed basis for electrical work. In 2015, the City had expenses of \$19,303 with District Supply.

16. Restatement

During the year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The primary objective of these statement is to improve the accounting and financial reporting by state and local governments for pensions. As a result of implementing these statements, the City recognized its proportionate share of a net pension liability and the related deferred inflows and outflows (refer to Note 7).

The effect of the restatement noted above is as follows:

	<u>Governmental Activities</u>
Net Position - December 31, 2014, As Previously Reported	\$ 22,955,950
Pension asset restatement	129,615
Deferred outflows of resources	<u>51,193</u>
Net Position - December, 2014, As Restated	<u><u>\$ 23,136,758</u></u>

**Required Supplementary Information
(Unaudited)**

CITY OF CRIPPLE CREEK, COLORADO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For The Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property tax	\$ 121,026	\$ 121,026	\$ 112,442	\$ (8,584)
Sales tax	608,500	608,500	534,234	(74,266)
Device fees	3,595,920	3,595,920	3,698,039	102,119
Gaming taxes	1,435,752	1,435,752	1,505,861	70,109
Other taxes	75,000	75,000	70,936	(4,064)
Intergovernmental	282,970	282,970	314,013	31,043
Licenses and permits	75,200	75,200	89,979	14,779
Charges for service	271,250	271,250	280,693	9,443
Fines and forfeitures	11,000	11,000	18,562	7,562
Investment earnings	13,000	13,000	8,409	(4,591)
Rental income	24,860	24,860	22,755	(2,105)
Operating grants, contributions and interest	72,641	72,641	100,174	27,533
Capital grants and contributions	—	—	115	115
Ticket and retail sales	800	800	838	38
Miscellaneous	1,320,316	1,320,316	536,063	(784,253)
Total Revenues	7,908,235	7,908,235	7,293,113	(615,122)
Expenditures				
General government	3,367,469	3,367,469	3,239,752	127,717
Public safety	2,798,443	2,798,443	2,933,792	(135,349)
Streets	156,200	156,200	234,160	(77,960)
Culture and recreation	526,673	526,673	521,240	5,433
Capital outlay	1,271,460	1,271,460	349,887	921,573
Debt service				
Principal retirements	137,500	137,500	130,113	7,387
Interest and fiscal charges	—	—	7,358	(7,358)
Total Expenditures	8,257,745	8,257,745	7,416,302	841,443
Other Financing Sources/Uses				
Transfers in	100,000	100,000	100,000	—
Proceeds from sale of capital asset	—	—	17,793	17,793
Other Financing Sources/Uses	100,000	100,000	117,793	17,793
Net Changes In Fund Balance	\$ (249,510)	\$ (249,510)	(5,396)	\$ 244,114
Fund Balance, Beginning Of Year			3,740,390	
Fund Balance, End Of Year			\$ 3,734,994	

See the accompanying independent auditors' report and notes to required supplementary information.

CITY OF CRIPPLE CREEK, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - HISTORIC PRESERVATION FUND
For The Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Gaming taxes	\$ 763,709	\$ 763,709	\$ 793,842	\$ 30,133
Investment earnings	1,900	1,900	4,123	2,223
Operating grants, contributions and interest	9,000	9,000	8,511	(489)
Ticket and retail sales	197,000	197,000	247,626	50,626
Miscellaneous	9,000	9,000	19,510	10,510
Total Revenues	980,609	980,609	1,073,612	93,003
Expenditures				
General government	456,669	456,669	431,390	25,279
Culture and recreation	455,227	455,227	438,830	16,397
Total Expenditures	911,896	911,896	870,220	41,676
Other Financing Uses				
Transfer out	(100,000)	(100,000)	(100,000)	—
Net Changes In Fund Balance	\$ (31,287)	\$ (31,287)	103,392	\$ 134,679
Fund Balance, Beginning Of Year			1,726,176	
Fund Balance, End Of Year			\$ 1,829,568	

CITY OF CRIPPLE CREEK, COLORADO

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION ASSET
For The Year Ended December 31, 2014 (Measurement Date)
Employee Pension Plan
Year One⁽¹⁾**

	<u>2014</u>
City's portion of the net pension asset (liability)	0.1423%
City's proportionate share of the net pension asset (liability)	\$ 160,592
City's covered-employee payroll	\$ 710,738
City's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	23%
Plan fiduciary net position as a percentage of the total pension asset	106.80%

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years for which information is available.

CITY OF CRIPPLE CREEK, COLORADO

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
TO THE PENSION PLAN
For The Year Ended December 31, 2015
Employee Pension Plan
Year One⁽¹⁾**

	2015
Contractually required contribution	\$ 58,368
Contributions in relation to the contractually required contribution	58,368
Contribution deficiency (excess)	\$ —
City's covered-employee payroll	\$ 729,600
Contributions as a percentage of covered-employee payroll	8.00%

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years for which information is available.

CITY OF CRIPPLE CREEK, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015

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. Proceeds from debt financing and the sale of general fixed assets are accounted for as other financing sources. In addition, debt service principal payments are included as expenditures 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.

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 item level within each division within each fund. However, the legal level of appropriation is at the fund level. If the division expenditures exceed the division budget by more than \$500, then the expenditures are deemed to be in excess of the appropriations.

Supplementary Information

CITY OF CRIPPLE CREEK

COMPARATIVE BALANCE SHEET - GENERAL FUND For The Years Ended December 31, 2015 And 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 511,304	\$ 784,392
Investments	3,079,379	2,825,483
Receivables		
Accounts	272,338	222,222
Property taxes	119,262	119,626
Due from other funds	155	—
Total Assets	\$ 3,982,438	\$ 3,951,723
Liabilities, Deferred Inflows Of Resources And Fund Balance		
Liabilities		
Accounts payable	\$ 102,798	\$ 74,481
Accrued expenditures	25,384	17,226
Total Liabilities	128,182	91,707
Deferred Inflows Of Resources		
Property tax revenue	119,262	119,626
Fund Balance		
Restricted	300,000	300,000
Unassigned	3,434,994	3,440,390
Total Fund Balance	3,734,994	3,740,390
Total Liabilities, Deferred Inflows Of Resources And Fund Balance	\$ 3,982,438	\$ 3,951,723

CITY OF CRIPPLE CREEK

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND For The Years Ended December 31, 2015 And 2014

	2015	2014
Revenues		
Property tax	\$ 112,442	\$ 118,692
Sales tax	534,234	478,083
Device fees	3,698,039	2,629,282
Gaming taxes	1,505,861	1,480,157
Other taxes	70,936	74,904
Intergovernmental	314,013	80,043
Licenses and permits	89,979	39,833
Charges for service	280,693	271,126
Fines and forfeitures	18,562	11,595
Investment earnings	8,409	11,007
Rental income	22,755	22,860
Operating grants, contributions and interest	100,174	133,542
Capital grants and contributions	115	565
Ticket and retail sales	838	215,698
Miscellaneous	536,063	310,657
Total Revenues	7,293,113	5,878,044
Expenditures		
General government	3,239,752	2,900,768
Public safety	2,933,792	2,781,299
Streets	234,160	—
Culture and recreation	521,240	954,849
Capital outlay	349,887	477,339
Debt service		
Principal retirements	130,113	93,228
Interest and fiscal charges	7,358	4,799
Total Expenditures	7,416,302	7,212,282
Deficiency Of Revenues Under Expenditures	(123,189)	(1,334,238)
Other Financing Sources		
Transfers in	100,000	250,000
Proceeds from capital lease	—	100,800
Proceeds from sale of asset	17,793	5,000
Other Financing Sources	117,793	355,800
Other Financing Uses		
Transfers out	—	1,330,000
Net Changes In Fund Balance	(5,396)	(2,308,438)
Fund Balance, Beginning Of Year	3,740,390	6,048,828
Fund Balance, End Of Year	\$ 3,734,994	\$ 3,740,390

CITY OF CRIPPLE CREEK

COMPARATIVE BALANCE SHEET - HISTORIC PRESERVATION FUND For The Years Ended December 31, 2015 And 2014

	Assets	
	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 44,587	\$ 19,957
Investments	1,793,656	1,721,289
Receivables		
Accounts	6,963	137
Total Assets	\$ 1,845,206	\$ 1,741,383
Liabilities And Fund Balance		
Liabilities		
Accounts payable	\$ 14,270	\$ 14,283
Accrued expenditures	1,368	924
Total Liabilities	15,638	15,207
Fund Balance		
Restricted	1,829,568	1,726,176
Total Liabilities And Fund Balance	\$ 1,845,206	\$ 1,741,383

CITY OF CRIPPLE CREEK

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - HISTORIC PRESERVATION FUND For The Years Ended December 31, 2015 And 2014

	2015	2014
Revenues		
Gaming taxes	\$ 793,842	\$ 787,362
Investment earnings	4,123	2,973
Operating grants, contributions and interest	8,511	7,822
Ticket and retail sales	247,626	23,027
Miscellaneous	19,510	5,920
Total Revenues	1,073,612	827,104
Expenditures		
General government	431,390	379,681
Culture and recreation	438,830	139,627
Capital outlay	—	52,468
Total Expenditures	870,220	571,776
Excess Of Revenues Over Expenditures	203,392	255,328
Other Financing Uses		
Transfers out	(100,000)	(250,000)
Net Changes In Fund Balance	103,392	5,328
Fund Balance, Beginning Of Year	1,726,176	1,720,848
Fund Balance, End Of Year	\$ 1,829,568	\$ 1,726,176

CITY OF CRIPPLE CREEK

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - WATER AND SEWER FUND

**For The Year Ended December 31, 2015
(With Comparative Actual Amounts
For The Year Ended December 31, 2014)**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2014 Actual
Revenues					
Charges for service	\$ 740,208	\$ 740,208	\$ 859,233	\$ 119,025	\$ 842,357
Device fees (security for debt)	398,880	398,880	372,760	(26,120)	1,542,182
Reimbursements	48,078	48,078	—	(48,078)	—
Tap fees	—	—	7,500	7,500	3,367
Grants	—	—	43,632	43,632	13,044
Other income	—	—	67,233	67,233	130,744
Investment earnings	1,500	1,500	1,155	(345)	4,131
Transfers in	—	—	—	—	1,330,000
Total Revenues	1,188,666	1,188,666	1,351,513	162,847	3,865,825
Expenditures					
Professional services	88,150	88,150	108,132	(19,982)	102,229
Supplies	31,600	31,600	28,589	3,011	159,040
Personnel services	588,982	588,982	618,361	(29,379)	720,342
Maintenance and repairs	125,250	125,250	110,931	14,319	351,985
Utilities and telephone	153,900	153,900	171,473	(17,573)	185,402
Other/miscellaneous	131,375	131,375	(3,803)	135,178	211,115
Capital outlay	105,000	105,000	146,862	(41,862)	5,732,528
Debt service	57,953	57,953	100,710	(42,757)	140,317
Total Expenditures	1,282,210	1,282,210	1,281,255	955	7,602,958
Change In Net Position	\$ (93,544)	\$ (93,544)	70,258	\$ 163,802	(3,737,133)
Reconciliation To GAAP Basis					
Add					
Capital outlay			146,862		5,732,528
Principal retirement			36,600		73,994
Less					
Depreciation			(1,069,397)		(1,064,176)
Net Income			(815,677)		1,005,213
Net Position, Beginning Of Year			21,122,858		20,117,645
Net Position, End Of Year			\$ 20,307,181		\$ 21,122,858

Special Reports Section

CITY OF CRIPPLE CREEK

LOCAL HIGHWAY FINANCE REPORT

Financial Planning 02/0
Form # 350-050-36

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

LOCAL HIGHWAY FINANCE REPORT		City or County: Cripple Creek			
		YEAR ENDING: December 2015			
This Information From The Records Of City of Cripple Creek:		Prepared By: Phone:	Paul Harris, Finance Director (719)689-2502		
I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE					
ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration	
1. Total receipts available					
2. Minus amount used for collection expenses					
3. Minus amount used for nonhighway purposes					
4. Minus amount used for mass transit					
5. Remainder used for highway purposes					
II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES			
ITEM	AMOUNT	ITEM	AMOUNT		
A. Receipts from local sources:		A. Local highway disbursements:			
1. Local highway-user taxes		1. Capital outlay (from page 2)	109,857		
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	19,711		
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:			
c. Total (a.+b.)		a. Traffic control operations	1,562		
2. General fund appropriations		b. Snow and ice removal	80,285		
3. Other local imposts (from page 2)	531,913	c. Other	39,444		
4. Miscellaneous local receipts (from page 2)	18,562	d. Total (a. through c.)	121,291		
5. Transfers from toll facilities		4. General administration & miscellaneous	110,454		
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	277,651		
a. Bonds - Original Issues		6. Total (1 through 5)	638,964		
b. Bonds - Refunding Issues		B. Debt service on local obligations:			
c. Notes		1. Bonds:			
d. Total (a. + b. + c.)	0	a. Interest			
7. Total (1 through 6)	550,475	b. Redemption			
B. Private Contributions	0	c. Total (a. + b.)	0		
C. Receipts from State government (from page 2)	95,008	2. Notes:			
D. Receipts from Federal Government (from page 2)	0	a. Interest			
E. Total receipts (A.7 + B + C + D)	645,483	b. Redemption			
		c. Total (a. + b.)	0		
		3. Total (1.c + 2.c)	0		
		C. Payments to State for highways			
		D. Payments to toll facilities			
		E. Total disbursements (A.6 + B.3 + C + D)	638,964		
IV. LOCAL HIGHWAY DEBT STATUS (Show all entries at par)					
		Opening Debt	Amount Issued	Closing Debt	
A. Bonds (Total)				0	
1. Bonds (Refunding Portion)					
B. Notes (Total)				0	
V. LOCAL ROAD AND STREET FUND BALANCE					
	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	113,481	645,483	638,964	120,000	0
Notes and Comments:					

FORMFHWA-536 (Rev. 1-05)

PREVIOUS EDITIONS OBSOLETE

(Next Page)

CITY OF CRIPPLE CREEK

LOCAL HIGHWAY FINANCE REPORT

LOCAL HIGHWAY FINANCE REPORT	Colorado YEAR ENDING (mm/yy): December 2015
-------------------------------------	---

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	117,433	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	18,562
1. Sales Taxes	402,823	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	11,657	g. Other Misc. Receipts	
6. Total (1. through 5.)	414,480	h. Other	
c. Total (a. + b.)	531,913	i. Total (a. through h.)	18,562
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	57,216	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	6,541	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	0	e. U.S. Corps of Engineers	
e. Other (Specify)	31,251	f. Other Federal	
f. Total (a. through e.)	37,792	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	95,008	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		1,120	1,120
b. Engineering Costs		9,135	9,135
c. Construction:			
(1). New Facilities		0	0
(2). Capacity Improvements		0	0
(3). System Preservation		99,602	99,602
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	99,602	99,602
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	109,857	109,857
			(Carry forward to page 1)

Notes and Comments: