

---

---

**CITY OF CRIPPLE CREEK,  
COLORADO**  
*FINANCIAL STATEMENTS  
DECEMBER 31, 2013*

---

---



## Contents

---

|                                                                                                                                                     | Page    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| <b>Financial Section</b>                                                                                                                            |         |
| Independent Auditors' Report .....                                                                                                                  | 1 - 3   |
| Management's Discussion And Analysis (Unaudited).....                                                                                               | I - XIV |
| <b>Basic Financial Statements</b>                                                                                                                   |         |
| <u>Government-Wide Financial Statements</u>                                                                                                         |         |
| Statement Of Net Position .....                                                                                                                     | 4       |
| Statement Of Activities .....                                                                                                                       | 5       |
| <u>Fund Financial Statements</u>                                                                                                                    |         |
| <b><i>Governmental Funds</i></b>                                                                                                                    |         |
| Balance Sheet.....                                                                                                                                  | 6       |
| Reconciliation Of The Governmental Funds Balance Sheet To<br>The Statement Of Net Position .....                                                    | 7       |
| Statement Of Revenues, Expenditures And Changes In Fund<br>Balances .....                                                                           | 8       |
| Reconciliation Of The Governmental Funds Statement Of<br>Revenues, Expenditures And Changes In Fund Balances To<br>The Statement Of Activities..... | 9       |
| <b><i>Proprietary Funds</i></b>                                                                                                                     |         |
| <i>Water And Sewer Fund</i>                                                                                                                         |         |
| Statement Of Net Position .....                                                                                                                     | 10      |
| Statement Of Revenues, Expenses And Changes<br>In Net Position.....                                                                                 | 11      |
| Statement Of Cash Flows.....                                                                                                                        | 12      |
| Notes To Basic Financial Statements.....                                                                                                            | 13 - 37 |
| <b>Required Supplementary Information (Unaudited)</b>                                                                                               |         |
| Schedule Of Revenues, Expenditures And Changes In<br>Fund Balance - Budget And Actual - General Fund.....                                           | 38      |
| Schedule Of Revenues, Expenditures And Changes In<br>Fund Balance - Budget And Actual - Historic Preservation Fund.....                             | 39      |
| Notes To Required Supplementary Information.....                                                                                                    | 40      |

## Contents

---

|                                                                                                                       | Page    |
|-----------------------------------------------------------------------------------------------------------------------|---------|
| <b>Supplementary Information</b>                                                                                      |         |
| <b><i>Governmental Funds</i></b>                                                                                      |         |
| <i>Major Funds</i>                                                                                                    |         |
| <u>General Fund</u>                                                                                                   |         |
| Comparative Balance Sheet .....                                                                                       | 41      |
| Comparative Statement Of Revenues, Expenditures And<br>Changes In Fund Balance .....                                  | 42      |
| <u>Historic Preservation Fund</u>                                                                                     |         |
| Comparative Balance Sheet .....                                                                                       | 43      |
| Comparative Statement Of Revenues, Expenditures And<br>Changes In Fund Balance .....                                  | 44      |
| <b><i>Proprietary Fund</i></b>                                                                                        |         |
| <i>Enterprise Fund</i>                                                                                                |         |
| <u>Water And Sewer Fund</u>                                                                                           |         |
| Schedule Of Revenues, Expenses And Changes In<br>Net Position - Budget And Actual (Non-GAAP<br>Budgetary Basis) ..... | 45      |
| <b>Special Reports Section</b>                                                                                        |         |
| Local Highway Finance Report .....                                                                                    | 46 - 47 |



RubinBrown LLP  
Certified Public Accountants  
& Business Consultants

1900 16th Street  
Suite 300  
Denver, CO 80202

T 303.698.1883  
F 303.777.4458

W [rubinbrown.com](http://rubinbrown.com)  
E [info@rubinbrown.com](mailto:info@rubinbrown.com)

## Independent Auditors' Report

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, 2013, 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, 2013, 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 Matter***

As discussed in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 65, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. 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 and the budgetary comparison information on pages I - XIV and 37 - 39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2013. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RubinBrown LLP*

May 29, 2014

## 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, 2013. 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 \$46,778,089 (total net position) for the calendar year reported. This represents an increase of \$711,916 or 1.5% over 2012. Much of the increase was caused by the \$2.6 million the City received from the Colorado Department of Transportation (CDOT) when they gave the ownership and responsibility of Highway 67 (Bennett Ave) inside the City limits.
- Total net position are comprised of the following:
  - (1) Capital assets, net of related debt, of \$34,881,266 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 \$4,319,337 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  - (3) Unassigned net position of \$7,577,486 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 \$7,769,676 this year. This compares to the prior year ending fund balance of \$8,285,793 showing a decrease of \$516,117 during the current year. Unassigned fund balance of \$5,756,828 for calendar year 2013 shows a \$486,680 decrease, or 8% from the prior year.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$5,756,828, or 81% 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 37 – 44, and other additional material on page 45 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 are \$46,778,089. 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**

|                                     | <b>Governmental<br/>Activities</b> | <b>Business<br/>Activities</b>    | <b>Total</b>                      | <b>% of<br/>Total</b> |
|-------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|-----------------------|
| <b>Assets:</b>                      |                                    |                                   |                                   |                       |
| Current assets                      | \$8,002,238                        | \$4,306,359                       | \$12,308,597                      | 25.1%                 |
| Long-term assets                    | 100,000                            | 118,560                           | 218,560                           | 0.4%                  |
| Capital assets                      | <u>19,321,347</u>                  | <u>17,153,882</u>                 | <u>36,475,229</u>                 | 74.4%                 |
| <b>Total Assets</b>                 | <b>27,423,585</b>                  | <b>21,578,801</b>                 | <b>49,002,386</b>                 | <b>100%</b>           |
| <b>Liabilities:</b>                 |                                    |                                   |                                   |                       |
| Current liabilities                 | 297,603                            | 188,426                           | 486,029                           | 23.1%                 |
| Long-term liabilities               | <u>346,353</u>                     | <u>1,272,730</u>                  | <u>1,619,083</u>                  | 76.9%                 |
| <b>Total Liabilities</b>            | <b>643,956</b>                     | <b>1,461,156</b>                  | <b>2,105,112</b>                  | <b>100%</b>           |
| <b>Deferred Inflows of Revenues</b> | <b>119,185</b>                     |                                   | <b>119,185</b>                    |                       |
| <b>Net Position:</b>                | <b>26,660,444</b>                  | <b>20,117,645</b>                 | <b>46,778,089</b>                 |                       |
| <b>Net investment in</b>            |                                    |                                   |                                   |                       |
| capital assets                      | 19,016,084                         | 15,865,182                        | 34,881,266                        | 74.6%                 |
| Restricted                          | 2,012,848                          | 2,306,489                         | 4,319,337                         | 9.2%                  |
| Unrestricted                        | <u>5,631,512</u>                   | <u>1,945,974</u>                  | <u>7,577,486</u>                  | 16.2%                 |
| <b>Total Net Position</b>           | <b><u><u>\$26,660,444</u></u></b>  | <b><u><u>\$20,117,645</u></u></b> | <b><u><u>\$46,778,089</u></u></b> | <b>100%</b>           |

*Additional Information:*

|                          |                     |                     |                     |
|--------------------------|---------------------|---------------------|---------------------|
| <i>Current Ratio</i>     | 26.9                | 22.9                | 25.3                |
| <b>2012 Net Position</b> | <b>\$28,650,545</b> | <b>\$17,415,628</b> | <b>\$46,066,173</b> |
| <b>2013 Net Position</b> | <b>\$26,660,444</b> | <b>\$20,117,645</b> | <b>\$46,778,089</b> |
| Dollar Change            | \$(1,990,101)       | \$2,702,017         | \$711,916           |
| Percent Change           | -6.9%               | 15.5%               | 1.5%                |

The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 26.9 to 1 and 22.9 to 1 for

business-type activities. For the City overall, the current ratio is 25.3 to 1. Governmental activities increased primarily due to the reduction in current liabilities from \$501,244 in 2012 to \$297,603 in 2013. Business-type activities increased because of the one-time \$2.6 million received from CDOT for Bennett Avenue.

The City reported a decreased balance in net position for the governmental activity and an increase in the business-type activities. Net position decreased \$1,990,101, or -6.9% for governmental activities. Governmental activities net position were down primarily because expenditures exceeded revenue. Thus, the City spent fund balance dollars on basic operations. Capital assets were added to the governmental funds in 2013 - \$848,391 compared to 2012 - \$245,246. The increase comes from the capital lease purchase of a Fire Pumper Truck (\$370K) and Street Lighting Project (\$162K). The business-type activities decreased by \$20,813, or 1.3% for the year. Business-type activities had decreased revenues and reduced expenses compared to the year before. The City's overall financial position increased by \$711,916, or -1.5%.

Note that approximately 72.5% 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. 85.3% 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 2012 to 2013, by both governmental activities and business-type activities, as well as total net position.

**Summary of Change in Net Position for Governmental Activities 2013 Compared to 2012**

|                                     | <u>2013</u>                 | <u>2012</u>                 | <u>Dollar<br/>Change</u>    | <u>Percent<br/>Change</u> |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|
| Assets:                             |                             |                             |                             |                           |
| Current assets                      | \$ 8,002,238                | \$ 8,662,107                | \$(659,869)                 | -7.6%                     |
| Long-term assets                    | 100,000                     | 100,000                     | -                           | 0.0%                      |
| Capital assets                      | <u>19,321,347</u>           | <u>20,489,403</u>           | <u>(1,168,056)</u>          | -5.7%                     |
| <b>Total Assets</b>                 | <b>27,423,585</b>           | <b>29,251,510</b>           | <b>(1,827,925)</b>          | <b>-6.2%</b>              |
| Liabilities:                        |                             |                             |                             |                           |
| Current liabilities                 | 297,603                     | 501,244                     | (203,641)                   | -40.6%                    |
| Long-term liabilities               | <u>346,353</u>              | <u>99,721</u>               | <u>246,632</u>              | 247.3%                    |
| <b>Total Liabilities</b>            | <b>643,956</b>              | <b>600,965</b>              | <b>42,991</b>               | <b>7.2%</b>               |
| <b>Deferred Inflows of Revenues</b> | <b>119,185</b>              |                             |                             |                           |
| <b>Net Position:</b>                | <b>26,660,444</b>           | <b>28,650,545</b>           | <b>(1,990,101)</b>          | <b>-6.9%</b>              |
| Net investment in                   |                             |                             |                             |                           |
| capital assets                      | 19,016,084                  | 20,489,403                  | (1,473,319)                 | -7.2%                     |
| Restricted                          | 2,012,848                   | 2,042,285                   | (29,437)                    | -1.4%                     |
| Unrestricted                        | <u>5,631,512</u>            | <u>6,118,857</u>            | <u>(487,345)</u>            | -8.0%                     |
| <b>Total Net Position</b>           | <b><u>\$ 26,660,444</u></b> | <b><u>\$ 28,650,545</u></b> | <b><u>\$(1,990,101)</u></b> | <b>-6.9%</b>              |

Summary of Statement of Net Position for Business-type Activities 2013 Compared to 2012

|                           | <u>2013</u>                 | <u>2012</u>                 | <u>Dollar<br/>Change</u>   | <u>Percent<br/>Change</u> |
|---------------------------|-----------------------------|-----------------------------|----------------------------|---------------------------|
| Assets:                   |                             |                             |                            |                           |
| Current assets            | \$ 4,306,359                | \$ 1,278,628                | \$ 3,027,731               | 236.8%                    |
| Long-term assets          | 118,560                     | 115,612                     | 2,948                      | 2.5%                      |
| Capital assets            | <u>17,153,882</u>           | <u>17,482,835</u>           | <u>(328,953)</u>           | -1.9%                     |
| <b>Total Assets</b>       | <b>21,578,801</b>           | <b>18,877,075</b>           | <b>2,701,726</b>           | <b>14.3%</b>              |
| Liabilities:              |                             |                             |                            |                           |
| Current liabilities       | 188,426                     | 145,769                     | 42,657                     | 29.3%                     |
| Long-term liabilities     | <u>1,272,730</u>            | <u>1,315,678</u>            | <u>(42,948)</u>            | -3.3%                     |
| <b>Total Liabilities</b>  | <b>1,461,156</b>            | <b>1,461,447</b>            | <b>(291)</b>               | <b>0.0%</b>               |
| <b>Net Position:</b>      | <b>20,117,645</b>           | <b>17,415,628</b>           | <b>2,702,017</b>           | <b>15.5%</b>              |
| Net investment in         |                             |                             |                            |                           |
| capital assets            | 15,865,182                  | 16,161,435                  | (296,253)                  | -1.8%                     |
| Restricted                | 2,306,489                   |                             |                            |                           |
| Unrestricted              | <u>1,945,974</u>            | <u>1,254,193</u>            | <u>691,781</u>             | 55.2%                     |
| <b>Total Net Position</b> | <b>\$ <u>20,117,645</u></b> | <b>\$ <u>17,415,628</u></b> | <b>\$ <u>2,702,017</u></b> | <b>15.5%</b>              |

Summary of Statement of Total Net Position - 2013 Compared to 2012

|                                     | <u>2013</u>                 | <u>2012</u>                 | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|-------------------------------------|-----------------------------|-----------------------------|--------------------------|---------------------------|
| Assets:                             |                             |                             |                          |                           |
| Current assets                      | \$ 12,308,597               | \$9,940,735                 | \$2,367,862              | 23.8%                     |
| Long-term assets                    | 218,560                     | 215,612                     | 2,948                    | 1.4%                      |
| Capital assets                      | <u>36,475,229</u>           | <u>37,972,238</u>           | <u>(1,497,009)</u>       | -3.9%                     |
| <b>Total Assets</b>                 | <b>49,002,386</b>           | <b>48,128,585</b>           | <b>873,801</b>           | <b>1.8%</b>               |
| Liabilities:                        |                             |                             |                          |                           |
| Current liabilities                 | 486,029                     | 647,013                     | (160,984)                | -24.9%                    |
| Long-term liabilities               | <u>1,619,083</u>            | <u>1,415,399</u>            | <u>203,684</u>           | 14.4%                     |
| <b>Total Liabilities</b>            | <b>2,105,112</b>            | <b>2,062,412</b>            | <b>42,700</b>            | <b>2.1%</b>               |
| <b>Deferred Inflows of Revenues</b> | <b>119,185</b>              | <b>-</b>                    | <b>119,185</b>           |                           |
| <b>Net Position:</b>                | <b>46,778,089</b>           | <b>46,066,173</b>           | <b>711,916</b>           | <b>1.5%</b>               |
| Net investment in                   |                             |                             |                          |                           |
| capital assets                      | 34,881,266                  | 36,650,838                  | (1,769,572)              | -4.8%                     |
| Restricted                          | 4,319,337                   | 2,042,285                   | 2,277,052                | 111.5%                    |
| Unrestricted                        | <u>7,577,486</u>            | <u>7,373,050</u>            | <u>204,436</u>           | 2.8%                      |
| <b>Total Net Position</b>           | <b><u>\$ 46,778,089</u></b> | <b><u>\$ 46,066,173</u></b> | <b><u>\$711,916</u></b>  | <b>1.5%</b>               |

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

|                               | Governmental<br>Activities | Business-Type<br>Activities | Total                | Percent<br>of<br>Total |
|-------------------------------|----------------------------|-----------------------------|----------------------|------------------------|
| Revenues:                     |                            |                             |                      |                        |
| <i>Program Revenues:</i>      |                            |                             |                      |                        |
| Charges for Service           | \$ 613,781                 | \$ 752,781                  | \$ 1,366,562         | 14.6%                  |
| Grants, contributions, etc.   | 122,676                    | 2,664,504                   | 122,520              | 1.3%                   |
| <b>Total Program Revenues</b> | <b>736,457</b>             | <b>3,417,285</b>            | <b>1,489,082</b>     | <b>15.9%</b>           |
| <i>General Revenues:</i>      |                            |                             |                      |                        |
| Property Taxes                | 118,695                    |                             | 118,695              | 1.3%                   |
| Sales Taxes                   | 497,167                    |                             | 497,167              | 5.3%                   |
| Gaming Taxes                  | 2,373,299                  |                             | 2,373,299            | 25.3%                  |
| Other Taxes                   | 111,008                    |                             | 111,008              | 1.2%                   |
| Device Fees                   | 2,750,098                  | 1,612,327                   | 4,362,425            | 46.6%                  |
| Investment Earnings           | 17,878                     | 4,087                       | 21,965               | 0.2%                   |
| Miscellaneous                 | 258,052                    | 138,700                     | 395,752              | 4.2%                   |
| <b>Total General Revenues</b> | <b>6,126,197</b>           | <b>1,755,114</b>            | <b>7,880,311</b>     | <b>84.1%</b>           |
| <b>Total Revenues</b>         | <b>6,862,654</b>           | <b>5,172,399</b>            | <b>9,369,393</b>     | <b>100.0%</b>          |
| Expenses:                     |                            |                             |                      |                        |
| General Government            | 3,447,496                  |                             | 3,447,496            | 30.4%                  |
| Public Safety                 | 2,984,916                  |                             | 2,984,916            | 26.4%                  |
| Streets                       | 1,155,424                  |                             | 1,155,424            | 10.2%                  |
| Culture and Recreation        | 1,264,919                  |                             | 1,264,919            | 11.2%                  |
| Water and Sewer               |                            | 2,470,382                   | 2,470,382            | 21.8%                  |
| <b>Total Expenses</b>         | <b>8,852,755</b>           | <b>2,470,382</b>            | <b>11,323,137</b>    | <b>100.0%</b>          |
| Change in Net Position        | (1,990,101)                | 2,702,017                   | 711,916              |                        |
| <b>Beginning Net Position</b> | <b>28,650,545</b>          | <b>17,415,628</b>           | <b>46,066,173</b>    |                        |
| <b>Ending Net Position</b>    | <b>\$ 26,660,444</b>       | <b>\$ 20,117,645</b>        | <b>\$ 46,778,089</b> |                        |

### GOVERNMENTAL REVENUES

The City is heavily reliant on gaming industry to generate revenues. 46% of governmental general revenues are device fees. Device fees, state gaming tax distribution to the general fund, and the distribution of gaming tax through the historic preservation fund make up 84% of all governmental activities revenue. The City levies device fees quarterly. However, beginning in July 2009 casinos are allowed to pay the fees monthly. Each casino pays a fee for each gaming device (slot machine, table, etc.). A current schedule of device fees may be obtained from the City's finance office 689-2502.

Although the City received \$118,695 in property taxes and \$497,167 in sales taxes, the gaming taxes, which are received annually from the State of Colorado, based on market share, make up 39% of governmental general revenues. Therefore, when you combine device fee revenue (46%) and gaming taxes (39%), the governmental revenues directly attributable to gaming is 85%. 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 2013: property taxes were up \$1,432 or 1.2% due to property valuations, sales tax collections were down \$22,230 or 4.3%. Investment earnings were down \$6,234 or 26%, due to lower interest rates for reinvestment and the amount of funds available to invest.

### GOVERNMENTAL FUNCTIONAL EXPENSES

Eighty six percent of total governmental expenditures are spent on general government, public safety and streets, which is one percent less than in 2012. 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

|                      | <b>Total Cost<br/>of Services</b> | <b>Net Cost<br/>of Services</b> |
|----------------------|-----------------------------------|---------------------------------|
| General Government   | \$3,447,496                       | \$(3,038,668)                   |
| Public Safety        | 2,984,916                         | (2,973,161)                     |
| Streets              | 1,155,424                         | (1,150,630)                     |
| Culture & Recreation | 1,264,919                         | (953,839)                       |
| <b>Total</b>         | <b>\$8,852,755</b>                | <b>\$(8,116,298)</b>            |

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.

The following table compares total cost of services for government activities in 2013 to those of 2012. Note that total costs of services increased 2.8%.

**Government Activities Total Cost of Service - 2013 Compared to 2012**

|                      | Total Cost<br>2013  | Total Cost<br>2012  | Dollar<br>Change | Percent<br>Change |
|----------------------|---------------------|---------------------|------------------|-------------------|
| General government   | 3,447,496           | 3,181,234           | 266,262          | 8.4%              |
| Public Safety        | 2,984,916           | 3,051,971           | (67,055)         | -2.2%             |
| Streets              | 1,155,424           | 1,253,226           | (97,802)         | -7.8%             |
| Culture & Recreation | 1,264,919           | 1,128,129           | 136,790          | 12.1%             |
| <b>Total</b>         | <b>\$ 8,852,755</b> | <b>\$ 8,614,560</b> | <b>\$238,195</b> | <b>2.8%</b>       |

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

The operating revenues for the water and sewer fund were down \$66,661, or 7% from 2012 due primarily to lower water sales to the CC&V Mine and operating expenses were down \$101,469 or 4% less than 2012. These activities reported a \$1,510,453 operating loss compared to an operating loss of \$1,545,261 for the prior year, a decrease of \$34,808 or 2.2%. Although operating losses are common in this fund, the user rates are not established to recover total cost since a portion of the device fees are included in this fund to offset the operating losses. As such, the total net position increased in calendar 2013 by \$2,702,017 versus an increase of \$196,740 in calendar 2012. Personnel service costs (labor costs) increased \$45,487 or 4.8% over 2012. Depreciation costs increased approximately \$10,996 over calendar 2012.

**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 \$7,769,676. Of this year-end total, \$5,756,828, or 77% 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 \$2,012,848. The total ending fund balances of governmental funds shows a decrease of \$516,117 or 6.2% compared to the prior year. Most of the decrease came from expenditures exceeding revenues for the 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 \$503,680, or 7.7%. The 2013 property taxes increased 1.2%. Property taxes represent only 2% of total general fund revenues. Sales taxes decreased 4.2% in 2013. Device fee revenue increased \$57 for the year. Gaming taxes received by the general fund increased \$42,205, or approximately 2.7%. 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 \$4,857 or 24.3%.

In the General Fund, the expenditures side shows an increase of \$964,050 or 16% over the prior year - \$370K of the increase is from the capital lease of a fire truck and \$162K from the Street Lighting Project. The General Fund's ending fund balance is considered adequate, representing the equivalent of 85% of annual expenditures. The figure was 101% for 2012.

The Historic Preservation Fund decreased its fund balance by \$12,437 or less than one percent. Revenues increased 13,035, or 1.5% compared to 2012.

**Budgetary Highlights**

The following table highlights the 2013 adopted budget vs. the actual experience that was incurred during the year.

**Budgetary Highlights by Fund**

|                                    | <b>2013 Adopted<br/>Budget</b> | <b>2013 Actual</b> | <b>Variance -<br/>Actual to<br/>Budget</b> |
|------------------------------------|--------------------------------|--------------------|--------------------------------------------|
| <b>General Fund:</b>               |                                |                    |                                            |
| Revenues                           | 6,593,403                      | 5,994,703          | (598,700)                                  |
| Expenditures                       | 7,234,697                      | 7,118,646          | (116,051)                                  |
| <b>Historic Preservation Fund:</b> |                                |                    |                                            |
| Revenues                           | 851,816                        | 867,951            | 16,135                                     |
| Expenditures                       | 696,975                        | 630,388            | (66,587)                                   |
| <b>Enterprise Fund:</b>            |                                |                    |                                            |
| Revenues & Transfers               | 6,546,899                      | 5,172,399          | (1,374,500)                                |
| Expenditures                       | 6,464,977                      | 2,174,129          | (4,290,848)                                |

**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, 2013, was \$19,016,084 and \$15,865,182 respectively. The total decrease in this net investment was 7.2% for governmental and a decrease of 1.8% for business-type activities. See Note 4 for additional information about changes in capital assets during the calendar year and outstanding at the end of the year.

The following table provides a summary of capital asset activity.

**Capital Assets**

|                                        | <b>Governmental Activities</b> |                     | <b>Business Activities</b> |                     | <b>Total</b>        |                     |
|----------------------------------------|--------------------------------|---------------------|----------------------------|---------------------|---------------------|---------------------|
|                                        | 2013                           | 2012                | 2013                       | 2012                | 2013                | 2012                |
| Non-depreciable assets:                |                                |                     |                            |                     |                     |                     |
| Land                                   | \$7,580,495                    | \$7,580,495         | \$973,015                  | \$973,015           | \$8,553,510         | \$8,553,510         |
| Construction in progress               |                                |                     | 378,414                    |                     |                     |                     |
| Water rights                           |                                |                     | 1,642,265                  | 1,636,124           | 1,642,265           | 1,636,124           |
| <b>Total non-depreciable</b>           | <b>7,580,495</b>               | <b>7,580,495</b>    | <b>2,993,694</b>           | <b>2,609,139</b>    | <b>10,195,775</b>   | <b>10,189,634</b>   |
| Depreciable assets:                    |                                |                     |                            |                     |                     |                     |
| Land improvements                      |                                |                     | 6,453,792                  | 6,422,792           | 6,453,792           | 6,422,792           |
| Buildings                              | 14,706,860                     | 14,680,587          |                            |                     | 14,706,860          | 14,680,587          |
| Equipment                              | 1,922,086                      | 1,849,817           | 1,511,648                  | 1,472,034           | 3,433,734           | 3,321,851           |
| Infrastructure and plants              | 23,352,100                     | 22,665,251          | 17,397,397                 | 17,305,473          | 40,749,497          | 39,970,724          |
| <b>Total Depreciable assets</b>        | <b>39,981,046</b>              | <b>39,195,655</b>   | <b>25,362,837</b>          | <b>25,200,299</b>   | <b>65,343,883</b>   | <b>64,395,954</b>   |
| Less accumulated depreciation          | 28,240,194                     | 26,286,747          | 11,202,649                 | 10,326,603          | 39,442,843          | 36,613,350          |
| <b>Book value - depreciable assets</b> | <b>11,740,852</b>              | <b>12,908,908</b>   | <b>14,160,188</b>          | <b>14,873,696</b>   | <b>25,901,040</b>   | <b>27,782,604</b>   |
| Percentage depreciated                 | 71%                            | 67%                 | 44%                        | 41%                 | 60%                 | 57%                 |
| <b>Book value - all assets</b>         | <b>\$19,321,347</b>            | <b>\$20,489,403</b> | <b>\$17,153,882</b>        | <b>\$17,482,835</b> | <b>\$36,475,229</b> | <b>\$37,972,238</b> |
| Change in \$                           | (1,168,056)                    |                     | (328,953)                  |                     | (1,497,009)         |                     |
| Change in %                            | -5.7%                          |                     | -1.9%                      |                     | -3.9%               |                     |

At December 31, 2013, the depreciable capital assets for governmental activities were 71% depreciated. This compares to 67% at December 31, 2012. With the City's business type activities, 44% of the asset values were depreciated at December 31, 2013 compared to 41% at December 31, 2012. Overall, the City percentage of assets depreciated in both governmental and business activity is 60%.

**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 \$1,288,700, which represents a decrease of 2.3% from 2012. The combined amount for both principal and interest is \$2,195,717, down \$105,066, or 4.6% from 2012. 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 Activities |                  | Business-type Activities |                    | Totals             |                    | % Change     |
|----------------------|-------------------------|------------------|--------------------------|--------------------|--------------------|--------------------|--------------|
|                      | 2013                    | 2012             | 2013                     | 2012               | 2013               | 2012               |              |
| Revenue Bonds        | -                       | -                | 799,200                  | 821,900            | 799,200            | 821,900            | -2.8%        |
| Capital Leases       | 305,263                 | -                | -                        | -                  | 305,263            | -                  |              |
| Notes                |                         |                  | 489,500                  | 499,500            | 489,500            | 499,500            | -2.0%        |
| Compensated absences | 125,316                 | 124,651          | 23,288                   | 33,723             | 148,604            | 158,374            | -6.2%        |
| <b>Total</b>         | <b>\$430,579</b>        | <b>\$124,651</b> | <b>\$1,311,988</b>       | <b>\$1,355,123</b> | <b>\$1,742,567</b> | <b>\$1,479,774</b> | <b>17.8%</b> |

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 2013 – increasing by \$2,566,651, or 26.4%. However, the \$2.6 million one-time payment from CDOT was the cause of the increase. So, in reality, the City's total revenues were down \$33,349 for the year. Three main areas of revenue experienced declines in 2013. These areas are:

- 1). Device Fees. Device Fees were down \$214,375, or 5%, due to the closing of The Rush Casino. However, The Rush Casino closed in early January 2013 and device revenues will most likely be down for 2014.
- 2). Water Sales. Water sales were down \$57,862, or 8.6%, compared to 2012. The Cripple Creek & Victor Mine had lower water needs in 2013.
- 3). Sales Tax. Sales taxes were down \$22,230, or 4.3%, due to worsening overall economic conditions caused by the frequent closure of Highway 24 due to flash floods and the Black Forest fire.

These three sources combined for \$294,467 in less revenue for 2013. The City will most likely experience continued declining revenues in device fees and water sales for 2014.

**Summary of Revenues and Expenditures**

| Total Revenues - All Funds |                   |                  | Dollar           | Percent      |
|----------------------------|-------------------|------------------|------------------|--------------|
|                            | 2013              | 2012             | Change           | Change       |
| General Fund               | \$ 6,244,703      | \$6,076,264      | \$168,439        | 2.8%         |
| Historic Preservation Fund | 867,951           | 854,916          | 13,035           | 1.5%         |
| Enterprise Fund            | 5,172,399         | 2,787,222        | 2,385,177        | 85.6%        |
| <b>Total</b>               | <b>12,285,053</b> | <b>9,718,402</b> | <b>2,566,651</b> | <b>26.4%</b> |

**Total Expenditures - All Funds**

| Total Expenditures - All Funds |                   |                  | Dollar         | Percent     |
|--------------------------------|-------------------|------------------|----------------|-------------|
|                                | 2013              | 2012             | Change         | Change      |
| General Fund                   | 7,118,646         | 6,154,596        | 964,050        | 15.7%       |
| Historic Preservation Fund     | 880,388           | 986,946          | (106,558)      | -10.8%      |
| Enterprise Fund                | 2,174,129         | 2,360,428        | (186,299)      | -7.9%       |
| <b>Total</b>                   | <b>10,173,163</b> | <b>9,501,970</b> | <b>671,193</b> | <b>7.1%</b> |

Note that the above revenue and expenditure figures include a transfer from the Historic Preservation Fund to the General Fund for \$250,000 in 2012 and 2013.

**Excess (Deficit) Revenues to Expenditures**

| Excess (Deficit) Revenues to Expenditures |                    |                  | Dollar             | Percent        |
|-------------------------------------------|--------------------|------------------|--------------------|----------------|
|                                           | 2013               | 2012             | Change             | Change         |
| General Fund                              | (873,943)          | (78,332)         | (795,611)          | 1015.7%        |
| Historic Preservation Fund                | (12,437)           | (132,030)        | 119,593            | -90.6%         |
| Enterprise Fund                           | 2,998,270          | 426,794          | 2,571,476          | 602.5%         |
| <b>Total</b>                              | <b>\$2,111,890</b> | <b>\$216,432</b> | <b>\$1,895,458</b> | <b>-875.8%</b> |

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

On the expense side of the equation, the City increased total expenditures by \$671,193, or 7.1%. The bulk of the increase was made in the City's General Fund and was caused by the capital lease of the fire pumper truck (\$370K) and Street Light Project (\$162K). Even with increased revenues in the General Fund, the City still out spent revenues by \$873,943 – essentially using fund balance dollars (reserves) to cover operating expenses. This practice is not sustainable in the long term. When looking at all three funds combined, the City was able to add \$2.1 million to its total fund balance, primarily from the results in the Enterprise Fund and the \$2.6 million from CDOT.

In summary, although 2013 was a good year from a revenue standpoint, the gains will not be maintained in 2014 and the City will have less revenue overall. In 2013, the City has turned to grant funding to complete needed infrastructure projects. 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 two plus years, even though the cost of operating the City increases over time. Gaming taxes distributed to the City's General and Historic Preservation Funds will not increase until the industry, as a whole, sees increases in business and the City must continue to fight to retain market share compared to the other two gaming towns. Market share between the three gaming towns, based on Adjusted Gross Proceeds, is the basis for the tax distribution. In addition, in 2013, water rates, which have not increased in twenty two plus years, were increased to help offset the costs of needed infrastructure improvements. However, the amount of increase in insignificant compared to the aging infrastructure needs.

**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, 2013

|                                                                    | Assets                     |                             | Total                |
|--------------------------------------------------------------------|----------------------------|-----------------------------|----------------------|
|                                                                    | Primary Government         |                             |                      |
|                                                                    | Governmental<br>Activities | Business-Type<br>Activities |                      |
| <b>Current Assets</b>                                              |                            |                             |                      |
| Cash and cash equivalents (Note 2)                                 | \$ 188,447                 | \$ 149,332                  | \$ 337,779           |
| Investments (Note 2)                                               | 7,312,041                  | 4,117,708                   | 11,429,749           |
| Receivables                                                        |                            |                             |                      |
| Accounts (Note 3)                                                  | 382,565                    | 39,319                      | 421,884              |
| Property taxes                                                     | 119,185                    | —                           | 119,185              |
| <b>Capital Assets (Note 4)</b>                                     |                            |                             |                      |
| Nondepreciable capital assets                                      | 7,580,495                  | 2,993,694                   | 10,574,189           |
| Depreciable capital assets, net                                    | 11,740,852                 | 14,160,188                  | 25,901,040           |
| <b>Long-Term Assets</b>                                            |                            |                             |                      |
| Restricted investments (Note 2)                                    | —                          | 118,560                     | 118,560              |
| Investments maturing in more than one year                         | 100,000                    | —                           | 100,000              |
| <b>Total Assets</b>                                                | <b>27,423,585</b>          | <b>21,578,801</b>           | <b>49,002,386</b>    |
| <b>Liabilities, Deferred Inflows Of Resources And Net Position</b> |                            |                             |                      |
| <b>Current Liabilities</b>                                         |                            |                             |                      |
| Accounts payable                                                   | 143,954                    | 115,800                     | 259,754              |
| Accrued expenses                                                   | 69,423                     | 17,729                      | 87,152               |
| Accrued interest                                                   | —                          | 15,639                      | 15,639               |
| Compensated absences payable (Note 5)                              | 25,063                     | 4,658                       | 29,721               |
| Capital leases payable (Note 5)                                    | 59,163                     | —                           | 59,163               |
| Notes payable (Note 5)                                             | —                          | 10,500                      | 10,500               |
| Revenue bonds payable (Note 5)                                     | —                          | 24,100                      | 24,100               |
| <b>Long-Term Liabilities (Note 5)</b>                              |                            |                             |                      |
| Capital leases payable                                             | 246,100                    | —                           | 246,100              |
| Compensated absences payable                                       | 100,253                    | 18,630                      | 118,883              |
| Notes payable                                                      | —                          | 479,000                     | 479,000              |
| Revenue bonds payable                                              | —                          | 775,100                     | 775,100              |
| <b>Total Liabilities</b>                                           | <b>643,956</b>             | <b>1,461,156</b>            | <b>2,105,112</b>     |
| <b>Deferred Inflows Of Resources</b>                               |                            |                             |                      |
| Property tax revenue                                               | 119,185                    | —                           | 119,185              |
| <b>Net Position</b>                                                |                            |                             |                      |
| Net investment in capital assets (Note 8)                          | 19,016,084                 | 15,865,182                  | 34,881,266           |
| Restricted for                                                     |                            |                             |                      |
| Emergencies (Note 12)                                              | 192,000                    | —                           | 192,000              |
| Culture and recreation                                             | 100,000                    | —                           | 100,000              |
| General government                                                 | —                          | —                           | —                    |
| Historic preservation                                              | 1,720,848                  | —                           | 1,720,848            |
| Transportation                                                     | —                          | 2,306,489                   | 2,306,489            |
| Unrestricted                                                       | 5,631,512                  | 1,945,974                   | 7,577,486            |
| <b>Total Net Position</b>                                          | <b>\$ 26,660,444</b>       | <b>\$ 20,117,645</b>        | <b>\$ 46,778,089</b> |

# CITY OF CRIPPLE CREEK, COLORADO

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2013

| Function/Program                       | Program Revenues     |                                      |                                                       |                                           | Net Revenue (Expenses) And Changes In Net Position |                             |                      |       |
|----------------------------------------|----------------------|--------------------------------------|-------------------------------------------------------|-------------------------------------------|----------------------------------------------------|-----------------------------|----------------------|-------|
|                                        | Expenses             | Charges For<br>Services<br>And Sales | Operating<br>Grants,<br>Contributions<br>And Interest | Capital<br>Grants<br>And<br>Contributions | Primary Government                                 |                             |                      | Total |
|                                        |                      |                                      |                                                       |                                           | Governmental<br>Activities                         | Business-Type<br>Activities |                      |       |
| <b>Primary Government</b>              |                      |                                      |                                                       |                                           |                                                    |                             |                      |       |
| <b>Governmental Activities</b>         |                      |                                      |                                                       |                                           |                                                    |                             |                      |       |
| General government                     | \$ 3,447,496         | \$ 295,652                           | \$ 113,176                                            | \$ —                                      | \$ (3,038,668)                                     | \$ —                        | \$ (3,038,668)       |       |
| Public safety                          | 2,984,916            | 11,755                               | —                                                     | —                                         | (2,973,161)                                        | —                           | (2,973,161)          |       |
| Streets                                | 1,155,424            | 4,794                                | —                                                     | —                                         | (1,150,630)                                        | —                           | (1,150,630)          |       |
| Culture and recreation                 | 1,264,919            | 301,580                              | 9,344                                                 | 156                                       | (953,839)                                          | —                           | (953,839)            |       |
| <b>Total Governmental Activities</b>   | <b>8,852,755</b>     | <b>613,781</b>                       | <b>122,520</b>                                        | <b>156</b>                                | <b>(8,116,298)</b>                                 | <b>—</b>                    | <b>(8,116,298)</b>   |       |
| <b>Business-Type Activities</b>        |                      |                                      |                                                       |                                           |                                                    |                             |                      |       |
| Water and sewer                        | 2,470,382            | 752,781                              | —                                                     | 2,664,504                                 | —                                                  | 946,903                     | 946,903              |       |
| <b>Total - Primary Government</b>      | <b>\$ 11,323,137</b> | <b>\$ 1,366,562</b>                  | <b>\$ 122,520</b>                                     | <b>\$ 2,664,660</b>                       | <b>(8,116,298)</b>                                 | <b>946,903</b>              | <b>(7,169,395)</b>   |       |
| <b>General Revenues</b>                |                      |                                      |                                                       |                                           |                                                    |                             |                      |       |
| Property taxes                         |                      |                                      |                                                       |                                           | 118,695                                            | —                           | 118,695              |       |
| Sales taxes                            |                      |                                      |                                                       |                                           | 497,167                                            | —                           | 497,167              |       |
| Gaming taxes                           |                      |                                      |                                                       |                                           | 2,373,299                                          | —                           | 2,373,299            |       |
| Other taxes                            |                      |                                      |                                                       |                                           | 111,008                                            | —                           | 111,008              |       |
| Device fees                            |                      |                                      |                                                       |                                           | 2,750,098                                          | 1,612,327                   | 4,362,425            |       |
| Investment earnings                    |                      |                                      |                                                       |                                           | 17,878                                             | 4,087                       | 21,965               |       |
| Miscellaneous                          |                      |                                      |                                                       |                                           | 258,052                                            | 138,700                     | 396,752              |       |
| <b>Total General Revenues</b>          |                      |                                      |                                                       |                                           | <b>6,126,197</b>                                   | <b>1,755,114</b>            | <b>7,881,311</b>     |       |
| Changes in net position                |                      |                                      |                                                       |                                           | (1,990,101)                                        | 2,702,017                   | 711,916              |       |
| <b>Net Position, Beginning Of Year</b> |                      |                                      |                                                       |                                           | <b>28,650,545</b>                                  | <b>17,415,628</b>           | <b>46,066,173</b>    |       |
| <b>Net Position, End Of Year</b>       |                      |                                      |                                                       |                                           | <b>\$ 26,660,444</b>                               | <b>\$ 20,117,645</b>        | <b>\$ 46,778,089</b> |       |

---

**CITY OF CRIPPLE CREEK, COLORADO**

---

**BALANCE SHEET - GOVERNMENTAL FUNDS****December 31, 2013**

|                                                                              | <b>Assets</b>       |                                  |                     | <b>Total<br/>Governmental<br/>Funds</b> |
|------------------------------------------------------------------------------|---------------------|----------------------------------|---------------------|-----------------------------------------|
|                                                                              | <b>General</b>      | <b>Historic<br/>Preservation</b> |                     |                                         |
| Cash and cash equivalents                                                    | \$ 163,217          | \$ 25,230                        | \$ 188,447          |                                         |
| Investments                                                                  | 5,702,245           | 1,709,796                        | 7,412,041           |                                         |
| Receivables                                                                  |                     |                                  |                     |                                         |
| Accounts                                                                     | 381,550             | 1,015                            | 382,565             |                                         |
| Property taxes                                                               | 119,185             | —                                | 119,185             |                                         |
| <b>Total Assets</b>                                                          | <b>\$ 6,366,197</b> | <b>\$ 1,736,041</b>              | <b>\$ 8,102,238</b> |                                         |
| <b>Liabilities, Deferred Inflows Of Resources And Fund Balance</b>           |                     |                                  |                     |                                         |
| <b>Liabilities</b>                                                           |                     |                                  |                     |                                         |
| Accounts payable                                                             | \$ 130,140          | \$ 13,814                        | \$ 143,954          |                                         |
| Accrued expenditures                                                         | 68,044              | 1,379                            | 69,423              |                                         |
| <b>Total Liabilities</b>                                                     | <b>198,184</b>      | <b>15,193</b>                    | <b>213,377</b>      |                                         |
| <b>Deferred Inflows Of Resources</b>                                         |                     |                                  |                     |                                         |
| Property tax revenue                                                         | 119,185             | —                                | 119,185             |                                         |
| <b>Fund Balance</b>                                                          |                     |                                  |                     |                                         |
| Restricted (Note 8)                                                          | 292,000             | 1,720,848                        | 2,012,848           |                                         |
| Unassigned                                                                   | 5,756,828           | —                                | 5,756,828           |                                         |
| <b>Total Fund Balance</b>                                                    | <b>6,048,828</b>    | <b>1,720,848</b>                 | <b>7,769,676</b>    |                                         |
| <b>Total Liabilities, Deferred Inflows Of<br/>Resources And Fund Balance</b> | <b>\$ 6,366,197</b> | <b>\$ 1,736,041</b>              | <b>\$ 8,102,238</b> |                                         |

**CITY OF CRIPPLE CREEK, COLORADO**

---

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2013**

|                                                                                                                                                            |                        |                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------|
| <b>Total Governmental Fund Balances</b>                                                                                                                    | \$                     | 7,769,676                |
| 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                                                                                                                              |                        | 7,580,495                |
| Depreciable capital assets                                                                                                                                 | \$ 39,981,046          |                          |
| Less: Accumulated depreciation                                                                                                                             | <u>\$ (28,240,194)</u> | 11,740,852               |
| Capital leases payable are not due and payable in the current period and, therefore, are not reported in the funds.                                        |                        |                          |
|                                                                                                                                                            |                        | (305,263)                |
| 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>(125,316)</u>         |
| <b>Net Position Of Governmental Activities</b>                                                                                                             | <b>\$</b>              | <b><u>26,660,444</u></b> |

# CITY OF CRIPPLE CREEK, COLORADO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For The Year Ended December 31, 2013

|                                              | <b>General</b>      | <b>Historic<br/>Preservation</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|----------------------------------------------|---------------------|----------------------------------|-----------------------------------------|
| <b>Revenues</b>                              |                     |                                  |                                         |
| Property tax                                 | \$ 118,695          | \$ —                             | \$ 118,695                              |
| Sales tax                                    | 497,167             | —                                | 497,167                                 |
| Device fees                                  | 2,750,098           | —                                | 2,750,098                               |
| Gaming taxes                                 | 1,549,918           | 823,381                          | 2,373,299                               |
| Other taxes                                  | 111,008             | —                                | 111,008                                 |
| Intergovernmental                            | 31,107              | —                                | 31,107                                  |
| Licenses and permits                         | 66,346              | —                                | 66,346                                  |
| Charges for service                          | 257,801             | —                                | 257,801                                 |
| Fines and forfeitures                        | 10,924              | —                                | 10,924                                  |
| Investment earnings                          | 15,086              | 2,792                            | 17,878                                  |
| Rental income                                | 23,885              | —                                | 23,885                                  |
| Operating grants, contributions and interest | 113,176             | 9,344                            | 122,520                                 |
| Capital grants and contributions             | 156                 | —                                | 156                                     |
| Ticket and retail sales                      | 198,428             | 25,290                           | 223,718                                 |
| Miscellaneous                                | 250,908             | 7,144                            | 258,052                                 |
| <b>Total Revenues</b>                        | <b>5,994,703</b>    | <b>867,951</b>                   | <b>6,862,654</b>                        |
| <b>Expenditures</b>                          |                     |                                  |                                         |
| General government                           | 2,901,838           | 417,957                          | 3,319,795                               |
| Public safety                                | 2,381,998           | —                                | 2,381,998                               |
| Culture and recreation                       | 921,419             | 212,431                          | 1,133,850                               |
| Capital outlay                               | 848,391             | —                                | 848,391                                 |
| Debt service                                 |                     |                                  |                                         |
| Principal retirements                        | 65,000              | —                                | 65,000                                  |
| <b>Total Expenditures</b>                    | <b>7,118,646</b>    | <b>630,388</b>                   | <b>7,749,034</b>                        |
| Other financing sources (uses)               |                     |                                  |                                         |
| Transfers in (out)                           | 250,000             | (250,000)                        | —                                       |
| Proceeds from capital lease                  | 370,263             | —                                | 370,263                                 |
| <b>Other Financing Sources (Uses)</b>        | <b>620,263</b>      | <b>(250,000)</b>                 | <b>370,263</b>                          |
| Net changes in fund balance                  | (503,680)           | (12,437)                         | (516,117)                               |
| <b>Fund Balance, Beginning Of Year</b>       | <b>6,552,508</b>    | <b>1,733,285</b>                 | <b>8,285,793</b>                        |
| <b>Fund Balance, End Of Year</b>             | <b>\$ 6,048,828</b> | <b>\$ 1,720,848</b>              | <b>\$ 7,769,676</b>                     |

**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, 2013**

**Net Change In Fund Balances - Total Governmental Funds** \$ (516,117)

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 2013, depreciation expense was significantly greater than the amount the City spent in capital outlay.

|                      |                |             |
|----------------------|----------------|-------------|
| Depreciation expense | \$ (2,016,447) |             |
| Capital outlay       | <u>848,391</u> | (1,168,056) |

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. 65,000

The proceeds of capital leases are reported as other financing sources in the governmental funds, but are reported as a liability on the statement of net position. (370,263)

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, 2013         | (125,316)         |              |
| Liability at December 31, 2012         | <u>\$ 124,651</u> |              |
| <b>Changes In Compensated Absences</b> |                   | <u>(665)</u> |

**Change In Net Position Of Governmental Activities** \$ (1,990,101)

# CITY OF CRIPPLE CREEK, COLORADO

## STATEMENT OF NET POSITION - WATER AND SEWER FUND

December 31, 2013

(With Comparative Actual Amounts

As Of December 31, 2012)

|                                    | Assets                              |                      |
|------------------------------------|-------------------------------------|----------------------|
|                                    | 2013                                | 2012                 |
| <b>Current Assets</b>              |                                     |                      |
| Cash and cash equivalents          | \$ 149,332                          | \$ 269,052           |
| Investments                        | 4,117,708                           | 966,570              |
| Accounts receivable                | 39,319                              | 43,006               |
| <b>Total Current Assets</b>        | <b>4,306,359</b>                    | <b>1,278,628</b>     |
| <b>Noncurrent Assets</b>           |                                     |                      |
| Restricted assets                  |                                     |                      |
| Investments                        | 118,560                             | 115,612              |
| Capital assets                     |                                     |                      |
| Nondepreciable capital assets      | 2,993,694                           | 2,609,139            |
| Depreciable capital assets, net    | 14,160,188                          | 14,873,696           |
| <b>Total Noncurrent Assets</b>     | <b>17,272,442</b>                   | <b>17,598,447</b>    |
| <b>Total Assets</b>                | <b>21,578,801</b>                   | <b>18,877,075</b>    |
|                                    |                                     |                      |
|                                    | <b>Liabilities And Net Position</b> |                      |
| <b>Current Liabilities</b>         |                                     |                      |
| Accounts payable                   | 115,800                             | 61,315               |
| Accrued wages                      | 17,729                              | 29,320               |
| Accrued interest                   | 15,639                              | 15,689               |
| Compensated absences payable       | 4,658                               | 6,745                |
| Notes payable                      | 10,500                              | 10,000               |
| Revenue bonds payable              | 24,100                              | 22,700               |
| <b>Total Current Liabilities</b>   | <b>188,426</b>                      | <b>145,769</b>       |
| <b>Long-Term Liabilities</b>       |                                     |                      |
| Compensated absences payable       | 18,630                              | 26,978               |
| Notes payable                      | 479,000                             | 489,500              |
| Revenue bonds payable              | 775,100                             | 799,200              |
| <b>Total Long-Term Liabilities</b> | <b>1,272,730</b>                    | <b>1,315,678</b>     |
| <b>Total Liabilities</b>           | <b>1,461,156</b>                    | <b>1,461,447</b>     |
| <b>Net Position</b>                |                                     |                      |
| Net investment in capital assets   | 15,865,182                          | 16,161,435           |
| Restricted                         | 2,306,489                           | —                    |
| Unrestricted                       | 1,945,974                           | 1,254,193            |
| <b>Total Net Position</b>          | <b>\$ 20,117,645</b>                | <b>\$ 17,415,628</b> |

# CITY OF CRIPPLE CREEK, COLORADO

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

For The Year Ended December 31, 2013

(With Comparative Actual Amounts

For The Year Ended December 31, 2012)

|                                               | 2013                 | 2012                 |
|-----------------------------------------------|----------------------|----------------------|
| <b>Operating Revenues</b>                     |                      |                      |
| Water fees                                    | \$ 612,419           | \$ 670,281           |
| Sewer fees                                    | 140,362              | 140,854              |
| Miscellaneous                                 | 138,700              | 147,007              |
| <b>Total Operating Revenues</b>               | <b>891,481</b>       | <b>958,142</b>       |
| <b>Operating Expenses</b>                     |                      |                      |
| Professional services                         | 70,016               | 78,468               |
| Supplies                                      | 58,419               | 130,826              |
| Personnel services                            | 986,588              | 941,101              |
| Maintenance and repairs                       | 190,357              | 273,383              |
| Utilities and telephone                       | 173,478              | 162,774              |
| Depreciation                                  | 876,045              | 865,049              |
| Other                                         | 47,031               | 51,802               |
| <b>Total Operating Expenses</b>               | <b>2,401,934</b>     | <b>2,503,403</b>     |
| <b>Operating Loss</b>                         | <b>(1,510,453)</b>   | <b>(1,545,261)</b>   |
| <b>Nonoperating Revenues (Expenses)</b>       |                      |                      |
| Interest and fiscal charges                   | (68,448)             | (87,079)             |
| Interest earnings                             | 4,087                | 2,321                |
| Grants                                        | 2,664,504            | —                    |
| Device fees (security for debt)               | 1,612,327            | 1,826,759            |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>4,212,470</b>     | <b>1,742,001</b>     |
| Changes in net position                       | 2,702,017            | 196,740              |
| <b>Net Position, Beginning Of Year</b>        | <b>17,415,628</b>    | <b>17,218,888</b>    |
| <b>Net Position, End Of Year</b>              | <b>\$ 20,117,645</b> | <b>\$ 17,415,628</b> |

# CITY OF CRIPPLE CREEK, COLORADO

## STATEMENT OF CASH FLOWS - WATER AND SEWER FUND

For The Year Ended December 31, 2013

(With Comparative Actual Amounts

For The Year Ended December 31, 2012)

|                                                                                  | 2013                | 2012                |
|----------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Increase (Decrease) In Cash And Cash Equivalents</b>                          |                     |                     |
| <b>Cash Flows From Operating Activities</b>                                      |                     |                     |
| Cash received from customers                                                     | \$ 895,168          | \$ 931,713          |
| Cash payments to employees for personnel services                                | (1,008,614)         | (942,680)           |
| Cash payments for goods and services                                             | (484,816)           | (678,976)           |
| <b>Net Cash Used In Operating Activities</b>                                     | <b>(598,262)</b>    | <b>(689,943)</b>    |
| <b>Cash Flows From Noncapital Financing Activities</b>                           |                     |                     |
| Device fees                                                                      | 1,612,327           | 1,826,759           |
| Grants                                                                           | 2,664,504           | —                   |
| <b>Net Cash Provided By Noncapital Financing Activities</b>                      | <b>4,276,831</b>    | <b>1,826,759</b>    |
| <b>Cash Flows From Capital And Related Financing Activities</b>                  |                     |                     |
| Principal paid on revenue bonds                                                  | (22,700)            | (21,500)            |
| Principal paid on notes                                                          | (10,000)            | (9,600)             |
| Principal paid on capital leases                                                 | —                   | (35,990)            |
| Other capital interest                                                           | (68,498)            | (71,390)            |
| Payments for capital acquisitions                                                | (547,092)           | (567,905)           |
| <b>Net Cash Used In Capital And Related Financing Activities</b>                 | <b>(648,290)</b>    | <b>(706,385)</b>    |
| <b>Cash Flows From Investing Activities</b>                                      |                     |                     |
| Proceeds from sale of investments                                                | 2,800               | 338,667             |
| Investment earnings                                                              | 4,087               | 2,321               |
| Purchase of investments                                                          | (3,156,886)         | (550,989)           |
| <b>Net Cash Used In Investing Activities</b>                                     | <b>(3,149,999)</b>  | <b>(210,001)</b>    |
| <b>Net Increase (Decrease) In Cash And Cash Equivalents</b>                      | <b>(119,720)</b>    | <b>220,430</b>      |
| <b>Cash And Equivalents, Beginning Of Year</b>                                   | <b>269,052</b>      | <b>48,622</b>       |
| <b>Cash And Equivalents, End Of Year</b>                                         | <b>\$ 149,332</b>   | <b>\$ 269,052</b>   |
| <b>Reconciliation Of Operating Loss To Net Cash Used In Operating Activities</b> |                     |                     |
| Operating loss                                                                   | \$ (1,510,453)      | \$ (1,545,261)      |
| <b>Adjustments</b>                                                               |                     |                     |
| Depreciation                                                                     | 876,045             | 865,049             |
| (Increase) decrease in assets                                                    |                     |                     |
| Accounts receivable                                                              | 3,687               | (26,429)            |
| Increase (decrease) in liabilities                                               |                     |                     |
| Accounts payable                                                                 | 54,485              | 18,277              |
| Accrued wages                                                                    | (11,591)            | 4,171               |
| Compensated absences payable                                                     | (10,435)            | (5,750)             |
| <b>Net Cash Used In Operating Activities</b>                                     | <b>\$ (598,262)</b> | <b>\$ (689,943)</b> |

# CITY OF CRIPPLE CREEK, COLORADO

---

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2013

### 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 this criterion, the City is the total reporting entity, and no component units are included.

#### **Basis Of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net 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 1 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:

| <b>Description</b>           | <b>Governmental<br/>Activities<br/>Estimated Lives</b> | <b>Business-Type<br/>Activities<br/>Estimated Lives</b> |
|------------------------------|--------------------------------------------------------|---------------------------------------------------------|
| 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.

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.

## **CITY OF CRIPPLE CREEK, COLORADO**

---

### Notes To Basic Financial Statements (*Continued*)

#### **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the employer will compensate the employees for the benefits through paid time off or some other means for government-wide and proprietary fund presentations. Sick leave benefits do not vest. All 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.

#### **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 and current liabilities. 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 restricted 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.

## **CITY OF CRIPPLE CREEK, COLORADO**

---

### Notes To Basic Financial Statements (*Continued*)

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.

**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-pin 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).

## **CITY OF CRIPPLE CREEK, COLORADO**

---

### Notes To Basic Financial Statements (*Continued*)

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.

#### **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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2012, 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*)

---

#### **New Accounting Pronouncements**

Effective January 1, 2013, the City implemented the provisions of GASB No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65).

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities.

## **2. Cash And Investments**

#### **Deposits**

The Colorado Public Deposit Protection Act (PDPA) of 1989 requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by 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, 2013, 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, 2013, 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            | \$ 179              | \$ —                |
| Insured deposits      | 250,000             | 250,000             |
| Collateralized        | 87,600              | 505,895             |
| <b>Total Deposits</b> | <b>\$ 337,779</b>   | <b>\$ 755,895</b>   |

## CITY OF CRIPPLE CREEK, COLORADO

### Notes To Basic Financial Statements (*Continued*)

---

#### 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, 2013, the Bond Reserve Account held a balance of \$73,459 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 Trust) account.

The 1997 promissory note requires a reserve fund be established to pay for principal and interest if the City does not make the loan payments. The requirements of the reserve are approximately 1/12 of the annual principal and interest payments. As of December 31, 2013, the enterprise fund reserved \$45,101 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, 2013:

|           | <u>Cost</u>  | <u>Carrying<br/>Amount</u> |
|-----------|--------------|----------------------------|
| COLOTRUST | \$ 9,557,309 | \$ 9,557,309               |

## CITY OF CRIPPLE CREEK, COLORADO

### Notes To Basic Financial Statements (*Continued*)

---

The City had invested \$9,557,309 in COLOTRUST. This Trust is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities Commission administers and enforces all state statutes governing public investment pools. The Trust operates similarly to a money market fund, and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, which are rated AAAM by Standard & 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.colotruster.com](http://www.colotruster.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 nine different certificates of deposit with multiple institutions as of December 31, 2013, with an aggregate value of \$2,091,000. The certificates of deposit have varying ending dates to create a "laddered" investment. As of December 31, 2013, 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 restricted cash                      | \$ 337,779                  |
| Total investments                                   | <u>11,648,309</u>           |
| <b>Total Cash, Cash Equivalents And Investments</b> | <b><u>\$ 11,986,088</u></b> |
| Governmental funds - balance sheet                  | \$ 7,600,488                |
| Proprietary fund - statement of net position        | <u>4,385,600</u>            |
| <b>Total Cash, Cash Equivalents And Investments</b> | <b><u>\$ 11,986,088</u></b> |

***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.

## CITY OF CRIPPLE CREEK, COLORADO

---

### Notes To Basic Financial Statements (*Continued*)

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

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

***Concentration Risk*** - The City has approximately 83% 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, 2013 consisted of taxes/fees, accounts (billings for user charges) and other grants. 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, 2013.

# CITY OF CRIPPLE CREEK, COLORADO

## Notes To Basic Financial Statements (Continued)

### 4. Capital Assets

Capital asset government activity for the year ended December 31, 2013 was as follows:

|                                                   | Balance<br>December 31,<br>2012 | Additions             | Deductions    | Balance<br>December 31,<br>2013 |
|---------------------------------------------------|---------------------------------|-----------------------|---------------|---------------------------------|
| <b>Government Activities</b>                      |                                 |                       |               |                                 |
| Capital assets not being depreciated              |                                 |                       |               |                                 |
| Land                                              | \$ 7,580,495                    | \$ —                  | \$ —          | \$ 7,580,495                    |
| <b>Total Capital Assets Not Being Depreciated</b> | <b>7,580,495</b>                | <b>—</b>              | <b>—</b>      | <b>7,580,495</b>                |
| <b>Other Capital Assets</b>                       |                                 |                       |               |                                 |
| Buildings                                         | 14,680,587                      | 26,273                | —             | 14,706,860                      |
| Equipment                                         | 1,849,817                       | 72,269                | —             | 1,922,086                       |
| Roads                                             | 14,057,798                      | —                     | —             | 14,057,798                      |
| Storm sewers                                      | 2,334,281                       | —                     | —             | 2,334,281                       |
| Sidewalks, curbs and gutters                      | 1,387,980                       | —                     | —             | 1,387,980                       |
| Intersections                                     | 737,362                         | —                     | —             | 737,362                         |
| Street lights                                     | 915,166                         | 161,731               | —             | 1,076,897                       |
| Bridges                                           | 377,594                         | —                     | —             | 377,594                         |
| Vehicles                                          | 2,205,711                       | 588,118               | 63,000        | 2,730,829                       |
| Parks                                             | 590,016                         | —                     | —             | 590,016                         |
| Street signs                                      | 59,343                          | —                     | —             | 59,343                          |
| <b>Total Other Capital Assets</b>                 | <b>39,195,655</b>               | <b>848,391</b>        | <b>63,000</b> | <b>39,981,046</b>               |
| <b>Total Cost</b>                                 | <b>46,776,150</b>               | <b>848,391</b>        | <b>63,000</b> | <b>47,561,541</b>               |
| <b>Accumulated Depreciation</b>                   |                                 |                       |               |                                 |
| Buildings                                         | 6,747,082                       | 601,548               | —             | 7,348,630                       |
| Equipment                                         | 1,697,590                       | 68,183                | —             | 1,765,773                       |
| Roads                                             | 11,878,986                      | 865,850               | —             | 12,744,836                      |
| Storm sewers                                      | 1,000,408                       | 66,694                | —             | 1,067,102                       |
| Sidewalks, curbs and gutters                      | 857,683                         | 69,399                | —             | 927,082                         |
| Intersections                                     | 632,491                         | 45,751                | —             | 678,242                         |
| Street lights                                     | 687,578                         | 62,242                | —             | 749,820                         |
| Bridges                                           | 151,039                         | 15,104                | —             | 166,143                         |
| Vehicles                                          | 2,007,235                       | 219,212               | 63,000        | 2,163,447                       |
| Parks                                             | 567,314                         | 2,464                 | —             | 569,778                         |
| Street signs                                      | 59,341                          | —                     | —             | 59,341                          |
| <b>Total Accumulated Depreciation</b>             | <b>26,286,747</b>               | <b>2,016,447</b>      | <b>63,000</b> | <b>28,240,194</b>               |
| <b>Governmental Activities</b>                    |                                 |                       |               |                                 |
| <b>Capital Assets, Net</b>                        | <b>\$ 20,489,403</b>            | <b>\$ (1,168,056)</b> | <b>\$ —</b>   | <b>\$ 19,321,347</b>            |

## CITY OF CRIPPLE CREEK, COLORADO

### Notes To Basic Financial Statements (Continued)

Governmental activities depreciation expenses were as follows:

|                                                   | <u>2013</u>                |
|---------------------------------------------------|----------------------------|
| General government                                | \$ 127,036                 |
| Public safety                                     | 602,918                    |
| Streets                                           | 1,155,424                  |
| Culture and recreation                            | <u>131,069</u>             |
| <b>Total Governmental Activities Depreciation</b> | <b><u>\$ 2,016,447</u></b> |

Capital asset business-type activity for the year ended December 31, 2013 was as follows:

|                                                     | <u>Balance</u><br><u>December 31,</u><br><u>2012</u> | <u>Additions</u>    | <u>Deductions</u> | <u>Balance</u><br><u>December 31,</u><br><u>2013</u> |
|-----------------------------------------------------|------------------------------------------------------|---------------------|-------------------|------------------------------------------------------|
| <b>Business-Type Activities</b>                     |                                                      |                     |                   |                                                      |
| Capital assets not being depreciated                |                                                      |                     |                   |                                                      |
| Land                                                | \$ 973,015                                           | \$ —                | \$ —              | \$ 973,015                                           |
| Construction in progress                            | —                                                    | 378,414             | —                 | 378,414                                              |
| Water rights                                        | 1,636,124                                            | 6,141               | —                 | 1,642,265                                            |
| <b>Total Capital Assets Not Being Depreciated</b>   | <u>2,609,139</u>                                     | <u>384,555</u>      | <u>—</u>          | <u>2,993,694</u>                                     |
| <b>Other Capital Assets</b>                         |                                                      |                     |                   |                                                      |
| Land improvements                                   | 6,422,792                                            | 31,000              | —                 | 6,453,792                                            |
| Water system                                        | 12,488,355                                           | 91,923              | —                 | 12,580,278                                           |
| Sewer system                                        | 2,382,547                                            | —                   | —                 | 2,382,547                                            |
| Sewer plant                                         | 2,434,572                                            | —                   | —                 | 2,434,572                                            |
| Equipment                                           | 1,472,034                                            | 39,614              | —                 | 1,511,648                                            |
| <b>Total Other Capital Assets</b>                   | <u>25,200,300</u>                                    | <u>162,537</u>      | <u>—</u>          | <u>25,362,837</u>                                    |
| <b>Total Capital Asset Cost</b>                     | <u>27,809,439</u>                                    | <u>547,092</u>      | <u>—</u>          | <u>28,356,531</u>                                    |
| <b>Accumulated Depreciation</b>                     |                                                      |                     |                   |                                                      |
| Land improvements                                   | 1,070,523                                            | 147,964             | —                 | 1,218,487                                            |
| Water system                                        | 4,997,431                                            | 321,215             | —                 | 5,318,646                                            |
| Sewer system                                        | 1,062,595                                            | 60,471              | —                 | 1,123,066                                            |
| Sewer plant                                         | 685,343                                              | 34,568              | —                 | 719,911                                              |
| Equipment                                           | 2,510,712                                            | 311,827             | —                 | 2,822,539                                            |
| <b>Total Accumulated Depreciation</b>               | <u>10,326,604</u>                                    | <u>876,045</u>      | <u>—</u>          | <u>11,202,649</u>                                    |
| <b>Business-Type Activities Capital Assets, Net</b> | <u>\$ 17,482,835</u>                                 | <u>\$ (328,953)</u> | <u>\$ —</u>       | <u>\$ 17,153,882</u>                                 |

## 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 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 2039. The principal and interest amounts remaining to be paid at December 31, 2013 were as follows:

| 1997 Series USDA Bond |                   |                   |                   |
|-----------------------|-------------------|-------------------|-------------------|
| Year                  | Principal         | Interest          | Total             |
| 2014                  | \$ 10,500         | \$ 23,353         | \$ 33,853         |
| 2015                  | 11,100            | 22,842            | 33,942            |
| 2016                  | 11,600            | 22,305            | 33,905            |
| 2017                  | 12,100            | 21,741            | 33,841            |
| 2018                  | 12,700            | 21,153            | 33,853            |
| 2019 - 2023           | 73,300            | 95,904            | 169,204           |
| 2024 - 2028           | 92,500            | 76,342            | 168,842           |
| 2029 - 2033           | 117,100           | 51,614            | 168,714           |
| 2034 - 2038           | 148,500           | 20,319            | 168,819           |
| 2039                  | 100               | —                 | 100               |
| <b>Total</b>          | <b>\$ 489,500</b> | <b>\$ 355,573</b> | <b>\$ 845,073</b> |

#### Business-Type Water And Sewer Bonds

In 1992, the City issued a 1992 USDA Water Revenue Series Bond in the amount of \$1,086,000 at 5.50% interest, requiring semi-annual payments of approximately \$70,000 with the final payment due 2033. Annual debt service requirements to amortize water and sewer bonds outstanding as of December 31, 2013 follow:

| 1992 Series USDA Bond |                   |                   |                     |
|-----------------------|-------------------|-------------------|---------------------|
| Year                  | Principal         | Interest          | Total               |
| 2014                  | \$ 24,100         | \$ 47,185         | \$ 71,285           |
| 2015                  | 25,400            | 45,762            | 71,162              |
| 2016                  | 26,900            | 44,262            | 71,162              |
| 2017                  | 28,500            | 42,674            | 71,174              |
| 2018                  | 30,200            | 40,991            | 71,191              |
| 2019 - 2023           | 179,300           | 176,069           | 355,369             |
| 2024 - 2028           | 237,300           | 116,804           | 354,104             |
| 2029 - 2033           | 247,500           | 37,697            | 285,197             |
| <b>Total</b>          | <b>\$ 799,200</b> | <b>\$ 551,444</b> | <b>\$ 1,350,644</b> |

## 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 - 2039               |

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

| <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> |
|--------------------|----------------------------|--------------------------------|------------------------------|------------------|-----------------|-----------------|
| 2013               | \$ 2,507,895               | \$ 2,401,934                   | \$ 105,961                   | \$ 32,700        | \$ 68,448       | 1.0             |

### Capital Leases

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

## CITY OF CRIPPLE CREEK, COLORADO

### Notes To Basic Financial Statements (Continued)

#### Governmental Fund

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%. No interest was due during 2013. The principal and interest amounts remaining to be paid at December 31, 2013 were as follows:

| Year         | Principal         | Interest         | Total             |
|--------------|-------------------|------------------|-------------------|
| 2014         | \$ 59,163         | \$ 4,799         | \$ 63,962         |
| 2015         | 60,093            | 3,869            | 63,962            |
| 2016         | 61,038            | 2,924            | 63,962            |
| 2017         | 61,997            | 1,965            | 63,962            |
| 2018         | 62,972            | 990              | 63,962            |
| <b>Total</b> | <b>\$ 305,263</b> | <b>\$ 14,547</b> | <b>\$ 319,810</b> |

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

|                                |                   |
|--------------------------------|-------------------|
| Capital assets                 | \$ 370,263        |
| Less: Accumulated depreciation | <u>74,053</u>     |
| Net capitalized lease property | <u>\$ 296,210</u> |

#### Changes In Long-Term Debt

Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2013:

| Governmental Activities              | Beginning<br>December 31,<br>2012 | Additions<br>To Principal | Reductions<br>To Principal | Ending<br>December 31,<br>2013 | Due In<br>One Year |
|--------------------------------------|-----------------------------------|---------------------------|----------------------------|--------------------------------|--------------------|
| Capital lease                        | \$ —                              | \$ 370,263                | \$ 65,000                  | \$ 305,263                     | \$ 59,163          |
| Compensated absences                 | 124,651                           | 665                       | —                          | 125,316                        | 25,063             |
| <b>Total Governmental Activities</b> | <b>\$ 124,651</b>                 | <b>\$ 370,928</b>         | <b>\$ 65,000</b>           | <b>\$ 430,579</b>              | <b>\$ 84,226</b>   |

  

| Business-Type Activities              | Beginning<br>December 31,<br>2012 | Additions<br>To Principal | Reductions<br>To Principal | Ending<br>December 31,<br>2013 | Due In<br>One Year |
|---------------------------------------|-----------------------------------|---------------------------|----------------------------|--------------------------------|--------------------|
| Water revenue bonds - 1992 (FmHA)     | \$ 821,900                        | \$ —                      | \$ 22,700                  | \$ 799,200                     | \$ 24,100          |
| USDA notes-1997 (USDA)                | 499,500                           | —                         | 10,000                     | 489,500                        | 10,500             |
| Compensated absences                  | 33,723                            | —                         | 10,435                     | 23,288                         | 4,658              |
| <b>Total Business-Type Activities</b> | <b>\$ 1,355,123</b>               | <b>\$ —</b>               | <b>\$ 43,135</b>           | <b>\$ 1,311,988</b>            | <b>\$ 39,258</b>   |

## **CITY OF CRIPPLE CREEK, COLORADO**

---

### Notes To Basic Financial Statements (*Continued*)

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. Pensions**

### **General Employees Retirement**

City employees are covered under a 401(a) defined contribution plan maintained and administered through Colorado County Officials and Employees Retirement Association (CCOERA). The plan is established and amended under Colorado State Statute. Under the terms of the defined contribution plan, participants are required to contribute 8% of annual compensation with a matching amount from the City. Vesting begins immediately upon participation with 100% vesting occurring after 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 \$195,499 while 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.

### **Fire Department Employees Retirement**

#### **Full-Time Firefighters Pension Plan**

The City's Fire Department line personnel participate in the FPPA Statewide Defined Benefit Plan (the Pension Plan). In addition, firefighters can contribute additional funds into FPPA's 457 plan. FPPA issues stand-alone financial statements, which can be obtained at [www.fppaco.org](http://www.fppaco.org).

***Plan Description*** - The Pension Plan is a cost-sharing, multi-employer defined benefit pension plan covering full-time employees hired on or after April 8, 1978.

## **CITY OF CRIPPLE CREEK, COLORADO**

---

### Notes To Basic Financial Statements (*Continued*)

**Contributions** - Trustees of the Pension Plan set contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. At present, state law requires employers and members to each contribute 8% of the members' base salaries.

The City contributed \$57,765, \$58,893 and \$49,844 to the Pension Plan for the years ended December 31, 2013, 2012 and 2011, respectively, which equaled the required contribution for each year.

**Benefits** - On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the Pension Plan to change the retirement age annually, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983, such that any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension.

The annual normal pension is 2% of the average of the member's highest 3 years' base salaries for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Trustees' discretion and can range from 0% to the higher of 3% or the CPI.

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 Pension Plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest 3 years' base salaries for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter.

## **7. Other 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 plan.

## CITY OF CRIPPLE CREEK, COLORADO

---

### Notes To Basic Financial Statements (*Continued*)

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 statewide plan has 372 participating employers. Included in that number, there were 9 contributing employers, as of December 31, 2013, who have elected supplementary coverage by the statewide plan.

The State made a one-time contribution in 1997 of \$39,000,000 to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further state contributions are anticipated. Members hired on or after January 1, 1997, contribute a percentage of the payroll based on actuarial experience. For 2013, this represented 2.0%, 2.2% for 2012 and 1.8% for 2011.

The City contributed \$16,369, \$17,359 and \$13,915 to the Plan during 2013, 2012 and 2011, 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 re-determined on October 1 of each year. Any increase in the level of benefits cannot exceed the lesser of the increase in the Consumer Price Index or 3%.

## CITY OF CRIPPLE CREEK, COLORADO

### Notes To Basic Financial Statements (Continued)

---

#### 8. Net Position And Fund Balance

The net investment in capital assets on the government-wide statement of net position as of December 31, 2013 was computed as follows:

|                                         | <b>Governmental<br/>Activities</b> | <b>Business-<br/>Type<br/>Activities</b> |
|-----------------------------------------|------------------------------------|------------------------------------------|
| Net investment in capital assets        |                                    |                                          |
| Cost of capital assets                  | \$ 47,561,541                      | \$ 28,356,531                            |
| Less: Accumulated depreciation          | 28,240,194                         | 11,202,649                               |
| Book value                              | 19,321,347                         | 17,153,882                               |
| Less: Capital related debt              | 305,263                            | 1,288,700                                |
| <b>Net Investment In Capital Assets</b> | <b>\$ 19,016,084</b>               | <b>\$ 15,865,182</b>                     |

The table below delineates the City's December 31, 2013 ending fund balances for the governmental funds:

|                           | <b>General<br/>Fund</b> | <b>Historic<br/>Preservation<br/>Fund</b> | <b>Total</b>        |
|---------------------------|-------------------------|-------------------------------------------|---------------------|
| <b>Fund Balances</b>      |                         |                                           |                     |
| Restricted                |                         |                                           |                     |
| Emergencies               | \$ 192,000              | \$ —                                      | \$ 192,000          |
| Parks and recreation      | 100,000                 | —                                         | 100,000             |
| Historic preservation     | —                       | 1,720,848                                 | 1,720,848           |
| Unassigned                | 5,756,828               | —                                         | 5,756,828           |
| <b>Total Fund Balance</b> | <b>\$ 6,048,828</b>     | <b>\$ 1,720,848</b>                       | <b>\$ 7,769,676</b> |

#### 9. 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.

## **10. Contingent Liabilities**

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

As of December 31, 2013, 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 \$150,000. The City contributed \$150,000 to the clinic during 2013. This agreement extends through December 31, 2014.

## **11. Commitments**

As of December 31, 2013, the City had commitments outstanding, in the form of contracts of approximately \$3,826,276, primarily for construction projects.

## **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 \$192,000 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.

**14. Interfund Transactions**

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

**15. Related-Party Transactions**

The Mayor of Cripple Creek is employed by the local electrical firm, District Supply. The City of Cripple Creek contracts with District Supply on an as-needed basis for electrical work. In 2013, the City had expenses of \$73,666 with District Supply.

---

**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, 2013**

|                                              | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>       | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|----------------------------------------------|----------------------------|-------------------------|---------------------|-------------------------------------------------|
| <b>Revenues</b>                              |                            |                         |                     |                                                 |
| Property tax                                 | \$ 120,319                 | \$ 120,319              | \$ 118,695          | \$ (1,624)                                      |
| Sales tax                                    | 520,000                    | 520,000                 | 497,167             | (22,833)                                        |
| Device fees                                  | 2,945,950                  | 2,945,950               | 2,750,098           | (195,852)                                       |
| Gaming taxes                                 | 1,614,761                  | 1,614,761               | 1,549,918           | (64,843)                                        |
| Other taxes                                  | 134,900                    | 134,900                 | 111,008             | (23,892)                                        |
| Intergovernmental                            | 24,375                     | 24,375                  | 31,107              | 6,732                                           |
| Licenses and permits                         | 77,700                     | 77,700                  | 66,346              | (11,354)                                        |
| Charges for service                          | 273,500                    | 273,500                 | 257,801             | (15,699)                                        |
| Fines and forfeitures                        | 17,000                     | 17,000                  | 10,924              | (6,076)                                         |
| Investment earnings                          | 19,000                     | 19,000                  | 15,086              | (3,914)                                         |
| Rental income                                | 25,860                     | 25,860                  | 23,885              | (1,975)                                         |
| Operating grants, contributions and interest | 119,000                    | 119,000                 | 113,176             | (5,824)                                         |
| Capital grants and contributions             | 7,500                      | 7,500                   | 156                 | (7,344)                                         |
| Ticket and retail sales                      | 161,550                    | 161,550                 | 198,428             | 36,878                                          |
| Miscellaneous                                | 531,988                    | 531,988                 | 250,908             | (281,080)                                       |
| <b>Total Revenues</b>                        | <b>6,593,403</b>           | <b>6,593,403</b>        | <b>5,994,703</b>    | <b>(598,700)</b>                                |
| <b>Expenditures</b>                          |                            |                         |                     |                                                 |
| General government                           | 3,324,516                  | 3,324,516               | 2,901,838           | 422,678                                         |
| Public safety                                | 2,623,397                  | 2,623,397               | 2,381,998           | 241,399                                         |
| Culture and recreation                       | 945,984                    | 945,984                 | 921,419             | 24,565                                          |
| Capital outlay                               | 340,800                    | 340,800                 | 848,391             | (507,591)                                       |
| Debt service                                 |                            |                         |                     |                                                 |
| Principal retirements                        | —                          | —                       | 65,000              | (65,000)                                        |
| <b>Total Expenditures</b>                    | <b>7,234,697</b>           | <b>7,234,697</b>        | <b>7,118,646</b>    | <b>116,051</b>                                  |
| <b>Other financing sources</b>               |                            |                         |                     |                                                 |
| Transfer in                                  | 250,000                    | 250,000                 | 250,000             | —                                               |
| Proceeds from capital lease                  | —                          | —                       | 370,263             | 370,263                                         |
| <b>Other Financing Sources</b>               | <b>250,000</b>             | <b>250,000</b>          | <b>620,263</b>      | <b>370,263</b>                                  |
| <b>Net Changes In Fund Balance</b>           | <b>\$ (391,294)</b>        | <b>\$ (391,294)</b>     | <b>(503,680)</b>    | <b>\$ (112,386)</b>                             |
| <b>Fund Balance, Beginning Of Year</b>       |                            |                         | <b>6,552,508</b>    |                                                 |
| <b>Fund Balance, End Of Year</b>             |                            |                         | <b>\$ 6,048,828</b> |                                                 |

**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, 2013**

|                                              | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>       | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|----------------------------------------------|----------------------------|-------------------------|---------------------|-------------------------------------------------|
| <b>Revenues</b>                              |                            |                         |                     |                                                 |
| Gaming taxes                                 | \$ 840,216                 | \$ 840,216              | \$ 823,381          | \$ (16,835)                                     |
| Investment earnings                          | 4,300                      | 4,300                   | 2,792               | (1,508)                                         |
| Operating grants, contributions and interest | (4,200)                    | (4,200)                 | 9,344               | 13,544                                          |
| Ticket and retail sales                      | 5,000                      | 5,000                   | 25,290              | 20,290                                          |
| Miscellaneous                                | 6,500                      | 6,500                   | 7,144               | 644                                             |
| <b>Total Revenues</b>                        | <b>851,816</b>             | <b>851,816</b>          | <b>867,951</b>      | <b>16,135</b>                                   |
| <b>Expenditures</b>                          |                            |                         |                     |                                                 |
| General government                           | 427,475                    | 427,475                 | 417,957             | 9,518                                           |
| Culture and recreation                       | 254,500                    | 254,500                 | 212,431             | 42,069                                          |
| Capital outlay                               | 15,000                     | 15,000                  | —                   | 15,000                                          |
| <b>Total Expenditures</b>                    | <b>696,975</b>             | <b>696,975</b>          | <b>630,388</b>      | <b>66,587</b>                                   |
| <b>Other financing uses</b>                  |                            |                         |                     |                                                 |
| Transfer out                                 | (250,000)                  | (250,000)               | (250,000)           | —                                               |
| <b>Net Changes In Fund Balance</b>           | <b>\$ (95,159)</b>         | <b>\$ (95,159)</b>      | <b>(12,437)</b>     | <b>\$ 82,722</b>                                |
| <b>Fund Balance, Beginning Of Year</b>       |                            |                         | <u>1,733,285</u>    |                                                 |
| <b>Fund Balance, End Of Year</b>             |                            |                         | <u>\$ 1,720,848</u> |                                                 |

# CITY OF CRIPPLE CREEK, COLORADO

---

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

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

---

## Supplementary Information

---

# CITY OF CRIPPLE CREEK

## COMPARATIVE BALANCE SHEET - GENERAL FUND For The Years Ended December 31, 2013 And 2012

|                                                                              | Assets              |                     |
|------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                              | 2013                | 2012                |
| Cash and cash equivalents                                                    | \$ 163,217          | \$ 152,120          |
| Investments                                                                  | 5,702,245           | 6,537,079           |
| Receivables                                                                  |                     |                     |
| Accounts                                                                     | 381,550             | 181,483             |
| Property taxes                                                               | 119,185             | 118,769             |
| <b>Total Assets</b>                                                          | <b>\$ 6,366,197</b> | <b>\$ 6,989,451</b> |
| <b>Liabilities, Deferred Inflows Of Resources And Fund Balance</b>           |                     |                     |
| <b>Liabilities</b>                                                           |                     |                     |
| Accounts payable                                                             | \$ 130,140          | \$ 214,811          |
| Accrued expenditures                                                         | 68,044              | 103,363             |
| <b>Total Liabilities</b>                                                     | <b>198,184</b>      | <b>318,174</b>      |
| <b>Deferred Inflows Of Resources</b>                                         |                     |                     |
| Property tax revenue                                                         | 119,185             | 118,769             |
| <b>Fund Balance</b>                                                          |                     |                     |
| Restricted                                                                   | 292,000             | 309,000             |
| Unassigned                                                                   | 5,756,828           | 6,243,508           |
| <b>Total Fund Balance</b>                                                    | <b>6,048,828</b>    | <b>6,552,508</b>    |
| <b>Total Liabilities, Deferred Inflows Of Resources<br/>And Fund Balance</b> | <b>\$ 6,366,197</b> | <b>\$ 6,989,451</b> |

## CITY OF CRIPPLE CREEK

### COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND For The Years Ended December 31, 2013 And 2012

|                                              | 2013                | 2012                |
|----------------------------------------------|---------------------|---------------------|
| <b>Revenues</b>                              |                     |                     |
| Property tax                                 | \$ 118,695          | \$ 117,263          |
| Sales tax                                    | 497,167             | 519,397             |
| Device fees                                  | 2,750,098           | 2,750,041           |
| Gaming taxes                                 | 1,549,918           | 1,507,713           |
| Other taxes                                  | 111,008             | 119,927             |
| Intergovernmental                            | 31,107              | 41,260              |
| Licenses and permits                         | 66,346              | 63,413              |
| Charges for service                          | 257,801             | 242,113             |
| Fines and forfeitures                        | 10,924              | 12,975              |
| Investment earnings                          | 15,086              | 19,943              |
| Rental income                                | 23,885              | 28,103              |
| Operating grants, contributions and interest | 113,176             | 1,324               |
| Capital grants and contributions             | 156                 | 154,608             |
| Ticket and retail sales                      | 198,428             | 161,526             |
| Miscellaneous                                | 250,908             | 86,658              |
| <b>Total Revenues</b>                        | <b>5,994,703</b>    | <b>5,826,264</b>    |
| <b>Expenditures</b>                          |                     |                     |
| General government                           | 2,901,838           | 2,456,263           |
| Public safety                                | 2,381,998           | 2,447,777           |
| Streets                                      | —                   | 95,358              |
| Culture and recreation                       | 921,419             | 874,104             |
| Capital outlay                               | 848,391             | 219,082             |
| Debt service                                 |                     |                     |
| Principal retirements                        | 65,000              | 59,915              |
| Interest and fiscal charges                  | —                   | 2,097               |
| <b>Total Expenditures</b>                    | <b>7,118,646</b>    | <b>6,154,596</b>    |
| <b>Deficiency Of Revenues/Expenditures</b>   | <b>(1,123,943)</b>  | <b>(328,332)</b>    |
| <b>Other Financing Sources</b>               |                     |                     |
| Transfers in                                 | 250,000             | 250,000             |
| Proceeds from capital lease                  | 370,263             | —                   |
| <b>Other Financing Sources</b>               | <b>620,263</b>      | <b>250,000</b>      |
| <b>Net Changes In Fund Balance</b>           | <b>(503,680)</b>    | <b>(78,332)</b>     |
| <b>Fund Balance, Beginning Of Year</b>       | <b>6,552,508</b>    | <b>6,630,840</b>    |
| <b>Fund Balance, End Of Year</b>             | <b>\$ 6,048,828</b> | <b>\$ 6,552,508</b> |

# CITY OF CRIPPLE CREEK

## COMPARATIVE BALANCE SHEET - HISTORIC PRESERVATION FUND For The Years Ended December 31, 2013 And 2012

|                                           | <b>Assets</b>       |                     |
|-------------------------------------------|---------------------|---------------------|
|                                           | <u>2013</u>         | <u>2012</u>         |
| Cash and cash equivalents                 | \$ 25,230           | \$ 66,092           |
| Investments                               | 1,709,796           | 1,698,157           |
| Receivables                               |                     |                     |
| Accounts                                  | 1,015               | 8,407               |
| <b>Total Assets</b>                       | <b>\$ 1,736,041</b> | <b>\$ 1,772,656</b> |
| <b>Liabilities And Fund Balance</b>       |                     |                     |
| <b>Liabilities</b>                        |                     |                     |
| Accounts payable                          | \$ 13,814           | \$ 29,729           |
| Accrued expenditures                      | 1,379               | 9,642               |
| <b>Total Liabilities</b>                  | <b>15,193</b>       | <b>39,371</b>       |
| <b>Fund Balance</b>                       |                     |                     |
| Restricted                                | 1,720,848           | 1,733,285           |
| <b>Total Liabilities And Fund Balance</b> | <b>\$ 1,736,041</b> | <b>\$ 1,772,656</b> |

## CITY OF CRIPPLE CREEK

---

### COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - HISTORIC PRESERVATION FUND For The Years Ended December 31, 2013 And 2012

|                                              | 2013                | 2012                |
|----------------------------------------------|---------------------|---------------------|
| <b>Revenues</b>                              |                     |                     |
| Gaming taxes                                 | \$ 823,381          | \$ 800,206          |
| Investment earnings                          | 2,792               | 4,169               |
| Operating grants, contributions and interest | 9,344               | 8,905               |
| Ticket and retail sales                      | 25,290              | 32,165              |
| Miscellaneous                                | 7,144               | 9,471               |
| <b>Total Revenues</b>                        | <b>867,951</b>      | <b>854,916</b>      |
| <b>Expenditures</b>                          |                     |                     |
| General government                           | 417,957             | 588,103             |
| Culture and recreation                       | 212,431             | 122,679             |
| Capital outlay                               | —                   | 26,164              |
| <b>Total Expenditures</b>                    | <b>630,388</b>      | <b>736,946</b>      |
| <b>Excess Of Revenues/Expenditures</b>       | <b>237,563</b>      | <b>117,970</b>      |
| <b>Other Financing Uses</b>                  |                     |                     |
| Transfers out                                | (250,000)           | (250,000)           |
| <b>Net Changes In Fund Balance</b>           | <b>(12,437)</b>     | <b>(132,030)</b>    |
| <b>Fund Balance, Beginning Of Year</b>       | <b>1,733,285</b>    | <b>1,865,315</b>    |
| <b>Fund Balance, End Of Year</b>             | <b>\$ 1,720,848</b> | <b>\$ 1,733,285</b> |

## 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, 2013  
(With Comparative Actual Amounts  
For The Year Ended December 31, 2012)**

|                                        | Original<br>Budget | Final<br>Budget  | Actual               | Variance<br>Favorable<br>(Unfavorable) | 2012<br>Actual       |
|----------------------------------------|--------------------|------------------|----------------------|----------------------------------------|----------------------|
| <b>Revenues</b>                        |                    |                  |                      |                                        |                      |
| Charges for service                    | \$ 1,115,039       | \$ 1,115,039     | \$ 752,781           | \$ (362,258)                           | \$ 811,135           |
| Device fees (security for debt)        | 1,726,050          | 1,726,050        | 1,612,327            | (113,723)                              | 1,826,759            |
| Reimbursements                         | 560,310            | 560,310          | 1,684                | (558,626)                              | 114,290              |
| Grants                                 | 3,144,000          | 3,144,000        | 2,664,504            | (479,496)                              | —                    |
| Other income                           | —                  | —                | 137,016              | 137,016                                | 32,717               |
| Investment earnings                    | 1,500              | 1,500            | 4,087                | 2,587                                  | 2,321                |
| <b>Total Revenues</b>                  | <b>6,546,899</b>   | <b>6,546,899</b> | <b>5,172,399</b>     | <b>(1,374,500)</b>                     | <b>2,787,222</b>     |
| <b>Expenditures</b>                    |                    |                  |                      |                                        |                      |
| Professional services                  | 104,100            | 104,100          | 70,016               | 34,084                                 | 78,468               |
| Supplies                               | 68,600             | 68,600           | 58,419               | 10,181                                 | 130,826              |
| Personnel services                     | 1,216,105          | 1,216,105        | 986,588              | 229,517                                | 941,101              |
| Maintenance and repairs                | 551,396            | 551,396          | 190,357              | 361,039                                | 273,383              |
| Utilities and telephone                | 150,500            | 150,500          | 173,478              | (22,978)                               | 162,774              |
| Other/miscellaneous                    | 47,175             | 47,175           | 47,031               | 144                                    | 51,802               |
| Capital outlay                         | 4,256,564          | 4,256,564        | 547,092              | 3,709,472                              | 704,869              |
| Debt service                           | 70,537             | 70,537           | 101,148              | (30,611)                               | 151,278              |
| <b>Total Expenditures</b>              | <b>6,464,977</b>   | <b>6,464,977</b> | <b>2,174,129</b>     | <b>4,290,848</b>                       | <b>2,494,501</b>     |
| <b>Change In Net Assets</b>            | <b>\$ 81,922</b>   | <b>\$ 81,922</b> | <b>2,998,270</b>     | <b>\$ 2,916,348</b>                    | <b>292,721</b>       |
| <b>Reconciliation To GAAP Basis</b>    |                    |                  |                      |                                        |                      |
| Add                                    |                    |                  |                      |                                        |                      |
| Capital outlay                         |                    |                  | 547,092              |                                        | 704,869              |
| Principal retirement                   |                    |                  | 32,700               |                                        | 64,199               |
| Less                                   |                    |                  |                      |                                        |                      |
| Depreciation                           |                    |                  | (876,045)            |                                        | (865,049)            |
| <b>Net Income</b>                      |                    |                  | <b>2,702,017</b>     |                                        | <b>196,740</b>       |
| <b>Net Position, Beginning Of Year</b> |                    |                  | <b>17,415,628</b>    |                                        | <b>17,218,888</b>    |
| <b>Net Position, End Of Year</b>       |                    |                  | <b>\$ 20,117,645</b> |                                        | <b>\$ 17,415,628</b> |

---

**Special Reports Section**

---

# CITY OF CRIPPLE CREEK

## LOCAL HIGHWAY FINANCE REPORT

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

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

|                                                                                                 |                                                     |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| <b>LOCAL HIGHWAY FINANCE REPORT</b>                                                             | City or County:<br>City of Cripple Creek            |
|                                                                                                 | YEAR ENDING :<br>December 2013                      |
| This Information From The Records Of (example - City of _ or County of<br>City of Cripple Creek | Prepared By:<br>Debra Blevins<br>Phone: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  |
|-------------------------------------------------------------|-----------|---------------------------------------------------|---------|
| <b>A. Receipts from local sources:</b>                      |           | <b>A. Local highway disbursements:</b>            |         |
| 1. Local highway-user taxes                                 |           | 1. Capital outlay (from page 2)                   | 415,483 |
| a. Motor Fuel (from Item I.A.5.)                            |           | 2. Maintenance:                                   | 10,061  |
| b. Motor Vehicle (from Item I.B.5.)                         |           | 3. Road and street services:                      |         |
| c. Total (a.+b.)                                            |           | a. Traffic control operations                     | 6,456   |
| 2. General fund appropriations                              |           | b. Snow and ice removal                           | 68,870  |
| 3. Other local imposts (from page 2)                        | 644,286   | c. Other                                          | 132,993 |
| 4. Miscellaneous local receipts (from page 2)               | 10,027    | d. Total (a. through c.)                          | 208,319 |
| 5. Transfers from toll facilities                           |           | 4. General administration & miscellaneous         | 52,939  |
| 6. Proceeds of sale of bonds and notes:                     |           | 5. Highway law enforcement and safety             | 198,564 |
| a. Bonds - Original Issues                                  |           | 6. Total (1 through 5)                            | 885,366 |
| b. Bonds - Refunding Issues                                 |           | <b>B. Debt service on local obligations:</b>      |         |
| c. Notes                                                    |           | 1. Bonds:                                         |         |
| d. Total (a. + b. + c.)                                     | 0         | a. Interest                                       |         |
| 7. Total (1 through 6)                                      | 654,313   | b. Redemption                                     |         |
| <b>B. Private Contributions</b>                             |           | c. Total (a. + b.)                                | 0       |
| <b>C. Receipts from State government</b><br>(from page 2)   | 2,652,211 | 2. Notes:                                         |         |
| <b>D. Receipts from Federal Government</b><br>(from page 2) | 0         | a. Interest                                       |         |
| <b>E. Total receipts (A.7 + B + C + D)</b>                  | 3,306,524 | b. Redemption                                     |         |
|                                                             |           | c. Total (a. + b.)                                | 0       |
|                                                             |           | 3. Total (1.c + 2.c)                              | 0       |
|                                                             |           | <b>C. Payments to State for highways</b>          |         |
|                                                             |           | <b>D. Payments to toll facilities</b>             |         |
|                                                             |           | <b>E. Total disbursements (A.6 + B.3 + C + D)</b> | 885,366 |

### IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

### V. LOCAL ROAD AND STREET FUND BALANCE

|  | A. Beginning Balance | B. Total Receipts | C. Total Disbursements | D. Ending Balance | E. Reconciliation |
|--|----------------------|-------------------|------------------------|-------------------|-------------------|
|  | 0                    | 3,306,524         | 885,366                | 2,421,158         | 0                 |

Notes and Comments:

**CITY OF CRIPPLE CREEK**  
**LOCAL HIGHWAY FINANCE REPORT**

|                                     |                                       |
|-------------------------------------|---------------------------------------|
| <b>LOCAL HIGHWAY FINANCE REPORT</b> | STATE:<br>Colorado                    |
|                                     | YEAR ENDING (mm/yy):<br>December 2013 |

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

| ITEM                              | AMOUNT                    | ITEM                                      | AMOUNT                    |
|-----------------------------------|---------------------------|-------------------------------------------|---------------------------|
| <b>A.3. Other local imposts:</b>  |                           | <b>A.4. Miscellaneous local receipts:</b> |                           |
| a. Property Taxes and Assessments | 118,350                   | a. Interest on investments                | 2,600                     |
| b. Other local imposts:           |                           | b. Traffic Fines & Penalties              | 7,427                     |
| 1. Sales Taxes                    | 498,631                   | c. Parking Garage Fees                    |                           |
| 2. Infrastructure & Impact Fees   | 18,538                    | d. Parking Meter Fees                     |                           |
| 3. Liens                          |                           | e. Sale of Surplus Property               |                           |
| 4. Licenses                       | #                         | f. Charges for Services                   |                           |
| 5. Specific Ownership &/or Other  | 8,767                     | g. Other Misc. Receipts                   |                           |
| 6. Total (1. through 5.)          | 525,936                   | h. Other                                  |                           |
| c. Total (a. + b.)                | 644,286                   | i. Total (a. through h.)                  | 10,027                    |
|                                   | (Carry forward to page 1) |                                           | (Carry forward to page 1) |

| ITEM                                     | AMOUNT    | ITEM                                       | AMOUNT                    |
|------------------------------------------|-----------|--------------------------------------------|---------------------------|
| <b>C. Receipts from State Government</b> |           | <b>D. Receipts from Federal Government</b> |                           |
| 1. Highway-user taxes                    | 48,466    | 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           | 3,745     | d. Federal Transit Admin                   |                           |
| d. Other (Specify) - DOLA Grant          |           | e. U.S. Corps of Engineers                 |                           |
| e. Other (Specify)                       | 2,600,000 | f. Other Federal                           |                           |
| f. Total (a. through e.)                 | 2,603,745 | g. Total (a. through f.)                   | 0                         |
| 4. Total (1. + 2. + 3.f)                 | 2,652,211 | 3. Total (1. + 2.g)                        |                           |
|                                          |           |                                            | (Carry forward to page 1) |

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL**

|                                                     | ON NATIONAL<br>HIGHWAY<br>SYSTEM<br>(a) | OFF NATIONAL<br>HIGHWAY<br>SYSTEM<br>(b) | TOTAL<br>(c)              |
|-----------------------------------------------------|-----------------------------------------|------------------------------------------|---------------------------|
| <b>A.1. Capital outlay:</b>                         |                                         |                                          |                           |
| a. Right-Of-Way Costs                               |                                         |                                          | 0                         |
| b. Engineering Costs                                |                                         | 365,182                                  | 365,182                   |
| c. Construction:                                    |                                         |                                          |                           |
| (1). New Facilities                                 |                                         |                                          | 0                         |
| (2). Capacity Improvements                          |                                         |                                          | 0                         |
| (3). System Preservation                            |                                         | 50,301                                   | 50,301                    |
| (4). System Enhancement & Operation                 |                                         |                                          | 0                         |
| (5). Total Construction (1) + (2) + (3) + (4)       | 0                                       | 50,301                                   | 50,301                    |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | 0                                       | 415,483                                  | 415,483                   |
|                                                     |                                         |                                          | (Carry forward to page 1) |

**Notes and Comments:**  
 In February 2013, CDOT gave ownership control, responsibility of the portion of HWY 67 in the City of Cripple Creek boundaries to the City. They also gave the a sum of \$2.6 Million for infrastructure Improvement (which will be made in 2014) and future maintenance cost.