
**CITY OF CRIPPLE CREEK,
COLORADO**
FINANCIAL STATEMENTS
DECEMBER 31, 2017



Contents

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

Contents

	Page
Supplementary Information	
<i>Governmental Funds</i>	
<i>Major Funds</i>	
<u>General Fund</u>	
Comparative Balance Sheet	49
Comparative Statement Of Revenues, Expenditures And Changes In Fund Balance	50
<u>Historic Preservation Fund</u>	
Comparative Balance Sheet	51
Comparative Statement Of Revenues, Expenditures And Changes In Fund Balance	52
<i>Proprietary Fund</i>	
<i>Enterprise Fund</i>	
<u>Water And Sewer Fund</u>	
Schedule Of Revenues, Expenses And Changes In Net Position - Budget And Actual (Non-GAAP Budgetary Basis).....	53
Special Reports Section	
Local Highway Finance Report.....	54 - 55
Single Audit Section	
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	56 - 57
Independent Auditors' Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance Required By The Uniform Guidance	58 - 60
Schedule Of Findings And Questioned Costs	61 - 65
Schedule Of Expenditures Of Federal Awards.....	66
Notes To Schedule Of Expenditures Of Federal Awards	67
Corrective Action Plan	68



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
E 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I - XIV, budgetary comparison information on pages 44 - 45, the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions and related ratios on pages 46 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), 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 schedule of expenditures of federal awards, the comparative fund financial statements, the budgetary comparison schedule for the Water and Sewer Fund and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report On Comparative Information

We have previously audited the City's 2016 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated July 12, 2017. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

RubinBrown LLP

June 27, 2018

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, 2017. 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 \$41,982,221 (total net position) for the calendar year reported. This represents a decrease of \$58,232, or one tenth of one percent, over 2016. Much of the decrease was caused by depreciation expense recorded.
- Total net position are comprised of the following:
 - (1) Capital assets, net of related debt, of \$35,336,312 include property, equipment and infrastructure, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$2,3394,315 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$4,251,594 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$5,230,821 this year. This compares to the prior year ending fund balance of \$5,663,203 showing a decrease of \$432,382 during the current year. Unassigned fund balance of \$3,968,890 for calendar year 2017 shows a \$441,631 decrease.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$2,968,890, or 32% 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 43 – 47, and other additional material on page 48 of this report.

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

Financial Analysis of the City as a Whole

The City's net position at calendar year-end is \$41,982,221. 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

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>	<u>% of Total</u>
Assets:				
Current assets	\$5,577,186	\$1,272,093	\$6,849,279	15.7%
Long-term assets	-	132,384	132,384	0.3%
Capital assets	<u>17,207,343</u>	<u>19,369,182</u>	<u>36,576,525</u>	84.0%
Total Assets	22,784,529	20,773,659	43,558,188	100%
Deferred Outflows of Resources				
Deferred pension outflow (Note 7)	303,507	-	303,507	
Liabilities:				
Current liabilities	352,980	99,301	452,281	26.0%
Long-term liabilities	<u>174,674</u>	<u>1,115,392</u>	<u>1,290,066</u>	74.0%
Total Liabilities	527,654	1,214,693	1,742,347	100%
Deferred Inflows of Revenues				
Property tax revenue	126,728		126,728	
Deferred pension inflow (Note 7)	10,399		10,399	
Net Position:	22,423,255	19,558,966	41,982,221	
Net investment in capital assets	17,105,599	18,230,713	35,336,312	84.2%
Restricted	2,261,931	132,384	2,394,315	5.7%
Unrestricted	<u>3,055,725</u>	<u>1,195,869</u>	<u>4,251,594</u>	10.1%
Total Net Position	<u><u>\$22,423,255</u></u>	<u><u>\$19,558,966</u></u>	<u><u>\$41,982,221</u></u>	100%
<i>Additional Information:</i>				
Current Ratio	15.8	12.8	15.1	
2016 Net Position	\$21,863,002	\$20,177,451	\$42,040,453	
2017 Net Position	\$22,423,255	\$19,558,966	\$41,982,221	
Dollar Change	\$560,253	\$(618,485)	\$(58,232)	
Percent Change	2.6%	-3.1%	-0.1%	

The City continues to maintain an adequate current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 15.8 to 1 and 12.8 to 1 for business-type activities. For the City overall, the current ratio is 15.1 to 1. Governmental activities increased primarily due to the increase in capital assets. Business-type activities increased because of the decrease in current long-term liabilities.

The City reported a decreased balance in net position for the governmental activity and the business-type activities. Net position increased \$560,253, or 2.6% for governmental activities. Governmental activities net position was up primarily due to spending on capital assets (roads). The business-type activities decreased by \$618,485, or 3.1% for the year. The City's overall financial position decreased by \$58,232, or one tenth of one percent.

Note that approximately 76.7% 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. 87.1% 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 2016 to 2017, by both governmental activities and business-type activities, as well as total net position.

Summary of Change in Net Position for Governmental Activities 2017 Compared to 2016

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 5,577,186	\$ 6,070,192	\$(493,006)	-8.1%
Long-term assets	-	2,651	(2,651)	
Capital assets	<u>17,207,343</u>	<u>16,334,882</u>	<u>872,461</u>	5.3%
Total Assets	22,784,529	22,407,725	376,804	1.7%
Deferred Outflows of Resources				
Deferred pension outflow (Note 7)	303,507	254,069	49,438	
Liabilities:				
Current liabilities	352,980	444,238	(91,258)	-20.5%
Long-term liabilities	<u>174,674</u>	<u>220,906</u>	<u>(46,232)</u>	-20.9%
Total Liabilities	527,654	665,144	(137,490)	-20.7%
Deferred Inflows of Revenues				
Property tax revenue	126,728	122,715	4,013	3.3%
Deferred pension inflow (Note 7)	10,399	10,933	(534)	
Net Position	22,423,255	21,863,002	560,253	2.6%
Net investment in capital assets	17,105,599	16,133,043	972,556	6.0%
Restricted	2,261,931	2,222,682	39,249	1.8%
Unrestricted	<u>3,055,725</u>	<u>3,507,277</u>	<u>(451,552)</u>	-12.9%
Total Net Position	\$ <u>22,423,255</u>	\$ <u>21,863,002</u>	\$ <u>560,253</u>	2.6%

Summary of Statement of Net Position for Business-type Activities 2017 Compared to 2016

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 1,272,093	\$ 1,049,080	\$ 223,013	21.3%
Long-term assets	132,384	128,139	4,245	3.3%
Capital assets	<u>19,369,182</u>	<u>20,322,499</u>	<u>(953,317)</u>	-4.7%
Total Assets	20,773,659	21,499,718	(726,059)	-3.4%
Liabilities:				
Current liabilities	99,301	163,068	(63,767)	-39.1%
Long-term liabilities	<u>1,115,392</u>	<u>1,159,199</u>	<u>(43,807)</u>	-3.8%
Total Liabilities	1,214,693	1,322,267	(107,574)	-8.1%
Net Position:	19,558,966	20,177,451	(618,485)	-3.1%
Net investment in				
capital assets	18,230,713	19,143,430	(912,717)	-4.8%
Restricted	132,384	128,139	4,245	
Unrestricted	<u>1,195,869</u>	<u>905,882</u>	<u>289,987</u>	32.0%
Total Net Position	\$ 19,558,966	\$ 20,177,451	\$ (618,485)	-3.1%

Summary of Statement of Total Net Position - 2017 Compared to 2016

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 6,849,279	\$7,119,272	\$(269,993)	-3.8%
Long-term assets	132,384	130,790	1,594	1.2%
Capital assets	<u>36,576,525</u>	<u>36,657,381</u>	<u>(80,856)</u>	-0.2%
Total Assets	43,558,188	43,907,443	(349,255)	-0.8%
Deferred Outflows of Resources				
Deferred pension outflow (Note 7)	303,507	254,069	49,438	
Liabilities:				
Current liabilities	452,281	607,306	(155,025)	-25.5%
Long-term liabilities	<u>1,290,066</u>	<u>1,380,105</u>	<u>(90,039)</u>	-6.5%
Total Liabilities	1,742,347	1,987,411	(245,064)	-12.3%
Deferred Inflows of Revenues				
Property tax revenue	126,728	122,715	4,013	3.3%
Deferred pension inflow (Note 7)	10,399	10,933	(534)	
Net Position:	41,982,221	42,040,453	(58,232)	-0.1%
Net investment in				
capital assets	35,336,312	35,276,473	59,839	0.2%
Restricted	2,394,315	2,350,821		
Unrestricted	<u>4,251,594</u>	<u>4,413,159</u>	<u>(161,565)</u>	-3.7%
Total Net Position	\$ <u>41,982,221</u>	\$ <u>42,040,453</u>	\$ <u>(58,232)</u>	-0.1%

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

	Governmental Activities	Business-Type Activities	Total	Percent of Total
Revenues:				
<i>Program Revenues:</i>				
Charges for Service	\$ 727,651	\$ 1,036,819	\$ 1,764,470	17.8%
Grants, contributions, etc.	529,512	153,901	683,413	6.9%
Total Program Revenues	1,257,163	1,190,720	2,447,883	24.6%
<i>General Revenues:</i>				
Property Taxes	127,409		127,409	1.3%
Sales Taxes	568,668		568,668	5.7%
Gaming Taxes	2,449,276		2,449,276	24.6%
Other Taxes	21,078		21,078	0.2%
Device Fees	3,583,001	401,849	3,984,850	40.1%
Investment Earnings	46,080	9,280	55,360	0.6%
Miscellaneous	238,833	46,258	285,091	2.9%
Transfers	-		-	0.0%
Total General Revenues	7,034,345	457,387	7,491,732	75.4%
Total Revenues	8,291,508	1,648,107	9,939,615	100.0%
Expenses:				
General Government	3,662,526		3,662,526	31.8%
Public Safety	3,522,701		3,522,701	30.5%
Streets	958,662		958,662	8.3%
Culture and Recreation	1,121,534		1,121,534	9.7%
Interest	3,366		3,366	0.0%
Water and Sewer		2,266,592	2,266,592	19.6%
Total Expenses	9,268,789	2,266,592	11,535,381	100.0%
Change in Net Position	560,253	(618,485)	(58,232)	
Beginning Net Position	21,863,002	20,177,451	42,040,453	
Ending Net Position	\$ 22,423,255	\$ 19,558,966	\$ 41,982,221	

GOVERNMENTAL REVENUES

The City is heavily reliant on gaming industry to generate revenues. 43.2% of governmental general revenues are device fees. Device fees, the state gaming tax distribution to the general fund, and the distribution of gaming tax through the historic preservation fund make up 72.8% 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 \$127,409 in property taxes and \$568,668 in sales taxes, the gaming taxes, which are received annually from the State of Colorado, based on market share, make up 29.5% of governmental general revenues. Therefore, when you combine device fee revenue (43.2%) and gaming taxes (29.5%), the governmental revenues directly attributable to gaming is 72.7%. 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 2017: property taxes were up \$7,585, sales tax collections were down \$7,700 or 1.3%. Investment earnings were up \$17,504 or 29.5%, due to higher interest rates/returns.

GOVERNMENTAL FUNCTIONAL EXPENSES

Eighty eight percent of total governmental expenditures are spent on general government, public safety and streets, which is one percent more than in 2016. The streets expenses include the depreciation of infrastructure.

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

Government Activities Total Cost of Service - 2017 Compared to 2016

	Total Cost 2017	Total Cost 2016	Dollar Change	Percent Change
General government	3,662,526	3,771,476	(108,950)	-2.9%
Public Safety	3,522,701	3,446,901	75,800	2.2%
Streets	958,662	1,038,722	(80,060)	-7.7%
Interest	3,366	5,182	(1,816)	-35.0%
Culture & Recreation	1,121,534	1,185,727	(64,193)	-5.4%
Total	\$ 9,268,789	\$ 9,448,008	\$(179,219)	-1.9%

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

BUSINESS-TYPE ACTIVITIES
Revenues vs. Costs

The operating revenues for the water and sewer fund were down \$122,918, or 10.2% from 2016, due to less water sales to Newmont Mining. Operating expenses were up \$71,115 or 3.3% more than 2016. These business-type activities reported a \$1,121,120 operating loss compared to an operating loss of \$927,087 for the prior year, an increase of \$194,033 or 21%. Although operating losses are common in this fund, the user rates are not established to recover total cost since a portion of the device fees are included in this fund to offset the operating losses. The total net position decreased in calendar 2017 by \$618,485 versus an decrease of \$129,730 in calendar 2016. Personnel service costs (labor costs) increased \$45,775 or 7.9% over 2016. Depreciation costs decreased approximately \$19,385 over calendar 2016.

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds (General and Historic Preservation Funds) are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$5,230,821. Of this year-end total, \$2,968,890, or 57% 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 \$2,261,931. The total ending fund balances of governmental funds shows a decrease of \$402,382 or 7% compared to the prior year.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance decreased by \$489,657 or 13.3%, due to delays in receiving grant reimbursement dollars. Property taxes represent only 1.5% of total general fund revenues. Sales taxes decreased 1.3% in 2017. Device fee revenue decreased \$136,162, or 3.7% for the year. Gaming taxes received by the general fund increased \$27,570, or approximately 1.7%. The increase was caused by a state-wide increase in gaming taxes paid, which the City receives a portion of based on market share between the three towns. Investment earnings were up \$9,404 or 49%, due to higher interest rates/returns.

In the General Fund, the expenditures side shows an increase of \$1,730,868 or 23% over the prior year. Expenditures increased due to the completion of the Teller 1 road projects. The General Fund's ending fund balance is considered adequate, representing the equivalent of 34% of annual expenditures. The figure was 49% for 2016.

The Historic Preservation Fund increased its fund balance by \$87,275 or 4.5%. Revenues decreased \$4,888, or less than half a percent compared to 2016, primarily due to the city's no keeping the ticket sales revenue from the Butte Theater, which now goes to the non-profit Butte Foundation, along with most of the show expenses. Expenses increased \$28,841, or 3.2%.

Budgetary Highlights

The following table highlights the 2017 adopted budget vs. the actual experience that was incurred during the year.

Budgetary Highlights by Fund

	2017 Adopted Budget	2017 Actual	Variance - Actual to Budget
General Fund:			
Revenues	9,383,708	8,706,478	(677,230)
Expenditures	9,772,857	9,296,135	(476,722)
Historic Preservation Fund:			
Revenues	1,105,039	1,122,564	17,525
Expenditures	1,056,725	935,289	(121,436)
Enterprise Fund:			
Revenues	1,824,321	1,648,107	(176,214)
Expenditures	1,632,887	1,220,148	(412,739)

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, 2017, was \$17,207,343 and \$19,369,182 respectively. The total increase in this net investment was 5.3% for governmental and a decrease of 4.7% for business-type activities. See Note 4 for additional information about changes in capital assets during the calendar year and outstanding at the end of the year.

The following table provides a summary of capital asset activity.

Capital Assets

	Governmental Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets:						
Land	\$8,035,941	\$8,035,941	\$973,015	\$973,015	\$9,008,956	\$9,008,956
Construction in progress				641,734		641,734
Water rights			1,658,254	1,658,254	1,658,254	1,658,254
Total non-depreciable	8,035,941	8,035,941	2,631,269	3,273,003	10,667,210	11,308,944
Depreciable assets:						
Land improvements			12,271,155	12,271,155	12,271,155	12,271,155
Buildings	14,725,433	14,725,433			14,725,433	14,725,433
Equipment	2,424,140	2,339,089	1,511,648	1,511,648	3,935,788	3,850,737
Infrastructure and plants	25,649,908	23,684,750	18,406,668	17,631,207	44,056,576	41,315,957
Total Depreciable assets	42,799,481	40,749,272	32,189,471	31,414,010	74,988,952	72,163,282
Less accumulated depreciation	33,628,079	32,450,331	15,451,558	14,364,514	49,079,637	46,814,845
Book value - depreciable assets	9,171,402	8,298,941	16,737,913	17,049,496	25,909,315	25,348,437
Percentage depreciated	79%	80%	48%	46%	65%	65%
Book value - all assets	\$17,207,343	\$16,334,882	\$19,369,182	\$20,322,499	\$36,576,525	\$36,657,381
Change in \$	872,461		(953,317)		(80,856)	
Change in %	5.3%		-4.7%		-0.2%	

At December 31, 2017, the depreciable capital assets for governmental activities were 79% depreciated. This compares to 80% at December 31, 2016. With the City's business type activities, 48% of the asset values were depreciated at December 31, 2017 compared to 46% at December 31, 2016. Overall, the City percentage of assets depreciated in both governmental and business activity is 65%.

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 \$1,138,469, which represents a decrease of 3.4% from 2016. The combined amount for both principal and interest is \$1,858,457, down \$21,851, or 1.2% from 2016. These bonds are supported by pledged revenues generated primarily by the water and sewer fund. This fund also reports notes payable and compensated absences payable.

Outstanding Borrowing

	Governmental		Business-type		Totals		%
	Activities		Activities				
	2017	2016	2017	2016	2017	2016	
Revenue Bonds	\$ -	\$ -	\$694,369	\$722,800	\$694,369	\$722,800	-3.9%
Capital Leases	101,744	201,839	-	-	101,744	201,839	-49.6%
Notes			444,100	456,200	444,100	456,200	-2.7%
Compensated absences	157,994	149,031	24,779	24,913	182,773	173,944	5.1%
Total	\$259,738	\$350,870	\$1,163,248	\$1,203,913	\$1,422,986	\$1,554,783	-8.5%

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 2017 – increasing by \$880,291, or 8.3%. The revenue increase came from grant revenues related to the Teller 1 road project. Three very important areas of revenue experienced the following in 2017:

- 1). Device Fees. Device Fees were down approximately \$131K, or 3.2% due to fewer gaming devices in town.
- 2). Gaming Taxes. Gaming taxes were up \$33K, or 1.4% in the General Fund and Historic Preservation Funds.
- 3). Sales Tax. Sales tax was down \$7,700, or 1.3%, due to improving overall economic conditions.

These three sources combined for \$105,598 in less revenue for 2017. Again, grant revenues in the General Fund related to the Teller 1 road project contributed significantly to the city's overall increase in revenues.

Summary of Revenues and Expenditures

Total Revenues - All Funds

	2017	2016	Dollar Change	Percent Change
General Fund	\$ 8,706,478	\$7,403,404	\$1,303,074	17.6%
Historic Preservation Fund	1,122,564	1,127,452	(4,888)	-0.4%
Enterprise Fund	1,648,107	2,066,002	(417,895)	-20.2%
Total	<u>11,477,149</u>	<u>10,596,858</u>	<u>880,291</u>	<u>8.3%</u>

Total Expenditures - All Funds

	2017	2016	Dollar Change	Percent Change
General Fund	9,296,135	7,565,267	1,730,868	22.9%
Historic Preservation Fund	935,289	906,448	28,841	3.2%
Enterprise Fund	1,220,148	1,808,307	(588,159)	-32.5%
Total	<u>11,451,572</u>	<u>10,280,022</u>	<u>1,171,550</u>	<u>11.4%</u>

Excess (Deficit) Revenues to Expenditures

	2017	2016	Dollar Change	Percent Change
General Fund	(589,657)	(161,863)	(427,794)	264.3%
Historic Preservation Fund	187,275	221,004	(33,729)	-15.3%
Enterprise Fund	427,959	257,695	170,264	-66.1%
Total	<u>\$ 25,577</u>	<u>\$316,836</u>	<u>\$(291,259)</u>	<u>91.9%</u>

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

On the expense side of the equation, the City increased total expenditures by \$1,171,550, or 11.4%, from 2016 to 2017. The majority of the increase in expenses were related to the General Fund's the Teller 1 road project. The General Fund, continued to outspend revenues – essentially using fund balance dollars (reserves) to cover expenses.

In summary, the City had increases in both revenue and expense in 2017, compared to 2016. Over the past few years, the City has turned to grant funding to complete needed infrastructure projects and operate its Transit system. The long-term solutions to these financial issues are for the number of devices in town to increase, or the fee per device raised. The fee charged per device has not increased in twenty-six plus years, even though the cost of operating the City increases each year. Gaming taxes distributed to the City's General and Historic Preservation Funds have had increases, in recent years due to better overall gaming conditions and increases in Cripple Creek's state market share. Market share between the three gaming towns, based on Adjusted Gross Proceeds, is the basis for the tax distribution.

Contacting the City's Financial Management

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

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF NET POSITION December 31, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets			
Cash and cash equivalents	\$ 904,068	\$ 323,554	\$ 1,227,622
Investments	3,452,204	876,419	4,328,623
Receivables:			
Accounts	1,094,186	72,120	1,166,306
Property taxes	126,728	—	126,728
Capital Assets			
Nondepreciable capital assets	8,035,941	2,631,269	10,667,210
Depreciable capital assets, net	9,171,402	16,737,913	25,909,315
Long-Term Assets			
Restricted investments	—	132,384	132,384
Total Assets	22,784,529	20,773,659	43,558,188
Deferred Outflows Of Resources			
Deferred pension outflow	303,507	—	303,507
Liabilities			
Current Liabilities			
Accounts payable	175,380	17,954	193,334
Accrued expenses	44,257	2,696	46,953
Accrued interest	—	15,689	15,689
Unearned revenues	—	15,106	15,106
Compensated absences payable	31,599	4,956	36,555
Capital leases payable	101,744	—	101,744
Notes payable	—	12,700	12,700
Revenue bonds payable	—	30,200	30,200
Long-Term Liabilities			
Compensated absences payable	126,395	19,823	146,218
Notes payable	—	431,400	431,400
Net pension liability	48,279	—	48,279
Revenue bonds payable	—	664,169	664,169
Total Liabilities	527,654	1,214,693	1,742,347
Deferred Inflows Of Resources			
Property tax revenue	126,728	—	126,728
Deferred pension inflow	10,399	—	10,399
Total Deferred Inflows Of Resources	137,127	—	137,127
Net Position			
Net investment in capital assets	17,105,599	18,230,713	35,336,312
Restricted for:			
Emergencies	215,474	—	215,474
Culture and recreation	8,610	—	8,610
Historic preservation	2,037,847	—	2,037,847
Debt service	—	132,384	132,384
Unrestricted	3,055,725	1,195,869	4,251,594
Total Net Position	\$ 22,423,255	\$ 19,558,966	\$ 41,982,221

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2017

Function/Program	Expenses	Program Revenues			Net Revenue (Expenses) And Changes In Net Position		
		Charges For Services And Sales	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General government	\$ 3,662,526	\$ 322,353	\$ 477,927	\$ —	\$ (2,862,246)	\$ —	\$ (2,862,246)
Public safety	3,522,701	18,417	37,967	—	(3,466,317)	—	(3,466,317)
Streets	958,662	65,032	—	1,537,534	643,904	—	643,904
Culture and recreation	1,121,534	321,849	13,618	—	(786,067)	—	(786,067)
Interest	3,366	—	—	—	(3,366)	—	(3,366)
Total Governmental Activities	9,268,789	727,651	529,512	1,537,534	(6,474,092)	—	(6,474,092)
Business-Type Activities							
Water and sewer	2,266,592	1,036,819	—	153,901	—	(1,075,872)	(1,075,872)
Total - Primary Government	\$ 11,535,381	\$ 1,764,470	\$ 529,512	\$ 1,691,435	(6,474,092)	(1,075,872)	(7,549,964)
General Revenues							
Property taxes					127,409	—	127,409
Sales taxes					568,668	—	568,668
Gaming taxes					2,449,276	—	2,449,276
Other taxes					21,078	—	21,078
Device fees					3,583,001	401,849	3,984,850
Investment earnings					46,080	9,280	55,360
Miscellaneous					238,833	46,258	285,091
Total General Revenues And Transfers					7,034,345	457,387	7,491,732
Changes In Net Position					560,253	(618,485)	(58,232)
Net Position, Beginning Of Year					21,863,002	20,177,451	42,040,453
Net Position, End Of Year					\$ 22,423,255	\$ 19,558,966	\$ 41,982,221

CITY OF CRIPPLE CREEK, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS**December 31, 2017**

	Assets		
	General	Historic Preservation	Total Governmental Funds
Cash and cash equivalents	\$ 578,282	\$ 325,786	\$ 904,068
Investments	1,732,865	1,719,339	3,452,204
Receivables:			
Accounts	1,092,847	1,339	1,094,186
Property taxes	126,728	—	126,728
Total Assets	\$ 3,530,722	\$ 2,046,464	\$ 5,577,186

Liabilities, Deferred Inflows Of Resources And Fund Balance

Liabilities			
Accounts payable	\$ 129,148	\$ 7,459	\$ 136,607
Other payables	38,773	—	38,773
Accrued expenditures	43,099	1,158	44,257
Total Liabilities	211,020	8,617	219,637
Deferred Inflows Of Resources			
Property tax revenue	126,728	—	126,728
Fund Balance			
Restricted	224,084	2,037,847	2,261,931
Unassigned	2,968,890	—	2,968,890
Total Fund Balance	3,192,974	2,037,847	5,230,821
Total Liabilities, Deferred Inflows Of Resources And Fund Balance	\$ 3,530,722	\$ 2,046,464	\$ 5,577,186

CITY OF CRIPPLE CREEK, COLORADO

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

December 31, 2017

Total Governmental Fund Balances		\$	5,230,821
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			8,035,941
Depreciable capital assets	\$	42,799,481	
Less: Accumulated depreciation		<u>(33,628,079)</u>	9,171,402
Pension plan accounts, such as deferred inflows/outflows and net pension liability, are not receivable or payable in the current period and, therefore, are not reported in the funds.			
Net pension liability			(48,279)
Deferred outflow of resources			303,507
Deferred inflow of resources			(10,399)
Capital leases payable are not due and payable in the current period and, therefore, are not reported in the funds.			
			(101,744)
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>(157,994)</u>
Net Position Of Governmental Activities		\$	<u>22,423,255</u>

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For The Year Ended December 31, 2017

	General	Historic Preservation	Total Governmental Funds
Revenues			
Property taxes	\$ 127,409	\$ —	\$ 127,409
Sales taxes	568,668	—	568,668
Gaming taxes	1,616,633	832,643	2,449,276
Other taxes	21,078	—	21,078
Device fees	3,583,001	—	3,583,001
Intergovernmental	2,168,810	—	2,168,810
Licenses and permits	90,255	—	90,255
Charges for service	261,353	—	261,353
Fines and forfeitures	14,078	—	14,078
Investment earnings	28,719	17,361	46,080
Rental income	13,277	200,000	213,277
Operating grants, contributions and interest	—	8,618	8,618
Ticket and retail sales	596	37,710	38,306
Miscellaneous	212,601	26,232	238,833
Total Revenues	8,706,478	1,122,564	9,829,042
Expenditures			
General government	3,086,122	436,295	3,522,417
Public safety	3,139,094	—	3,139,094
Streets	225,357	—	225,357
Culture and recreation	539,355	498,994	1,038,349
Capital outlay	2,202,746	—	2,202,746
Debt service:			
Principal retirements	100,095	—	100,095
Interest payments	3,366	—	3,366
Total Expenditures	9,296,135	935,289	10,231,424
Other Financing Sources (Uses)			
Transfers in (out)	100,000	(100,000)	—
Net Changes In Fund Balance	(489,657)	87,275	(402,382)
Fund Balance, Beginning Of Year	3,682,631	1,950,572	5,633,203
Fund Balance, End Of Year	\$ 3,192,974	\$ 2,037,847	\$ 5,230,821

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, 2017

Net Change In Fund Balances - Total Governmental Funds \$ (402,382)

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.

Depreciation expense	\$ (1,279,764)	
Capital outlay	<u>2,152,225</u>	872,461

Pension amounts do not use current financial resources and, therefore, are not reported in the governmental funds. (958)

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. 100,095

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, 2017	(157,994)	
Liability at December 31, 2016	<u>149,031</u>	
Changes in compensated absences		<u>(8,963)</u>

Change In Net Position Of Governmental Activities \$ 560,253

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF NET POSITION - WATER AND SEWER FUND

December 31, 2017

(With Comparative Actual Amounts

As Of December 31, 2016)

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 323,554	\$ 338,555
Investments	876,419	371,384
Accounts receivable	72,120	339,141
Total Current Assets	1,272,093	1,049,080
Noncurrent Assets		
Restricted assets:		
Investments	132,384	128,139
Capital assets:		
Nondepreciable capital assets	2,631,269	3,273,003
Depreciable capital assets, net	16,737,913	17,049,496
Total Noncurrent Assets	19,501,566	20,450,638
Total Assets	20,773,659	21,499,718

Liabilities And Net Position

Current Liabilities		
Accounts payable	17,954	87,384
Accrued wages	2,696	4,570
Accrued interest	15,689	14,184
Unearned revenues	15,106	12,147
Compensated absences payable	4,956	4,183
Notes payable	12,700	12,100
Revenue bonds payable	30,200	28,500
Total Current Liabilities	99,301	163,068
Long-Term Liabilities		
Compensated absences payable	19,823	20,730
Notes payable	431,400	444,100
Revenue bonds payable	664,169	694,369
Total Long-Term Liabilities	1,115,392	1,159,199
Total Liabilities	1,214,693	1,322,267
Net Position		
Net investment in capital assets	18,230,713	19,143,430
Restricted	132,384	128,139
Unrestricted	1,195,869	905,882
Total Net Position	\$ 19,558,966	\$ 20,177,451

CITY OF CRIPPLE CREEK, COLORADO

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

For The Year Ended December 31, 2017

(With Comparative Actual Amounts

For The Year Ended December 31, 2016)

	2017	2016
Operating Revenues		
Water fees	\$ 833,560	\$ 979,540
Sewer fees	183,051	157,615
Tap fees	20,208	8,000
Miscellaneous	46,258	60,840
Total Operating Revenues	1,083,077	1,205,995
Operating Expenses		
Professional services	65,752	76,369
Supplies	26,994	30,717
Personnel services	625,503	579,728
Maintenance and repairs	165,696	137,625
Utilities and telephone	169,430	172,274
Depreciation	1,087,044	1,067,659
Other	63,778	68,710
Total Operating Expenses	2,204,197	2,133,082
Operating Loss	(1,121,120)	(927,087)
Nonoperating Revenues (Expenses)		
Interest and fiscal charges	(62,395)	(62,650)
Interest earnings	9,280	3,460
Grants	153,901	469,467
Device fees (security for debt)	401,849	396,580
Transfers out	—	(9,500)
Total Nonoperating Revenues	502,635	797,357
Changes in net position	(618,485)	(129,730)
Net Position, Beginning Of Year	20,177,451	20,307,181
Net Position, End Of Year	\$ 19,558,966	\$ 20,177,451

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF CASH FLOWS - WATER AND SEWER FUND

For The Year Ended December 31, 2017

(With Comparative Actual Amounts

For The Year Ended December 31, 2016)

	2017	2016
Cash Flows From Operating Activities		
Cash received from customers	\$ 1,353,057	\$ 956,866
Cash payments to employees for personnel services	(627,511)	(574,132)
Cash payments for goods and services	(561,080)	(447,666)
Net Cash Provided By (Used In) Operating Activities	164,466	(64,932)
Cash Flows From Noncapital Financing Activities		
Device fees	401,849	396,580
Grants	153,901	469,467
Transfer to General Fund	—	(9,500)
Net Cash Provided By Noncapital Financing Activities	555,750	856,547
Cash Flows From Capital And Related Financing Activities		
Principal paid on revenue bonds	(28,500)	(26,831)
Principal paid on notes	(12,100)	(11,600)
Interest paid on capital financing	(60,890)	(63,019)
Payments for capital acquisitions	(133,727)	(641,732)
Net Cash Used In Capital And Related Financing Activities	(235,217)	(743,182)
Cash Flows From Investing Activities		
Proceeds from sale of investments	—	100,648
Investment earnings	9,280	3,460
Purchase of investments	(509,280)	(3,617)
Net Cash Provided By (Used In) Investing Activities	(500,000)	100,491
Net Increase (Decrease) In Cash And Cash Equivalents	(15,001)	148,924
Cash And Equivalents, Beginning Of Year	338,555	189,631
Cash And Equivalents, End Of Year	\$ 323,554	\$ 338,555
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (1,121,120)	\$ (927,087)
Adjustments		
Depreciation	1,087,044	1,067,659
(Increase) decrease in assets:		
Accounts receivable	267,021	(251,231)
Increase (decrease) in liabilities:		
Accounts payable	(69,430)	38,029
Accrued wages	(1,874)	1,597
Unearned revenue	2,959	2,102
Compensated absences payable	(134)	3,999
Net Cash Provided By (Used In) Operating Activities	\$ 164,466	\$ (64,932)

CITY OF CRIPPLE CREEK, COLORADO

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

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 or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. Based upon these criteria, the City is the total reporting entity, and no component units are included.

Basis Of Presentation

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

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

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted. 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. Other revenue sources not properly included with program revenues are reported as 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 deferred outflows, and liabilities and deferred inflows, 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 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 unearned revenue and in the presentation of expenses versus expenditures.

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

Revenues - Nonexchange Transactions - Nonexchange transactions, in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, gaming taxes, device fees, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Property taxes are assessed in one year for the subsequent year’s budget. Therefore, at December 31, in the government-wide financial statements, 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. If not collected within 60 days of year end, the property tax receivable is recorded as a deferred inflow of resources.

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.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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.

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.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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 acquisition value as of the date received. The City maintains a capitalization threshold of \$5,000.

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

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

Description	Governmental Activities' Estimated Lives	Business-Type Activities' Estimated Lives
Buildings	25 years	25 - 40 years
Machinery and equipment	5 years	4 - 10 years
Vehicles	5 - 20 years	4 - 10 years
Reservoir, plant and systems	—	15 - 60 years
Infrastructure	3 - 35 years	—

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

Deferred Outflows/Inflows Of Resources

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

Compensated Absences

Vacation benefits are accrued as a liability, as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits do not vest. All compensated absence liabilities include salary-related payments, where applicable.

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

Accrued Liabilities And Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Debt premiums and discounts and deferred amounts on refunding, if any, are deferred and amortized over the life of the debt instrument using the straight-line method. Outstanding debt instruments are reported net of the applicable premiums and discounts.

In the fund financial statements, governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt instruments issued during the current period is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Pensions

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

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

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

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

In the case where there are various components of fund balance available to be spent for a specific purpose, the City's policy is to spend the most restricted funds first.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net positions are reported as unrestricted.

Operating Revenues And Expenses

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

Contributions Of Capital

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

Interfund Activity

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

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

The basic financial statements include certain prior-year partial comparative information in total, but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2016, 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.

2. Cash And Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) of 1989 requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2017, the City had bank deposits of \$1,262,153 collateralized with securities held by the financial institution's agent but not in the City's name.

Custodial Credit Risk - This 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, 2017, the City's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation and collateralized in accordance with PDPA. The City does not have a deposit policy for custodial credit risk beyond Colorado State Statute requirements.

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, 2017, the Bond Reserve Account held a balance of \$74,985 to meet the requirement. The difference between the requirement and the actual amount is interest earned on the account. The City holds the investment in a Colorado Government Liquid Asset Trust (COLOTRUST or the Trust) account.

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, 2017, the enterprise fund reserved \$57,399 to meet the requirement. The City holds the investment in a COLOTRUST account.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

As of December 31, 2017, the City's investments had the following maturities:

Investment Type For The City	Fair Value	Up To 120 Days	Credit Rating
COLOTRUST	\$ 4,461,007	\$ 4,461,007	AAAm
Total Investments Controlled By The City	\$ 4,461,007	\$ 4,461,007	

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

The City invested \$4,461,007 in COLOTRUST. The Trust is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities Commission administers and enforces all state statutes governing public investment pools. The investment is an external investment pool that reports at the fair value per share of the pool's underlying portfolio. The unit of account is each share held, and the value of the position is the fair value of the pool's share price multiplied by the number of shares held. For pricing and redeeming shares, COLOTRUST maintains a stable net asset value (NAV) of \$1 per share, which approximates fair value. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables and payables. All COLOTRUST investments are reported at NAV. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, which are both rated AAAM by Standard & Poor's. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Financial statements and information about the pool for COLOTRUST may be obtained through its website at www.colotruster.com. COLOTRUST may, without the necessity of a formal meeting of their Board, temporarily suspend the right of redemption or postpone the date of payment for redeemed shares under certain specific conditions described in their trust indenture, and during any financial emergency when it is not reasonably practicable because of substantial losses which might be incurred.

Total Cash, Cash Equivalents And Investments

Total cash and cash equivalents	\$ 1,227,622
Total investments and restricted investments	<u>4,461,007</u>
Total Cash, Cash Equivalents And Investments	<u><u>\$ 5,688,629</u></u>

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

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

Concentration Risk - The City has 100% 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, 2017 consisted of taxes, fees and billings for user charges and other grant reimbursements outstanding. Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated, not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectability. As the City determined all receivables to be collectible, no allowance for doubtful accounts was recorded as of December 31, 2017.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

4. Capital Assets

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

	Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017
Government Activities				
Capital assets not being depreciated:				
Land	\$ 8,035,941	\$ —	\$ —	\$ 8,035,941
Other Capital Assets				
Buildings	14,725,433	—	—	14,725,433
Equipment	2,339,089	85,051	—	2,424,140
Roads	14,085,426	1,704,627	—	15,790,053
Storm sewers	2,334,281	—	—	2,334,281
Sidewalks, curbs and gutters	1,440,448	—	—	1,440,448
Intersections	737,362	—	—	737,362
Street lights	1,092,679	—	—	1,092,679
Bridges	377,594	—	—	377,594
Vehicles	2,931,211	116,770	102,016	2,945,965
Parks	626,406	245,777	—	872,183
Street signs	59,343	—	—	59,343
Total Other Capital Assets	40,749,272	2,152,225	102,016	42,799,481
Total Cost	48,785,213	2,152,225	102,016	50,835,422
Accumulated Depreciation				
Buildings	9,127,406	555,703	—	9,683,109
Equipment	2,047,505	83,531	—	2,131,036
Roads	13,951,877	191,120	—	14,142,997
Storm sewers	1,267,184	66,694	—	1,333,878
Sidewalks, curbs and gutters	1,143,148	69,399	—	1,212,547
Intersections	734,067	2,505	—	736,572
Street lights	910,138	39,475	—	949,613
Bridges	211,455	15,102	—	226,557
Vehicles	2,421,407	226,890	102,016	2,546,281
Parks	576,803	29,345	—	606,148
Street signs	59,341	—	—	59,341
Total Accumulated Depreciation	32,450,331	1,279,764	102,016	33,628,079
Governmental Activities				
Capital Assets, Net	\$ 16,334,882	\$ 872,461	\$ —	\$ 17,207,343

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

Governmental activities depreciation expenses were allocated as follows:

	<u>2017</u>
General government	\$ 80,625
Public safety	382,649
Streets	733,305
Culture and recreation	<u>83,185</u>
Total Governmental Activities Depreciation	<u><u>\$ 1,279,764</u></u>

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

	<u>Balance</u> <u>December 31,</u> <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 973,015	\$ —	\$ —	\$ 973,015
Construction in progress	641,734	—	641,734	—
Water rights	1,658,254	—	—	1,658,254
Total Capital Assets Not Being Depreciated	<u>3,273,003</u>	<u>—</u>	<u>641,734</u>	<u>2,631,269</u>
Other Capital Assets				
Land improvements	12,271,155	—	—	12,271,155
Water system	12,784,678	775,461	—	13,560,139
Sewer system	2,382,547	—	—	2,382,547
Sewer plant	2,463,982	—	—	2,463,982
Equipment	1,511,648	—	—	1,511,648
Total Other Capital Assets	<u>31,414,010</u>	<u>775,461</u>	<u>—</u>	<u>32,189,471</u>
Total Capital Asset Cost	<u>34,687,013</u>	<u>775,461</u>	<u>641,734</u>	<u>34,820,740</u>
Accumulated Depreciation				
Land improvements	2,098,683	293,399	—	2,392,082
Water system	6,294,637	345,711	—	6,640,348
Sewer system	1,304,480	60,470	—	1,364,950
Sewer plant	832,441	37,510	—	869,951
Equipment	3,834,273	349,954	—	4,184,227
Total Accumulated Depreciation	<u>14,364,514</u>	<u>1,087,044</u>	<u>—</u>	<u>15,451,558</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,322,499</u>	<u>\$ (311,583)</u>	<u>\$ 641,734</u>	<u>\$ 19,369,182</u>

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

5. Long-Term Debt

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

Business-Type Activities - USDA Note Payable

In 1997, the City signed a 40-year promissory note for \$508,000 at a 4.75% interest rate with the Department of Agriculture (USDA) for water-related improvements, primarily water meters. An additional \$92,000 was borrowed in 1998, increasing the loan to \$600,000. The note requires payments totaling approximately \$34,000 through 2038. The principal and interest amounts remaining to be paid at December 31, 2017 were as follows:

1997 Series USDA Bond			
Year	Principal	Interest	Total
2018	\$ 12,700	\$ 21,741	\$ 34,441
2019	13,300	21,153	34,453
2020	14,000	20,537	34,537
2021	14,600	19,892	34,492
2022	15,300	19,213	34,513
2023 - 2027	88,300	84,716	173,016
2028 - 2032	111,700	62,208	173,908
2033 - 2037	141,400	33,729	175,129
2038	32,800	3,884	36,684
Total	\$ 444,100	\$ 287,073	\$ 731,173

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

Business-Type Activities - Water And Sewer Bonds

In 1992, the City issued a 1992 USDA Water Revenue Series Bond in the amount of \$1,086,000 at a 5.50% interest rate, requiring semi-annual payments of approximately \$70,000, with the final payment due 2032. Annual debt service requirements to amortize water and sewer bonds outstanding as of December 31, 2017 follow:

1992 Series USDA Bond			
Year	Principal	Interest	Total
2018	\$ 30,200	\$ 40,991	\$ 71,191
2019	31,900	39,208	71,108
2020	33,800	37,325	71,125
2021	35,700	35,329	71,029
2022	37,900	33,222	71,122
2023 - 2027	224,100	130,035	354,135
2028 - 2032	300,769	116,805	417,574
Total	\$ 694,369	\$ 432,915	\$ 1,127,284

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 (G.O.) Bonds. The bonds were issued to finance various construction projections within the enterprise fund, with the pledged revenue coming from device fees.

	Amount Of Pledge	Term Of Commitment
G.O. Bonds	\$ 1,686,000	1992 - 2038

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

The total pledged revenue is not estimable in comparison to pledged debt in that revenues are uncertain as to future amounts. However, the debt coverage requirements for each issue must be met, or the bonds will be in default. The Water and Sewer Fund has sufficient cash available for principle and interest payments as they come due, including restricted investments, as discussed in Note 2. In addition, the computation of net pledged revenue includes depreciation expense, which does not have an impact on cash. This provides sufficient coverage each year for the pledged debt. The debt service coverage, comparison of pledged revenues net of specific operating expenses, for the collateralized debt is provided in the table below.

<u>Fiscal Year</u>	<u>Applicable Revenues</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2017	\$ 1,494,206	\$ 2,204,197	\$ (709,991)	\$ 40,600	\$ 62,395	(6.9)

Capital Leases - Governmental Activities

Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level. The outstanding balance of the corresponding liabilities is included in governmental activities on the statement of net position. All capital lease activity was transferred into governmental activities during the year, and the City no longer reports any capital leases under business-type activities.

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

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

The principal and interest amounts remaining to be paid at December 31, 2017 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 101,744	\$ 1,562	\$ 103,306

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

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

Capital assets	\$ 471,063
Less: Accumulated depreciation	<u>450,903</u>
Net Capitalized Lease Property	<u><u>\$ 20,160</u></u>

Changes In Long-Term Debt

Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2017:

	Beginning December 31, 2016	Additions To Principal	Reductions To Principal	Ending December 31, 2017	Due In One Year
Governmental Activities					
Capital lease	\$ 201,839	\$ —	\$ 100,095	\$ 101,744	\$ 101,744
Compensated absences	149,031	8,963	—	157,994	31,599
Total Governmental Activities	\$ 350,870	\$ 8,963	\$ 100,095	\$ 259,738	\$ 133,343
Business-Type Activities					
	Ending December 31, 2016	Additions To Principal	Reductions To Principal	Ending December 31, 2017	Due In One Year
Water revenue bonds - 1992 (FmHA)	\$ 722,869	\$ —	\$ 28,500	\$ 694,369	\$ 30,200
USDA notes - 1997 (USDA)	456,200	—	12,100	444,100	12,700
Compensated absences	24,913	—	134	24,779	4,956
Total Business-Type Activities	\$ 1,169,550	\$ —	\$ 40,734	\$ 1,163,248	\$ 47,856

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

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

6. Defined Contribution Pension Plan

General Employees Retirement

City employees are covered under a 401(a) defined contribution plan maintained and administered through Colorado County Officials and Employees Retirement Association (CCOERA). The plan is established and amended under Colorado State Statute. Under the terms of the defined contribution plan, participants are required to contribute 8% of annual compensation with a matching amount from the City. Vesting begins immediately upon participation with 100% vesting occurring after 5 years of credited service or age 62, whichever is earlier. Defined contribution plans are not required to have actuarial valuations performed. The contributions made by the City totaled \$259,594, and the employees contributed the same amount in matching funds. In addition, employees can contribute additional funds into CCOERA's 457 plan.

Police Department Employees Retirement

The City's Police Department participates in the CCOERA plan and contributes to Social Security and Medicare monthly. Police Department employees are not able to participate in the State of Colorado's Fire and Police Pension Association (FPPA) because they were enrolled in Social Security and did not elect to become members of FPPA in 1982.

7. FPPA Statewide Cost-Sharing Defined Benefit Pension Plan

SWDBP Plan Description

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

Contributions

The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates are established by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Members of SWDBP and their employers are contributing at the rate of 9% and 8%, respectively, of base salary for a total contribution rate of 17% in 2016. In 2014, the members elected to increase the member contribution rate to SWDBP beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8.0%, resulting in a combined contribution rate of 20% in 2022.

Contributions from members and employers or departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20.5% of base salary through 2015. It is a local decision as to whether the member or employer pays the additional 4% contribution. Per the 2014 member election, the re-entry group could also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022, for a total combined member and employer contribution rate of 24% in 2022.

Contributions from member and employers of departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20.5% of base salary in 2015. It is a local decision as to whether the member or employer pays the additional 4% contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022 for a total combined member and employer contributions rate of 24% in 2022.

The contribution rate for members and employers of affiliated Social Security employers is 4.5% and 4%, respectively, of base salary for a total contribution rate of 8.5% in 2016. Per the 2014 member election, members of the affiliate Social Security group will have their required contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of base salary. Employer contributions will remain at 4% resulting in a combined contribution rate of 10% in 2022.

Employer contributions are recognized by SWDBP in the period in which the compensation becomes payable to the member, and the City is statutorily committed to pay the contributions to SWDBP. Employer contributions recognized by SWDBP from the City were \$58,489 for the year ended December 31, 2017.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

At December 31, 2017, the City reported a net pension liability of \$48,279 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2016, and the total pension asset was determined by an actuarial valuation as of January 1, 2017. The City's proportion of the net pension asset was based on City contributions to SWDBP for the calendar year 2016 relative to the total contributions of participating employers.

At December 31 2016, the City's portion was 0.1336%, which was a decrease of 0.0168% from its portion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$76,073. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities
Deferred Outflows Of Resources	
Changes of assumptions	\$ 37,123
Net difference between projected and actual earnings on pension plan investments	141,160
Changes in proportion and differences between contributions and proportionate share of contributions	21,494
Differences between actual and expected experience	45,241
Contributions subsequent to measurement date	58,489
Total Deferred Outflows Of Resources	\$ 303,507
Deferred Inflows Of Resources	
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 7,784
Differences between expected and actual experience	2,615
Total Deferred Inflows Of Resources	\$ 10,399

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

The amount of \$58,489 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For The Year Ended December 31,	
2018	\$ 55,706
2019	55,706
2020	52,541
2021	32,863
2022	8,541
Thereafter	29,262
Total	\$ 234,619

Actuarial Assumptions

The actuarial valuations for SWDBP were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2016. The valuations used the following actuarial assumption and other inputs:

	Actuarial Assumptions
Valuation date	January 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level % Payroll, Open
Remaining amortization period	30 Years
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	4.0% - 14.0%
Cost of living adjustments	0.0%
* Includes inflation at:	2.5%

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Effective January 1, 2016, the post-retirement mortality tables for nondisabled retirees is a blend of the Annuitant and Employee RP-2014 generational Mortality Tables with Blue Collar Adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three-year set-forward, meaning a disabled member age 70 will be valued as if they were a 73-year-old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational Mortality Tables for Disabled Annuitants, except an additional provision to apply a minimum 3% mortality probability to males and a 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty Mortality Tables are adjusted to 55% of the RP-2014 Mortality tables for active employees. The on-duty mortality rate is 0.02%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate Of Return</u>
Global equity	36.00%	9.25%
Equity long/short	10.00%	7.35%
Illiquid alternatives	23.00%	10.75%
Fixed income	15.00%	4.10%
Absolute return	10.00%	6.55%
Managed futures	4.00%	5.50%
Cash	2.00%	0.00%
Total	100.00%	

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of the valuation, the expected rate of return on pension plan investments is 7.50%, the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the state and local bonds rate from Federal Reserve statistical release (H.15)) and the resulting single discount rate is 7.50%.

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability (asset)	\$ 410,776	\$ 48,279	\$ (252,793)

Pension Plan Fiduciary Net Position

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

8. Other Post-Employment Benefit Plan

FPPA Statewide Death And Disability Plan

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

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

Contributions - Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado Statute. The state made a one-time contribution in 1997 of \$39,000,000 to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further state contributions are anticipated. Members hired on or after January 1, 1997 contribute a percentage of the payroll based on actuarial experience. This represented 2.0% for 2017, 2016 and 2015. The City contributed \$19,740, \$18,439 and \$18,273 to the Plan during 2017, 2016 and 2015, respectively.

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

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

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

9. Net Position And Fund Balance

The net investment in capital assets on the government-wide statement of net position as of December 31, 2017 was computed as follows:

	Governmental Activities	Business- Type Activities
Net investment in capital assets:		
Cost of capital assets	\$ 50,835,422	\$ 34,820,740
Less: Accumulated depreciation	33,628,079	15,451,558
Book value	17,207,343	19,369,182
Less: Capital-related debt	101,744	1,138,469
Net Investment In Capital Assets	\$ 17,105,599	\$ 18,230,713

The table below delineates the City's December 31, 2017 ending fund balances for the governmental funds:

Fund Balances	General Fund	Historic Preservation Fund	Total
Restricted:			
Emergencies	\$ 215,474	\$ —	\$ 215,474
Parks and recreation	8,610	—	8,610
Historic preservation	—	2,037,847	2,037,847
Unassigned	2,968,890	—	2,968,890
Total Fund Balance	\$ 3,192,974	\$ 2,037,847	\$ 5,230,821

10. Risk Management

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

11. Contingent Liabilities

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

As of December 31, 2017, 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.

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 \$215,474 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 \$100,000, which will not be paid back. The \$100,000 was used for marketing.

15. Related Party Transactions

The Mayor of the City is employed by the local electrical firm, District Supply. The City contracts with District Supply on an as-needed basis for electrical work. In 2017, the City had expenses of \$16,690 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, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property tax	\$ 124,559	\$ 124,559	\$ 127,409	\$ 2,850
Sales tax	565,000	565,000	568,668	3,668
Gaming taxes	1,642,913	1,642,913	1,616,633	(26,280)
Other taxes	18,000	18,000	21,078	3,078
Device fees	3,570,160	3,570,160	3,583,001	12,841
Intergovernmental	2,486,618	2,486,618	2,168,810	(317,808)
Licenses and permits	85,850	85,850	90,255	4,405
Charges for service	279,850	279,850	261,353	(18,497)
Fines and forfeitures	15,000	15,000	14,078	(922)
Investment earnings	25,000	25,000	28,719	3,719
Rental income	12,360	12,360	13,277	917
Ticket and retail sales	800	800	596	(204)
Miscellaneous	457,601	457,601	212,601	(245,000)
Total Revenues	9,283,711	9,283,711	8,706,478	(577,233)
Expenditures				
General government	3,362,106	3,362,106	3,086,122	275,984
Public safety	2,975,410	2,975,410	3,139,094	(163,684)
Streets	363,510	363,510	225,357	138,153
Culture and recreation	642,765	642,765	539,355	103,410
Capital outlay	2,325,605	2,325,605	2,202,746	122,859
Debt service:				
Principal retirements	103,462	103,462	100,095	3,367
Interest and fiscal charges	—	—	3,366	(3,366)
Total Expenditures	9,772,858	9,772,858	9,296,135	476,723
Other Financing Sources/Uses				
Transfers in	100,000	100,000	100,000	—
Net Changes In Fund Balance	\$ (389,147)	\$ (389,147)	(489,657)	\$ (100,510)
Fund Balance, Beginning Of Year			<u>3,682,631</u>	
Fund Balance, End Of Year			<u>\$ 3,192,974</u>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Gaming taxes	\$ 853,689	\$ 853,689	\$ 832,643	\$ (21,046)
Investment earnings	7,500	7,500	17,361	9,861
Rental income	200,000	200,000	200,000	—
Operating grants, contributions and interest	7,700	7,700	8,618	918
Ticket and retail sales	27,500	27,500	37,710	10,210
Miscellaneous	8,650	8,650	26,232	17,582
Total Revenues	1,105,039	1,105,039	1,122,564	17,525
Expenditures				
General government	458,490	458,490	436,295	22,195
Culture and recreation	498,235	498,235	498,994	(759)
Total Expenditures	956,725	956,725	935,289	21,436
Other Financing Uses				
Transfer out	(100,000)	(100,000)	(100,000)	—
Net Changes In Fund Balance	\$ 48,314	\$ 48,314	87,275	\$ 38,961
Fund Balance, Beginning Of Year			<u>1,950,572</u>	
Fund Balance, End Of Year			<u>\$ 2,037,847</u>	

CITY OF CRIPPLE CREEK, COLORADO

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's portion of the net pension asset (liability)	0.1336%	0.1504%	0.1423%
City's proportionate share of the net pension asset (liability)	\$ (48,279)	\$ 2,651	\$ 160,592
City's employee payroll	\$ 709,191	\$ 729,600	\$ 710,738
City's proportionate share of the net pension asset (liability) as a percentage of its payroll	-6.81%	0.36%	22.60%
Plan fiduciary net position as a percentage of the total pension asset	98.21%	100.10%	106.80%

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

CITY OF CRIPPLE CREEK, COLORADO

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 58,489	\$ 56,735	\$ 58,368
Contributions in relation to the contractually required contribution	<u>58,489</u>	<u>56,735</u>	<u>58,368</u>
Contribution Deficiency (Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's employee payroll	\$ 731,112	\$ 709,191	\$ 729,600
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

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

CITY OF CRIPPLE CREEK, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2017

1. Budgetary Information

Budgets for major governmental funds are adopted on the modified accrual basis where capital outlays are treated as expenditures and depreciation is not budgeted. Proceeds from debt financing and the sale of general fixed assets are accounted for as other financing sources. In addition, debt service principal payments are included as expenditures in the budget. The operating budget includes proposed expenditures and the means of financing them. The City Council must approve transfers between funds or increases to a fund's budget.

2. Expenditures/Expenses In Excess Of Appropriation

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

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

Supplementary Information

CITY OF CRIPPLE CREEK

COMPARATIVE BALANCE SHEET - GENERAL FUND December 31, 2017 And 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 578,282	\$ 564,690
Investments	1,732,865	3,070,737
Receivables:		
Accounts	1,092,847	348,007
Property taxes	126,728	122,715
Total Assets	\$ 3,530,722	\$ 4,106,149
Liabilities, Deferred Inflows Of Resources And Fund Balance		
Liabilities		
Accounts payable	\$ 129,148	\$ 262,300
Other payables	38,773	—
Accrued expenditures	43,099	38,503
Total Liabilities	211,020	300,803
Deferred Inflows Of Resources		
Property tax revenue	126,728	122,715
Fund Balance		
Restricted	224,084	272,110
Unassigned	2,968,890	3,410,521
Total Fund Balance	3,192,974	3,682,631
Total Liabilities, Deferred Inflows Of Resources And Fund Balance	\$ 3,530,722	\$ 4,106,149

CITY OF CRIPPLE CREEK

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND For The Years Ended December 31, 2017 And 2016

	2017	2016
Revenues		
Property tax	\$ 127,409	\$ 119,824
Sales tax	568,668	576,368
Gaming taxes	1,616,633	1,589,063
Other taxes	21,078	17,940
Device fees	3,583,001	3,719,163
Intergovernmental	2,168,810	670,432
Licenses and permits	90,255	67,208
Charges for service	261,353	298,179
Fines and forfeitures	14,078	13,299
Investment earnings	28,719	19,315
Rental income	13,277	18,360
Ticket and retail sales	596	662
Miscellaneous	212,601	293,591
Total Revenues	8,706,478	7,403,404
Expenditures		
General government	3,086,122	3,134,846
Public safety	3,139,094	3,049,793
Streets	225,357	353,421
Culture and recreation	539,355	621,303
Capital outlay	2,202,746	268,591
Debt service:		
Principal retirements	100,095	132,131
Interest and fiscal charges	3,366	5,182
Total Expenditures	9,296,135	7,565,267
Deficiency Of Revenues Under Expenditures	(589,657)	(161,863)
Other Financing Sources		
Transfers in	100,000	109,500
Other Financing Sources	100,000	109,500
Net Changes In Fund Balance	(489,657)	(52,363)
Fund Balance, Beginning Of Year	3,682,631	3,734,994
Fund Balance, End Of Year	\$ 3,192,974	\$ 3,682,631

CITY OF CRIPPLE CREEK

COMPARATIVE BALANCE SHEET - HISTORIC PRESERVATION FUND
December 31, 2017 And 2016

Assets	2017	2016
Cash and cash equivalents	\$ 325,786	\$ 246,507
Investments	1,719,339	1,701,978
Receivables:		
Accounts	1,339	15,558
Total Assets	\$ 2,046,464	\$ 1,964,043
Liabilities And Fund Balance		
Liabilities		
Accounts payable	\$ 7,459	\$ 12,215
Accrued expenditures	1,158	1,256
Total Liabilities	8,617	13,471
Fund Balance		
Restricted	2,037,847	1,950,572
Total Liabilities And Fund Balance	\$ 2,046,464	\$ 1,964,043

CITY OF CRIPPLE CREEK

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - HISTORIC PRESERVATION FUND For The Years Ended December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Gaming taxes	\$ 832,643	\$ 827,218
Investment earnings	17,361	9,261
Rental income	200,000	—
Operating grants, contributions and interest	8,618	8,926
Ticket and retail sales	37,710	267,987
Miscellaneous	26,232	14,060
Total Revenues	1,122,564	1,127,452
Expenditures		
General government	436,295	432,871
Culture and recreation	498,994	473,577
Total Expenditures	935,289	906,448
Excess Of Revenues Over Expenditures	187,275	221,004
Other Financing Uses		
Transfers out	(100,000)	(100,000)
Net Changes In Fund Balance	87,275	121,004
Fund Balance, Beginning Of Year	1,950,572	1,829,568
Fund Balance, End Of Year	\$ 2,037,847	\$ 1,950,572

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, 2017

(With Comparative Actual Amounts

For The Year Ended December 31, 2016)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2016 Actual
Revenues					
Charges for service	\$ 1,075,481	\$ 1,075,481	\$ 1,016,611	\$ (58,870)	\$ 1,137,155
Device fees (security for debt)	396,240	396,240	401,849	5,609	396,580
Reimbursements	49,500	49,500	—	(49,500)	—
Tap fees	3,000	3,000	20,208	17,208	8,000
Grants	298,000	298,000	153,901	(144,099)	469,467
Other income	—	—	46,258	46,258	60,840
Investment earnings	2,100	2,100	9,280	7,180	3,460
Transfers in	—	—	—	—	(9,500)
Total Revenues	1,824,321	1,824,321	1,648,107	(176,214)	2,066,002
Expenditures					
Professional services	95,721	95,721	65,752	29,969	76,369
Supplies	33,350	33,350	26,994	6,356	30,717
Personnel services	617,256	617,256	625,503	(8,247)	579,728
Maintenance and repairs	186,150	186,150	165,696	20,454	137,625
Utilities and telephone	182,100	182,100	169,430	12,670	172,274
Other/miscellaneous	63,795	63,795	63,778	17	68,710
Capital outlay	349,500	349,500	—	349,500	641,734
Debt service	105,015	105,015	102,995	2,020	101,081
Total Expenditures	1,632,887	1,632,887	1,220,148	412,739	1,808,238
Change In Net Position	\$ 191,434	\$ 191,434	427,959	\$ 236,525	257,764
Reconciliation To GAAP Basis					
Add:					
Capital outlay			—		641,734
Principal retirement			40,600		38,431
Deduct:					
Depreciation			(1,087,044)		(1,067,659)
Change In Net Position			(618,485)		(129,730)
Net Position, Beginning Of Year			20,177,451		20,307,181
Net Position, End Of Year			\$ 19,558,966		\$ 20,177,451

Special Reports Section

CITY OF CRIPPLE CREEK

LOCAL HIGHWAY FINANCE REPORT

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

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

LOCAL HIGHWAY FINANCE REPORT		City or County: Cripple Creek
		YEAR ENDING: December 2017
This Information From The Records Of City of Cripple Creek:	Prepared By: Phone:	Paul Harris, Finance Director (719)689-2502

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,706,644
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	16,832
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	250
2. General fund appropriations	180,000	b. Snow and ice removal	28,777
3. Other local imposts (from page 2)	710,499	c. Other	50,649
4. Miscellaneous local receipts (from page 2)	14,078	d. Total (a. through c.)	79,676
5. Transfers from toll facilities		4. General administration & miscellaneous	179,493
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	300,603
a. Bonds - Original Issues		6. Total (1 through 5)	2,283,248
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	904,577	b. Redemption	
B. Private Contributions	0	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	1,257,693	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,162,270	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,283,248

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	122,734	2,162,270	2,283,248	1,756	0

Notes and Comments:

CITY OF CRIPPLE CREEK
LOCAL HIGHWAY FINANCE REPORT

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2017

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	126,389	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	14,078
1. Sales Taxes	568,668	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	15,442	g. Other Misc. Receipts	
6. Total (1. through 5.)	584,110	h. Other	
c. Total (a. + b.)	710,499	i. Total (a. through h.)	14,078
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	53,648	1. FHWA (from Item LD.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	5,636	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	835,616	e. U.S. Corps of Engineers	
e. Other (Specify)	362,793	f. Other Federal	
f. Total (a. through e.)	1,204,045	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	1,257,693	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		0	0
b. Engineering Costs		70,477	70,477
c. Construction:			
(1). New Facilities		0	0
(2). Capacity Improvements		0	0
(3). System Preservation		0	0
(4). System Enhancement & Operation		1,636,167	1,636,167
(5). Total Construction (1) + (2) + (3) + (4)	0	1,636,167	1,636,167
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,706,644	1,706,644
			(Carry forward to page 1)

Notes and Comments:

In 2017, the City completed the major improvement of Teller 1 - one of the two ways to access the city. This included paving, curb gutter sidewalk, drainage, road realignment, guard rails, safety features, etc.

Single Audit Section

**Independent Auditors' Report On
Internal Control Over Financial Reporting
And On Compliance And Other Matters
Based On An Audit Of Financial Statements
Performed In Accordance With
Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

June 27, 2018



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
E info@rubinbrown.com

**Independent Auditors' Report On Compliance
For Each Major Federal Program And Report
On Internal Control Over Compliance
Required By The Uniform Guidance**

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

Report On Compliance For Each Major Federal Program

We have audited the City of Cripple Creek, Colorado's (the City) compliance with the types of compliance requirements described in the Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis For Modified Opinion On the Highway Planning And Construction Grant

As described in Finding 2017-001 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

<i>Finding #</i>	<i>CFDA #</i>	<i>Program (Or Cluster) Name</i>	<i>Compliance Requirement</i>
2017-001	20.205	Highway Planning and Construction	Procurement, Suspension, and Debarment

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to this program.

Modified Opinion On the Highway Planning And Construction Grant

In our opinion, except for the noncompliance described in the Basis For Modified Opinion paragraph, the City compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Highway Planning and Construction grant for the year ended December 31, 2017.

Report On Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We noted no deficiencies in internal control over compliance that we consider significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RubinBrown LLP

June 27, 2018

CITY OF CRIPPLE CREEK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2017**

Section I - Summary Of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none noted

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none noted

Type of auditors' report issued on compliance for major programs:

Modified

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)?

yes no

Identification of major programs:

CFDA Number(s)	Name Of Federal Program Or Cluster
-----------------------	---

20.205	Highway Planning and Construction
--------	-----------------------------------

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF CRIPPLE CREEK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
For The Year Ended December 31, 2017

Section II - Financial Statement Findings

There are no findings relating to the City's financial statements that are required to be reported.

CITY OF CRIPPLE CREEK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*) For The Year Ended December 31, 2017

Section III - Federal Award Findings And Questioned Costs

Finding 2017-001 Material Weakness On Compliance And Internal Controls Over Compliance For Procurement, Suspension, and Debarment

CFDA 20.205: Highway Planning and Construction

Federal Agency: U.S. Department of Transportation

Pass-Through Entity: Colorado Department of Transportation

Criteria Or Specific Requirement: Per the Procurement, Suspension, and Debarment compliance requirement, nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System maintained by the General Services Administration, collecting a certification from the entity or adding a clause or condition to the covered transaction with that entity (2 CFR Section 180.300).

Condition: The City did not include language concerning debarment and covered transactions in its contracts with vendors for the program, nor were there documented debarment checks of those vendors before the City entered into covered transactions with them.

Cause: City contracts are approved without required clauses regarding debarment, nor does the City document debarment checks on potential vendors before entering into covered transactions.

Questioned Costs: Not applicable

Context: No payments were made to debarred vendors; however, no such debarment language was included on the contracts between the City and its vendors for the grant, and debarment checks of those vendors could not be substantiated. A nonstatistical sample of two vendors out of three were both missing this documentation, therefore, no debarment checks could be substantiated.

CITY OF CRIPPLE CREEK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*) For The Year Ended December 31, 2017

Effect: The City substantiated procurement policies do not comply with the Procurement, Suspension, and Debarment compliance requirements, and therefore, suspended vendors could be contracted with.

Identification As A Repeat Finding: N/A

Recommendation: We recommend that the City amend all current contracts to include, and include in all future contracts, federal debarment language with vendors for federal awards, and institute documented checks for debarment of vendors before entering into covered transactions with them.

Views Of Responsible Officials And Planned Corrective Action: The City Finance Department will update Section 3 Entering into Contracts, Agreements, Leases, etc. in the Financial Policies and Procedures Manual to include the text that City construction contracts for grants, which have federal funds, are required to include clauses regarding debarment and that the City document debarment checks on potential vendors before entering into covered transactions. The City will also communicate the need for new language in this type of specific construction contract to the City's attorney, who is responsible for the development/review of all contracts before they go to the City Council for approval.

Finding 2017-002 Material Weakness On Compliance And Internal Controls Over Compliance For Special Tests And Provisions

CFDA 20.205: Highway Planning and Construction

Federal Agency: U.S. Department of Transportation

Pass-Through Entity: Colorado Department of Transportation

Criteria Or Specific Requirement: All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL). Nonfederal entities shall include in their construction contracts subject to the wage rate requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

CITY OF CRIPPLE CREEK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*) For The Year Ended December 31, 2017

Condition: The City did not include documentation concerning wage requirements in its contracts with construction contractors for the program.

Cause: City contracts are approved without required clauses regarding wage rate requirements under 29 CFR part 5.

Effect: The City could be out of compliance with the Special Test and Provisions compliance requirements, and contractors could be unaware that they are required to comply with federal wage rate requirements on projects with the City.

Questioned Costs: Not applicable

Context: All vendors complied with wage rate requirements, and all payrolls for the project were collected and maintained by the City; however, no such wage rate requirement language was included on the contracts between the City and its construction contractor for the grant.

Identification As A Repeat Finding: N/A

Recommendation: We recommend that the City amend all current contracts to include, and include in all future contracts, wage rate requirement language for all construction contractors for federal programs under 29 CFR part 5.

Views Of Responsible Officials And Planned Corrective Action: The City Finance Department will amend all current contracts, and include in all future contracts, wage rate requirement language for all construction contractors for federal programs under 29 CFR part 5, by working with the city attorney to insure all contract documents are in compliance with this requirement.

CITY OF CRIPPLE CREEK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ Contract Number	Federal Expenditures	Expenditures To Subrecipients
U.S. Department Of Transportation				
Passed through Colorado Department of Transportation				
Highway Planning and Construction				
Teller 1 Trail	20.205	TAP M275 006	\$ 339,125	\$ —
Teller 1 Curve	20.205	C40-017	362,792	—
Subtotal - CFDA #20.205			701,917	—
Federal Transit Formula Grants	20.507	N/A	266,013	—
Total U.S. Department Of Transportation			967,930	—
Total Expenditures Of Federal Awards			\$ 967,930	\$ —

CITY OF CRIPPLE CREEK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2017

1. **Basis Of Presentation And Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Cripple Creek (the City) for the year ended December 31, 2017 and is presented on the modified accrual basis of accounting. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule. This information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. **Indirect Costs**

The City has not elected to use the 10% *de minimis* indirect cost rate as allowed in the Uniform Guidance, Section 414.



**CORRECTIVE ACTION PLAN
For The Year Ended December 31, 2017**

**Finding 2017-001 Material Weakness On Compliance And Internal Controls
Over Compliance For Procurement, Suspension, and Debarment**

CFDA 20.205 – Highway Planning and Construction
Federal Agency: U.S. Department of Transportation
Pass-Through Entity: Colorado Department of Transportation

Personnel Responsible for Corrective Action: Paul Harris, Finance Director

Anticipated Completion Date: June 30th, 2018

Corrective Action Plan: The City Finance Department will update Section 3 Entering into Contracts, Agreements, Leases, Etc. in the Financial Policies and Procedures Manual to include the text that city construction contracts for grants, which have Federal funds, are required to include clauses regarding debarment and that the city document debarment checks on potential vendors before entering into covered transactions. The city will also communicate the need for new language in this type of specific construction contract to the city's attorney, who is responsible for the development/review of all contracts before they go to the City Council for approval.

**Finding 2017-002 Material Weakness On Compliance And Internal Controls
Over Compliance For Special Tests and Provisions**

CFDA 20.205 – Highway Planning and Construction
Federal Agency: U.S. Department of Transportation
Pass-Through Entity: Colorado Department of Transportation

Personnel Responsible for Corrective Action: Paul Harris, Finance Director

Anticipated Completion Date: June 30th, 2018

Corrective Action Plan: The City Finance Department will amend all current contracts, and include in all future contracts, wage rate requirement language for all construction contractors for federal programs under 29 CFR part 5, by working with the city attorney to insure all contract documents are in compliance with this requirement.