



Financial Report

December 31, 2012

**City of Craig, Colorado
Financial Report
December 31, 2012**

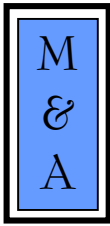
Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1 - A2
Management's Discussion and Analysis	B1 – B8
Government-wide Financial Statements:	
Statement of Net Assets	C1
Statement of Activities	C2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	C3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	C5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C6
Statement of Net Assets – Proprietary Funds	C7
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	C8
Statement of Cash Flows – Proprietary Funds	C9
Notes to the Financial Statements	D1 – D15
Required Supplementary Information:	
Schedule of Revenues – Budget and Actual – General Fund	E1
Schedule of Expenditures – Budget and Actual – General Fund	E2
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – ACET Fund	E3

**City of Craig, Colorado
Financial Report
December 31, 2012**

**Table of Contents
(Continued)**

	Page
Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund	F1
Schedule of Revenues, Expenditures, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis – Proprietary Funds:	
Water Fund	F2
Wastewater Fund	F3
Sanitation Fund	F4
Comparative Balance Sheets – Medical Benefit Fund	F5
Schedule of Revenues, Expenditures, and Changes in Fund Equity – Budget and Actual – Medical Benefit Fund	F6
Statements of Cash Flows – Medical Benefit Fund	F7
Local Highway Finance Report	F8 – F9



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council City of Craig, Colorado

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Craig (the "City"), as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, each major fund, and the aggregate remaining fund information of the City of Craig as of December 31, 2012, 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.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
The Honorable Mayor and City Council
City of Craig, Colorado

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The budgetary comparison information and the *Local Highway Finance Report* found in Section F and listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison information and the *Local Highway Finance Report* found in Section F are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.
June 27, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF CRAIG
Management's Discussion and Analysis (MD&A)
DECEMBER 31, 2012

INTRODUCTION

Our discussion and analysis of the CITY OF CRAIG financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2012. It should be read in conjunction with the City's financial statements, which follow this section.

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

FINANCIAL HIGHLIGHTS

- ❑ The City is able to continue maintain adequate fund reserves.
- ❑ Total net position was \$43,255,030 at December 31, 2012.
- ❑ The City has seen a slight increase in revenues with a little increase in expenses, and was able to maintain the same level of services.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements.

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

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

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

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

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. A major fund should generally meet both of the following Criteria: 1) total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities, etc.) for that fund type (i.e. governmental or enterprise funds) and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

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

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

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

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

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

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

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

Financial Analysis of the City as a Whole

As noted earlier, net position may serve over time as a useful indicator a government's financial condition. In the case of the City of Craig, assets exceeded liabilities by \$43,255,030 at the close of the most recent fiscal year.

Net Position

By far the largest portion of the City's net position (76.1%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets in reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2011	2012	2011	2012	2011	2012	
Current & other assets	9,667	9,638	3,624	4,112	13,291	13,750	3.45%
Capital assets	14,974	14,648	23,836	23,119	38,810	37,767	-2.69%
Total assets	<u>24,641</u>	<u>24,286</u>	<u>27,460</u>	<u>27,231</u>	<u>52,101</u>	<u>51,517</u>	-1.12%
Other liabilities	2,667	1,397	700	801	3,367	2,198	-34.72%
Long-term liabilities	0	0	4,861	4,458	4,861	4,458	-8.29%
Total Liabilities	<u>2,667</u>	<u>1,397</u>	<u>5,561</u>	<u>5,259</u>	<u>8,228</u>	<u>6,656</u>	-19.11%
Net position:							
Invested in capital assets,							
net of related debt	14,974	14,648	18,659	18,259	33,633	32,907	-2.16%
Restricted	272	297	0	0	272	297	9.19%
Unrestricted	6,728	6,338	3,240	3,713	9,968	10,051	0.83%
Total Net Position	<u>21,974</u>	<u>21,283</u>	<u>21,899</u>	<u>21,972</u>	<u>43,873</u>	<u>43,255</u>	-1.41%

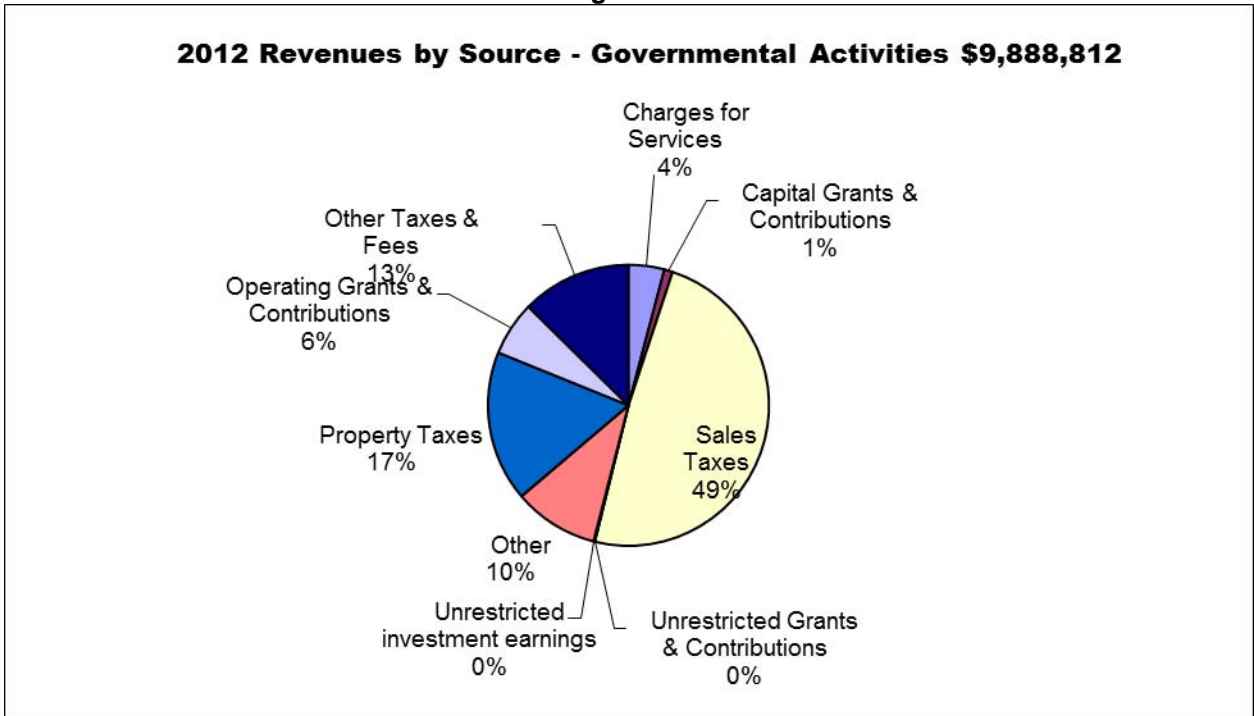
An additional portion of the City's net position, only (.69%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$10,051,343 may be used to meet the City's ongoing obligations to its citizens and creditors.

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CHANGES IN NET POSITION

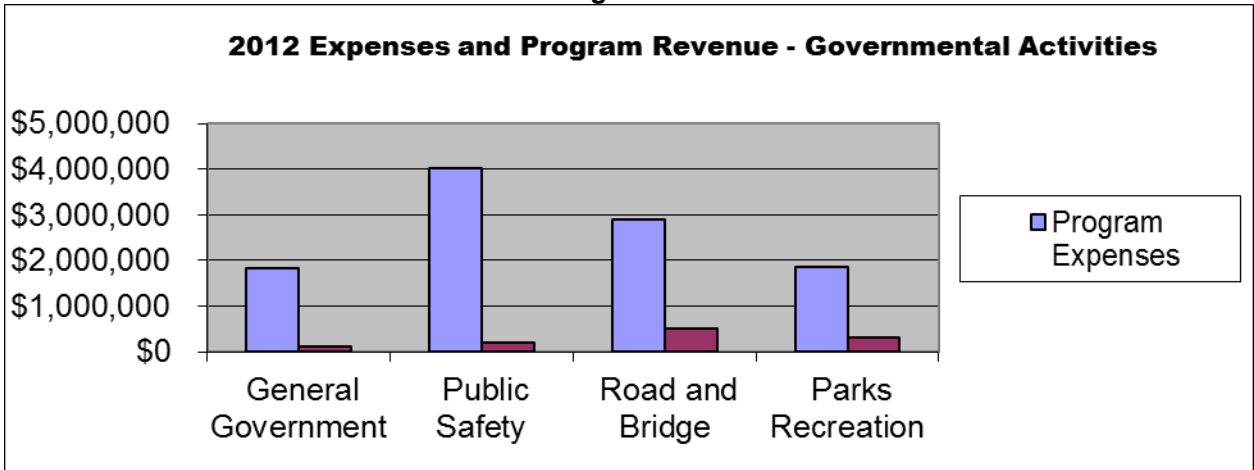
Sales taxes accounts for almost one half of all revenues for the governmental activities.

Figure 2



The program revenue offsets only a small share of the cost of services. The total cost of all activities has increase by 8.06%. (See Figure 4.)

Figure 3



The City's governmental activities revenues increased by 5.73%. (See Figure 4.)

Figure 4
(in thousands)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2011	2012	2011	2012	2011	2012	
Revenues							
Program Revenues							
Charges for Services	353	408	4,993	5,491	5,346	5,899	10.34%
Operating Grants & Contributions	168	619	0	5	168	624	271.43%
Capital Grants & Contributions	35	95	53	19	88	114	29.55%
General Revenues							
Sales Taxes	4,714	4,824	0	0	4,714	4,824	2.33%
Property Taxes	1,718	1,714	0	0	1,718	1,714	-0.23%
Other Taxes & Fees	766	1,247	0	0	766	1,247	62.79%
Unrestricted investment earnings	6	12	6	7	12	19	58.33%
Other	1,593	970	31	153	1,624	1,123	-30.85%
Total Revenues	9,353	9,889	5,083	5,675	14,436	15,564	7.81%
Expenses							
General Government	1,668	1,828	0	0	1,668	1,828	9.59%
Public Safety	3,674	4,006	0	0	3,674	4,006	9.04%
Road & Bridge	3,092	2,887	0	0	3,092	2,887	-6.63%
Parks & Recreation	1,544	1,858	0	0	1,544	1,858	20.34%
Water	0	0	2,446	2,897	2,446	2,897	18.44%
Wastewater	0	0	1,344	1,478	1,344	1,478	9.97%
Solid Waste	0	0	1,206	1,227	1,206	1,227	1.74%
Total Expenses	9,978	10,579	4,996	5,602	14,974	16,181	8.06%
Loss on Disposal of Capital Assets					0	0	
Increase in net position	-625	-690	87	73	-538	-617	14.68%
Net position, Beginning	22,598	21,973	21,813	21,899	44,411	43,872	-1.21%
Net position, Ending	<u>21,973</u>	<u>21,283</u>	<u>21,900</u>	<u>21,972</u>	<u>43,873</u>	<u>43,255</u>	-1.41%

The City's total revenues were \$15,563,475. Charges for services account for 37.9% of all revenues.

- **Governmental Activities.** Governmental activities decreased the City's net position by \$690,047, thereby accounting for decrease in net position.
- **Business-type Activities.** Business-type activities increased the City's net position by \$72,479 accounting for only a slight increase in net position.

Figure 5

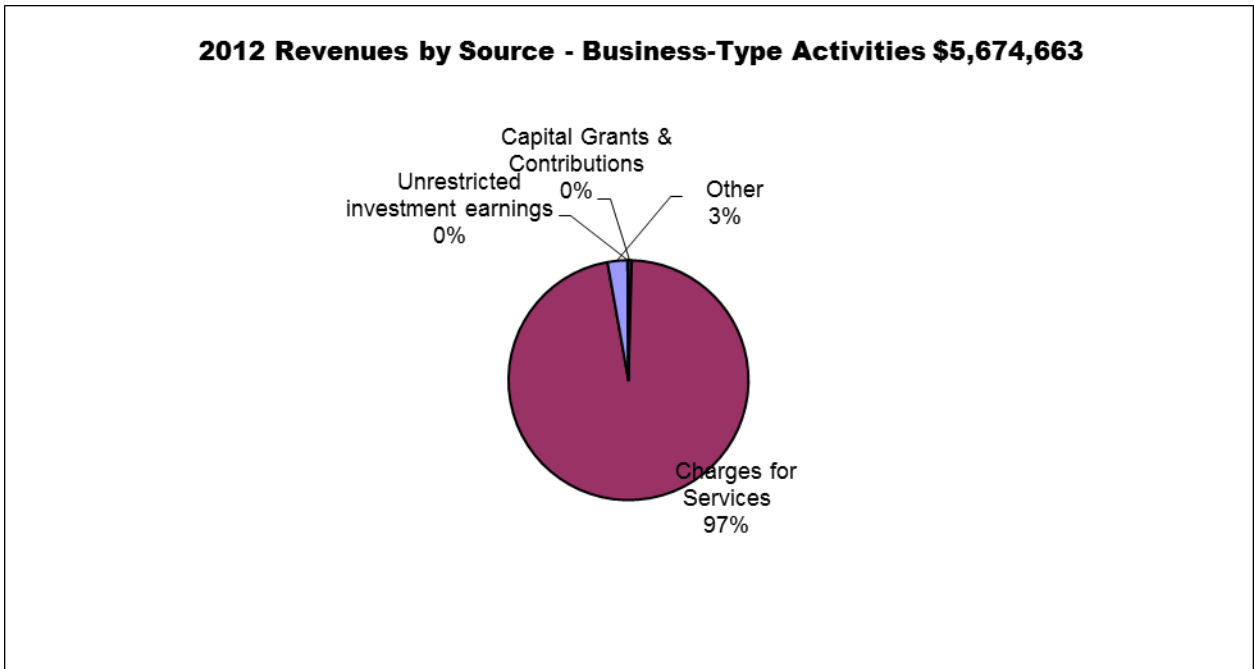
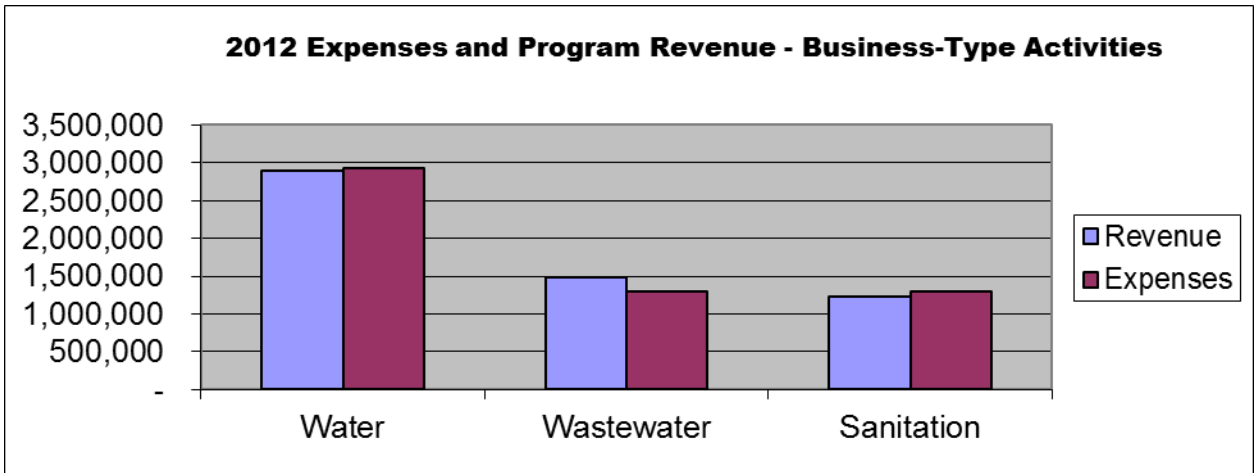


Figure 6



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$5,952,883, while the total fund balance equaled \$6,249,570.

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

Net position of the Water, Wastewater and Solid Waste Fund at the end of the year amount to \$16,469,045, \$4,213,723 and \$1,683,080, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's Business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investments in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$37,767,529 (net of accumulated depreciation). The investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways and bridges.

**Figure 7
Capital Assets
(thousands)**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2011	2012	2011	2012	2009	2012	
LAND	964	964	1,719	1,719	2,683	2,683	0.00%
BUILDINGS/IMPROVEMENTS	44,564	44,794	35,683	35,409	80,247	80,203	-0.05%
MACHINERY AND EQUIPMENT	5,974	6,319	4,064	4,203	10,038	10,522	4.82%
WORK IN PROGRESS	0		0		0	0	0.00%
TOTALS AT HISTORICAL COST	51,502	52,077	41,466	41,331	92,968	93,408	0.47%
TOTAL ACCUM. DEPRECIATION	36,528	37,429	17,630	18,212	54,158	55,641	2.74%
NET CAPITAL ASSETS	14,974	14,648	23,836	23,119	38,810	37,767	-2.69%

BUDGETARY HIGHLIGHTS

- All funds experienced an increase in Unrestricted Fund Balance as a result of expenses being less than budget and actual revenues exceeding anticipated revenues.

Long-Term Debt

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

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
	\$	\$	\$	\$	\$	\$
Revenue bonds	-	-	-	-	-	-
Note Payable Colorado						
Water	-	-	278,218	214,014	278,218	214,014
Note Payable Colorado						
Water	-	-	4,898,894	4,646,515	4,898,894	4,646,515
	-	-	5,177,112	4,860,529	5,177,112	4,860,529

ECONOMIC FACTORS

- The local economy has maintained an upward climate in 2012.
- The City and County sales tax collections for 2012 increased by about 2.3%.
- When budgeting for 2012, the city took in consideration the local economy thereby has been able to continue to provide the same level of services.

These and other factors were considered when the City prepared its 2013 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Craig, Colorado
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	6,395,319	3,496,626	9,891,945
Receivables, net of allowance for uncollectibles:			
Property tax	1,605,855	-	1,605,855
Accounts	1,242,493	597,418	1,839,911
Internal balances	393,854	(393,854)	-
Inventory	-	412,153	412,153
Capital assets not being depreciated	964,146	1,719,009	2,683,155
Capital assets, net of accumulated depreciation	13,684,083	21,400,291	35,084,374
Total Assets	24,285,750	27,231,643	51,517,393
Liabilities:			
Accounts payable	197,415	167,580	364,995
Claims payable	501,111	-	501,111
Accrued payroll	264,481	99,194	363,675
Accrued interest payable	-	50,212	50,212
Deposits	73,139	-	73,139
Compensated absences	360,713	82,134	442,847
Long-term liabilities:			
Due within one year	-	402,295	402,295
Due in more than one year	-	4,458,234	4,458,234
Total Liabilities	1,396,859	5,259,649	6,656,508
Deferred Inflows of Resources:			
Unavailable property tax	1,605,855	-	1,605,855
Total Deferred Inflows of Resources	1,605,855	-	1,605,855
Net Position:			
Net investment in capital assets	14,648,229	18,258,771	32,907,000
Restricted for emergencies	296,687	-	296,687
Unrestricted	6,338,120	3,713,223	10,051,343
Total Net Position	21,283,036	21,971,994	43,255,030

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

City of Craig, Colorado
Statement of Activities
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	1,827,484	106,999	-	-	(1,720,485)	-	(1,720,485)
Public safety	4,006,346	87,629	119,585	-	(3,799,132)	-	(3,799,132)
Road and bridge	2,887,052	-	499,143	-	(2,387,909)	-	(2,387,909)
Parks and recreation	1,857,976	213,155	-	94,850	(1,549,971)	-	(1,549,971)
Total governmental activities	10,578,859	407,783	618,728	94,850	(9,457,498)	-	(9,457,498)
Business-type activities:							
Water	2,897,342	2,904,952	5,000	11,960	-	24,570	24,570
Wastewater	1,477,499	1,293,897	-	7,170	-	(176,432)	(176,432)
Sanitation	1,227,343	1,292,102	-	-	-	64,759	64,759
Total business-type activities	5,602,184	5,490,951	5,000	19,130	-	(87,103)	(87,103)
Total all activities	16,181,043	5,898,734	623,728	113,980	(9,457,498)	(87,103)	(9,544,601)
General revenues:							
Taxes:							
Sales and use tax					4,824,225	-	4,824,225
Property tax, levied for general purposes					1,609,263	-	1,609,263
Specific ownership tax					104,873	-	104,873
Franchise tax					303,880	-	303,880
Severance tax					534,162	-	534,162
Transportation tax					370,774	-	370,774
Other taxes					38,544	-	38,544
Mineral lease revenue					919,067	-	919,067
Investment earnings					11,853	6,803	18,656
Grants and contributions not restricted to specific programs					2,542	-	2,542
Miscellaneous					49,031	115,008	164,039
Gain (loss) on disposal of capital assets					(763)	37,771	37,008
Total general revenues, special items, and transfers					8,767,451	159,582	8,927,033
Change in net position					(690,047)	72,479	(617,568)
Net Position - Beginning					21,973,083	21,899,515	43,872,598
Net Position - Ending					21,283,036	21,971,994	43,255,030

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

FUND FINANCIAL STATEMENTS

**City of Craig, Colorado
Balance Sheet
Governmental Funds
December 31, 2012**

	<u>General</u>	<u>ACET</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	5,776,383	173,112	406,877	6,356,372
Receivables, net				
Property tax	1,436,782	-	169,073	1,605,855
Accounts	959,504	-	3,143	962,647
Total Assets	<u>8,172,669</u>	<u>173,112</u>	<u>579,093</u>	<u>8,924,874</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	148,697	9,868	38,850	197,415
Accrued payroll	264,481	-	-	264,481
Deposits	73,139	-	-	73,139
Total Liabilities	<u>486,317</u>	<u>9,868</u>	<u>38,850</u>	<u>535,035</u>
Deferred Inflows of Resources:				
Unavailable property tax	1,436,782	-	169,073	1,605,855
Total Deferred Inflows of Resources	<u>1,436,782</u>	<u>-</u>	<u>169,073</u>	<u>1,605,855</u>
Fund Balances:				
Restricted to:				
TABOR emergency reserve	296,687	-	-	296,687
Assigned to:				
Public safety	-	163,244	-	163,244
Capital projects	-	-	371,170	371,170
Unassigned	5,952,883	-	-	5,952,883
Total Fund Balances	<u>6,249,570</u>	<u>163,244</u>	<u>371,170</u>	<u>6,783,984</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>8,172,669</u>	<u>173,112</u>	<u>579,093</u>	<u>8,924,874</u>

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

City of Craig, Colorado
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended December 31, 2012

Total Fund Balances of Governmental Funds 6,783,984

Amounts reported for governmental activities
in the Statement of Net Position are different because:

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

Capital assets	52,076,803	
Accumulated depreciation	<u>(37,428,574)</u>	14,648,229

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

Compensated absences	(360,713)
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Internal service funds are used by management for medical benefits.
The assets and liabilities of the internal service funds are included
in governmental activities in the Statement of Net Position.

211,536

Net Position of Governmental Activities

21,283,036

City of Craig, Colorado
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2012

	<u>General</u>	<u>ACET</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	7,552,780	-	181,525	7,734,305
Licenses and permits	90,181	-	-	90,181
Intergovernmental revenue	1,610,161	76,442	-	1,686,603
Charges for services	213,155	-	-	213,155
Fines and forfeitures	70,311	-	-	70,311
Investment earnings	10,767	-	1,086	11,853
Miscellaneous	65,849	17,318	-	83,167
Total Revenues	<u>9,613,204</u>	<u>93,760</u>	<u>182,611</u>	<u>9,889,575</u>
Expenditures:				
Current				
General government	1,311,029	-	3,398	1,314,427
Judicial	60,675	-	-	60,675
Public safety	3,382,056	55,396	-	3,437,452
Road and bridge	2,231,150	-	-	2,231,150
Community development	167,735	-	-	167,735
Parks and recreation	1,315,451	-	-	1,315,451
Capital outlay	682,853	6,294	142,462	831,609
Total Expenditures	<u>9,150,949</u>	<u>61,690</u>	<u>145,860</u>	<u>9,358,499</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>462,255</u>	<u>32,070</u>	<u>36,751</u>	<u>531,076</u>
Other Financing Sources (Uses):				
Sale of capital assets	1,600	-	-	1,600
Total Other Financing Sources (Uses)	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>1,600</u>
Net Change in Fund Balance	<u>463,855</u>	<u>32,070</u>	<u>36,751</u>	<u>532,676</u>
Fund Balances - Beginning	<u>5,785,715</u>	<u>131,174</u>	<u>334,419</u>	<u>6,251,308</u>
Fund Balances - Ending	<u>6,249,570</u>	<u>163,244</u>	<u>371,170</u>	<u>6,783,984</u>

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

City of Craig, Colorado
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended December 31, 2012

Net Change in Fund Balances of Governmental Funds 532,676

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. This is the
amount by which capital outlay exceeded depreciation during the year.

Capital outlay	984,743	
Depreciation expense	<u>(1,307,771)</u>	(323,028)

Changes in accrued compensated absences are considered changes
in long-term liabilities. This is the change in compensated absences
during the year. (37,106)

Gains and losses from the disposal of assets affect the net position
of governmental activities, but do not affect current financial resources;
therefore, are not recorded in the funds. (2,364)

Internal service fund is used by management for medical benefits.
The net income (loss) of certain activities of the internal service fund are
reported with governmental activities on the Statement of Activities. (860,225)

Change in Net Position of Governmental Activities (690,047)

City of Craig, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2012

	Enterprise Funds			Total	Internal Service Fund
	Water Fund	Wastewater Fund	Sanitation Fund		
Assets:					
Current assets:					
Cash and cash equivalents	1,662,120	790,316	1,044,190	3,496,626	38,947
Receivables, net of allowance for uncollectibles	225,903	192,857	178,658	597,418	279,846
Inventory	391,131	21,022	-	412,153	-
Total current assets	<u>2,279,154</u>	<u>1,004,195</u>	<u>1,222,848</u>	<u>4,506,197</u>	<u>318,793</u>
Non-current assets:					
Non-depreciable capital assets	1,476,156	242,853	-	1,719,009	-
Depreciable capital assets, net	17,558,301	3,268,182	573,808	21,400,291	-
Total non-current assets	<u>19,034,457</u>	<u>3,511,035</u>	<u>573,808</u>	<u>23,119,300</u>	<u>-</u>
Total Assets	<u>21,313,611</u>	<u>4,515,230</u>	<u>1,796,656</u>	<u>27,625,497</u>	<u>318,793</u>
Liabilities:					
Current liabilities:					
Accounts payable	62,288	37,958	67,334	167,580	-
Claims payable	-	-	-	-	501,111
Accrued payroll	45,685	28,220	25,289	99,194	-
Accrued interest payable	48,097	2,115	-	50,212	-
Compensated absences	41,981	19,200	20,953	82,134	-
Notes payable - current	257,835	144,460	-	402,295	-
Total current liabilities	<u>455,886</u>	<u>231,953</u>	<u>113,576</u>	<u>801,415</u>	<u>501,111</u>
Long-term liabilities:					
Notes payable - non-current	4,388,680	69,554	-	4,458,234	-
Total Liabilities	<u>4,844,566</u>	<u>301,507</u>	<u>113,576</u>	<u>5,259,649</u>	<u>501,111</u>
Net Position:					
Net invested in capital assets	14,387,942	3,297,021	573,808	18,258,771	-
Unrestricted	2,081,103	916,702	1,109,272	4,107,077	(182,318)
Total Net Position	<u>16,469,045</u>	<u>4,213,723</u>	<u>1,683,080</u>	<u>22,365,848</u>	<u>(182,318)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(393,854)	
Net Position of Business Type Activities				<u>21,971,994</u>	

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

City of Craig, Colorado
Statement of Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Enterprise Funds				Internal Service Fund
	Water Fund	Wastewater Fund	Sanitation Fund	Total	
Operating Revenues:					
Charges for services	2,903,869	1,293,897	1,292,102	5,489,868	1,171,679
Miscellaneous	95,017	19,122	1,952	116,091	459,071
Total Operating Revenues	2,998,886	1,313,019	1,294,054	5,605,959	1,630,750
Operating Expenses:					
Salaries	777,055	495,356	419,993	1,692,404	-
Employee benefits	259,867	161,079	154,498	575,444	2,372,706
Depreciation	565,189	292,739	113,875	971,803	-
Repairs and maintenance	453,542	111,213	22,080	586,835	-
Utilities	228,096	143,332	5,118	376,546	-
Landfill fees	-	-	284,428	284,428	-
Chemicals	141,853	20,027	-	161,880	-
Insurance and bonds	44,356	22,472	17,427	84,255	444,297
Supplies	42,507	36,992	105,922	185,421	-
Other purchased services	68,656	33,893	23,048	125,597	-
Capital outlay	-	51,245	-	51,245	-
Total Operating Expenses	2,581,121	1,368,348	1,146,389	5,095,858	2,817,003
Operating Income (Loss)	417,765	(55,329)	147,665	510,101	(1,186,253)
Non-operating Revenues (Expenses):					
Investment earnings	2,932	1,831	2,040	6,803	1,825
Interest expense	(118,424)	(6,473)	-	(124,897)	-
Gain (loss) on disposal of asset	10,856	(5,085)	32,000	37,771	-
Intergovernmental	5,000	-	-	5,000	-
Lease fees	(48,451)	(8,775)	-	(57,226)	-
Total Non-operating Revenues	(148,087)	(18,502)	34,040	(132,549)	1,825
Income (Loss) Before Contributions and Transfers	269,678	(73,831)	181,705	377,552	(1,184,428)
Capital Contributions (tap fees)	11,960	7,170	-	19,130	-
Capital Transfers	25,833	(25,833)	-	-	-
Change in Net Position	307,471	(92,494)	181,705	396,682	(1,184,428)
Total Net Position - Beginning	16,161,574	4,306,217	1,501,375	21,969,166	1,002,110
Total Net Position - Ending	16,469,045	4,213,723	1,683,080	22,365,848	(182,318)
Change in Net Position of Enterprise Funds				396,682	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(324,203)	
Change in Net Position of Business Type Activities				72,479	

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

City of Craig, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Enterprise Funds				Internal Service Fund
	Water Fund	Wastewater Fund	Sanitation Fund	Total	
Cash Flows From Operating Activities:					
Cash received from customers and others	2,897,410	1,238,368	1,283,002	5,418,780	1,098,260
Cash paid for goods and services	(961,487)	(412,066)	(426,117)	(1,799,670)	(2,647,253)
Cash paid to employees	(1,026,215)	(647,629)	(571,710)	(2,245,554)	-
Other cash receipts	95,017	19,122	1,952	116,091	459,071
Net Cash Provided (Used) by Operating Activities	1,004,725	197,795	287,127	1,489,647	(1,089,922)
Cash Flows From Non-capital Financing Activities:					
Net operating transfers in (out)	493,762	7,823	-	501,585	-
Net Cash Provided (Used) by Non-capital Financing Activities	493,762	7,823	-	501,585	-
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(144,123)	(85,170)	(74,607)	(303,900)	-
Capital grants and contributions	16,960	7,170	-	24,130	-
Principal paid on capital debt	(252,349)	(64,204)	-	(316,553)	-
Interest paid on capital debt	(120,560)	(7,471)	-	(128,031)	-
Lease fees	(48,451)	(8,775)	-	(57,226)	-
Proceeds from the sale of assets	28,952	-	32,000	60,952	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(519,571)	(158,450)	(42,607)	(720,628)	-
Cash Flows From Investing Activities					
Proceeds from the sale of investments	680,272	705,167	690,303	2,075,742	1,127,044
Interest on investments	2,932	1,831	2,040	6,803	1,825
Net Cash Provided (Used) by Investing Activities	683,204	706,998	692,343	2,082,545	1,128,869
Net Change in Cash and Cash Equivalents	1,662,120	754,166	936,863	3,353,149	38,947
Cash and Cash Equivalents - Beginning	-	36,150	107,327	143,477	-
Cash and Cash Equivalents - Ending	1,662,120	790,316	1,044,190	3,496,626	38,947
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	417,765	(55,329)	147,665	510,101	(1,186,253)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	565,189	292,739	113,875	971,803	-
(Increase) decrease in accounts receivable	(6,459)	(55,529)	(9,100)	(71,088)	(73,419)
(Increase) decrease in inventories	50,154	9,695	-	59,849	-
Increase (decrease) in accounts payable	(32,631)	(2,587)	31,906	(3,312)	-
Increase (decrease) in checks written in excess of cash balance	-	-	-	-	(11,860)
Increase (decrease) in claims payable	-	-	-	-	181,610
Increase (decrease) in accrued payroll	7,522	4,539	4,074	16,135	-
Increase (decrease) in compensated absences	3,185	4,267	(1,293)	6,159	-
Total Adjustments	586,960	253,124	139,462	979,546	96,331
Net Cash Provided by Operating Activities	1,004,725	197,795	287,127	1,489,647	(1,089,922)

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

NOTES TO THE FINANCIAL STATEMENTS

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies

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

The City's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the City are discussed below.

A. Reporting Entity

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

1. Component Unit

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

The Center of Craig

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

2. Joint Venture

Craig/Moffat County Airport Joint Operations

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

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

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

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

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

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

2. Fund Financial Statements

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

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements (continued)

The City reports the following governmental funds:

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

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

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

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

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

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

1. Long-term Economic Focus and Accrual Basis

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within 60 days after December 31). Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

3. Financial Statement Presentation

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn on demand and investments with maturities of three months or less.

2. Investments

Investments are stated at fair value.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. As of December 31, 2012, the City believes all receivable balances are collectible.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Property Taxes

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

5. Interfund Receivables and Payables

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

6. Inventory

Inventories are recorded at average cost.

7. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure	50 years
Buildings	30 -- 40 years
Furniture and fixtures	10 years
Vehicles	4 -- 8 years
Other equipment	5 years
Computer equipment	4 years

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Compensated Absences

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

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

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

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

9. Deferred Inflows of Resources

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

10. Fund Balance

The City classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the City Council.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Council or its management designee.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

10. Fund Balance (continued)

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

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

E. Significant Accounting Policies

1. Use of Estimates

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

2. Comparative Data

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts in 2011 have been reclassified to conform to the 2012 presentation.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

As required by Colorado Statutes and the Home Rule Charter, the City followed the required timetable noted below in preparing, approving, and enacting its budget for 2012.

1. For the 2012 budget year, prior to August 25, 2011, the County Assessor sent to the City an assessed valuation of all taxable property within the City's boundaries.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

2. The Mayor, or other qualified person appointed by the Council, submitted to the Council, on or before October 15, 2011, a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the City's operating requirements.
3. Prior to December 15, 2011, a public hearing was held for the budget, the Council certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Council adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the City may make the following changes:
a) it may transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2011 were collected in 2012 and taxes certified in 2012 will be collected in 2013. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. The expenses in the Medical Benefits Fund exceeded budget by \$280,303. This may be a violation of the state budget law.

B. TABOR Amendment

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

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

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The City has reserved \$296,687, which is the approximate required reserve at December 31, 2012.

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

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

At December 31, 2012, the carrying value of the City’s deposits was \$(21,252). The bank balance of these accounts was \$373,195. The FDIC insures the first \$250,000 of the Town’s interest-bearing deposits at each financial institution. Non-interest bearing deposits are fully insured by the FDIC. Interest-bearing deposit balances over \$250,000 are collateralized as required by PDPA. Deposit balances over \$250,000 are collateralized as required by PDPA. The difference between carrying and bank balances represents items that had not cleared the bank at year end. The City also had cash on hand of \$2,570.

At year end, the City had the following investments and maturities:

<u>Investment Pool</u>	<u>S&P Rating</u>	<u>Amount</u>
Colostrust	AAAm	\$ 9,734,504
Csafe	AAAm	176,123
Total		<u>\$ 9,910,627</u>

The City’s holding in an investment pool is comprised of balances with COLOTRUST and CSAFE, which are investment vehicles established for local government entities in Colorado to pool surplus funds. They operate similarly to money market funds, whereby each share is equal in value to \$1. Investments of the trusts consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. The City has no regulatory oversight for the pools.

Interest Rate Risk: As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the City has limited its interest rate risk.

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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

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

<u>Deposits and Investments</u>	
Deposits	\$ (21,252)
Cash on hand	2,570
Investment pools	9,910,627
	<u>\$ 9,891,945</u>
<u>Financial Statement Captions:</u>	
Cash and cash equivalents:	
Governmental activities	\$ 6,395,319
Business-type activities	3,496,626
	<u>\$ 9,891,945</u>

B. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 964,146	-	-	964,146
Total capital assets, not being depreciated	<u>964,146</u>	<u>-</u>	<u>-</u>	<u>964,146</u>
Capital assets, being depreciated				
Infrastructure	40,796,267	229,505	-	41,025,772
Buildings and improvements	3,767,571	-	-	3,767,571
Vehicles and equipment	5,973,582	755,238	(409,506)	6,319,314
Total capital assets being depreciated	<u>50,537,420</u>	<u>984,743</u>	<u>(409,506)</u>	<u>51,112,657</u>
Less accumulated depreciation for:				
Infrastructure	(30,667,718)	(577,355)	-	(31,245,073)
Buildings and improvements	(1,402,780)	(108,873)	-	(1,511,653)
Vehicles and equipment	(4,457,448)	(621,543)	407,143	(4,671,848)
Total accumulated depreciation	<u>(36,527,946)</u>	<u>(1,307,771)</u>	<u>407,143</u>	<u>(37,428,574)</u>
Total capital assets being depreciated, net	<u>14,009,474</u>	<u>(323,028)</u>	<u>(2,363)</u>	<u>13,684,083</u>
Governmental activities capital assets, net	<u>\$ 14,973,620</u>	<u>(323,028)</u>	<u>(2,363)</u>	<u>14,648,229</u>

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,719,009	-	-	1,719,009
Total capital assets, not being depreciated	<u>1,719,009</u>	<u>-</u>	<u>-</u>	<u>1,719,009</u>
Capital assets, being depreciated				
Infrastructure and buildings	35,683,120	73,320	(347,198)	35,409,242
Vehicles and equipment	4,063,814	204,748	(66,010)	4,202,552
Total capital assets being depreciated	<u>39,746,934</u>	<u>278,068</u>	<u>(413,208)</u>	<u>39,611,794</u>
Less accumulated depreciation for:				
Infrastructure and buildings	(14,583,207)	(741,345)	342,112	(14,982,440)
Vehicles and equipment	(3,046,518)	(230,458)	47,913	(3,229,063)
Total accumulated depreciation	<u>(17,629,725)</u>	<u>(971,803)</u>	<u>390,025</u>	<u>(18,211,503)</u>
Total capital assets being depreciated, net	<u>22,117,209</u>	<u>(693,735)</u>	<u>(23,183)</u>	<u>21,400,291</u>
Business-type activities capital assets, net	<u>\$ 23,836,218</u>	<u>(693,735)</u>	<u>(23,183)</u>	<u>23,119,300</u>

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

Governmental Activities:

General government	\$ 347,627
Public safety	150,696
Road and bridge	584,958
Parks and recreation	224,490
Total depreciation - governmental activities	<u>\$ 1,307,771</u>

Business-type Activities:

Water	565,189
Wastewater	292,739
Sanitation	113,875
Total depreciation - business-type activities	<u>\$ 971,803</u>

C. Interfund Receivables, Payables, and Transfers

Business-type activities owed governmental activities \$393,854 at December 31, 2012 as a result of internal service fund activity of the enterprise funds being consolidated into the governmental activities.

There was a transfer of capital assets valued at \$25,833 from the wastewater fund to the water fund during 2012.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Liabilities

1. Colorado Water Resources and Power Development Authority Note – 1995

In 1995, the City entered into an agreement with the Colorado Water Resources and Power Development Authority. The City's participation related to the Authority's 1995 Series A, Clean Water Revenue Bond Issue, to finance improvements to the City's wastewater system. The improvements are financed by a twenty-year note in the amount of \$1,096,820, with an effective interest rate of 4.58%, payable in annual installments of varying amounts. In 2001, the underlying bonds were refinanced, resulting in a reduction in the effective interest rate to 4.36%.

2. Colorado Water Resources and Power Development Authority Note – 2006

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

Both the 1995 and 2006 notes include covenants requiring certain levels of fund equity and ratios of operating income to debt service. Management believes it is in compliance with the loan covenants.

3. Debt Service Requirements

Year	CWRPDA Note 1995	CWRPDA Note 2006	Total
2013	\$ 83,406	421,719	505,125
2014	80,152	421,968	502,120
2015	79,362	421,504	500,866
2016	-	419,080	419,080
2017	-	421,979	421,979
2018-2022	-	2,096,005	2,096,005
2023-2027	-	2,094,843	2,094,843
Total	242,920	6,297,098	6,540,018
Less: interest	(28,906)	(1,650,583)	(1,679,489)
Bonds outstanding	<u>\$ 214,014</u>	<u>4,646,515</u>	<u>4,860,529</u>

4. Accrued Compensated Absences

Earned but unused vacation and sick benefits amounted to \$360,713 in governmental activities and \$82,134 in business-type activities at December 31, 2012.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Liabilities (continued)

5. Schedule of Changes in Long-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 323,607	37,106	-	360,713	-
Total Governmental Activities Long-term Liabilities	<u>\$ 323,607</u>	<u>37,106</u>	<u>-</u>	<u>360,713</u>	<u>-</u>
Business-type Activities:					
CWRPDA - Note payable 1995	\$ 4,898,864	-	(252,349)	4,646,515	257,835
CWRPDA - Note payable 2006	278,218	-	(64,204)	214,014	69,554
Compensated absences	75,975	6,159	-	82,134	-
Total Business-type Activities Long-term Liabilities	<u>\$ 5,253,057</u>	<u>6,159</u>	<u>(316,553)</u>	<u>4,942,663</u>	<u>327,389</u>

V. Other Information

A. Pension Plans

1. Deferred Compensation Plan – Section 457

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

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

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

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

V. Other Information (continued)

A. Pension Plans (continued)

2. Deferred Compensation Plan - Section 401(a)

The City participates in a defined contribution retirement plan covering all full-time employees. The plan is administrated by ICMA Retirement Corporation, and the City has no fiduciary responsibility for the plan. The City contributes 12% of the compensation, and the employees contribute 6%. Plan contributions for the year ended December 31, 2012, were \$704,545 for the City and \$352,272 for the employees. The plan vests at a rate of 20% per year and is fully vested after five years. Unvested City contributions for employees who leave employment before five years are used to reduce the City's current period contribution requirement. As of December 31, 2012, the plan had 60 employees fully vested and 28 non-vested employees.

B. Commitments and Contingencies

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

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

C. Risk Management

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

The City also covers health and life insurance claims for its employees up to \$30,000 per individual, annually. Premiums are charged to the City to cover medical claims with reinsurance provided by commercial carriers for individual claims in excess of \$30,000 annually.

The City records an estimated liability for health insurance claims. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2012
(Continued)

V. Other Information (continued)

C. Risk Management (continued)

The following represent the changes in approximate claims liability for the City for the year ended December 31, 2012:

Liability at December 31, 2011	\$ 319,501
Claims incurred, including IBNR	2,342,516
Claims paid	<u>(2,160,906)</u>
Liability at December 31, 2012	<u>\$ 501,111</u>

In these financial statements, claims incurred but not reported include only an estimate of claims incurred but not reported up to December 31, 2012. An actuarial study, which would estimate and include the amount of claims incurred but not reported for months or years beyond the date of the financial statements, was not available; therefore, the amount of claims incurred but not reported may be understated.

REQUIRED SUPPLEMENTARY INFORMATION

City of Craig, Colorado
Schedule of Revenues
Budget and Actual
General Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For 2011)

	<u>2012</u>			<u>Final Budget</u>	<u>2011</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:					
Taxes:					
General property taxes	1,454,100	1,454,100	1,438,779	(15,321)	1,536,331
Highway user taxes	330,800	330,800	319,358	(11,442)	323,225
Specific ownership taxes	70,000	70,000	93,832	23,832	94,056
Sales tax	4,605,000	4,605,000	4,824,225	219,225	4,714,031
Franchise tax	300,000	300,000	303,880	3,880	300,701
Severance tax	200,000	200,000	534,162	334,162	387,877
Interest and penalties	-	-	9,997	9,997	8,399
Cigarette tax	18,000	18,000	28,547	10,547	28,889
Total Taxes	<u>6,977,900</u>	<u>6,977,900</u>	<u>7,552,780</u>	<u>574,880</u>	<u>7,393,509</u>
Licenses and Permits:					
Building permits	26,000	26,000	75,312	49,312	48,499
Miscellaneous	8,400	8,400	14,869	6,469	11,703
Total Licenses and Permits	<u>34,400</u>	<u>34,400</u>	<u>90,181</u>	<u>55,781</u>	<u>60,202</u>
Intergovernmental:					
Motor vehicle tax	18,000	18,000	51,416	33,416	44,383
State grants	338,300	338,300	2,542	(335,758)	69,159
Mineral lease	753,000	753,000	919,067	166,067	1,006,660
County road and bridge	-	-	499,143	499,143	-
State lottery	90,000	90,000	94,850	4,850	84,312
Public safety grants	91,830	91,830	43,143	(48,687)	71,859
Total Intergovernmental	<u>1,291,130</u>	<u>1,291,130</u>	<u>1,610,161</u>	<u>319,031</u>	<u>1,276,373</u>
Charges for Services:					
Recreation program fees	84,575	84,575	86,777	2,202	87,660
Swimming pool fees	106,750	106,750	118,565	11,815	114,789
Concessions	2,400	2,400	7,813	5,413	15,194
Total Charges for Services	<u>193,725</u>	<u>193,725</u>	<u>213,155</u>	<u>19,430</u>	<u>217,643</u>
Fines and Forfeitures	<u>60,000</u>	<u>60,000</u>	<u>70,311</u>	<u>10,311</u>	<u>64,568</u>
Investment Earnings	<u>6,200</u>	<u>6,200</u>	<u>10,767</u>	<u>4,567</u>	<u>4,450</u>
Miscellaneous:					
Rents and royalties	8,000	8,000	16,818	8,818	16,538
Miscellaneous	50,300	50,300	49,031	(1,269)	55,051
Proceeds from sale of assets	-	-	1,600	1,600	-
Total Miscellaneous	<u>58,300</u>	<u>58,300</u>	<u>67,449</u>	<u>9,149</u>	<u>71,589</u>
Total Revenues	<u>8,621,655</u>	<u>8,621,655</u>	<u>9,614,804</u>	<u>993,149</u>	<u>9,088,334</u>

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

City of Craig, Colorado
Schedule of Expenditures
Budget and Actual
General Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For 2011)

	<u>2012</u>			<u>Final Budget</u>	<u>2011</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Expenditures:					
General Government:					
City council	271,185	271,185	240,572	30,613	260,843
Administration	362,790	362,790	320,688	42,102	323,629
Engineering	127,280	127,280	116,610	10,670	105,529
Finances	280,940	280,940	264,024	16,916	253,280
Clerk and personnel	205,350	205,350	189,573	15,777	190,375
Building maintenance	90,730	90,730	76,316	14,414	71,480
City attorney	119,570	119,570	103,246	16,324	99,948
Total General Government	<u>1,457,845</u>	<u>1,457,845</u>	<u>1,311,029</u>	<u>146,816</u>	<u>1,305,084</u>
Judicial:					
Municipal	63,480	63,480	60,675	2,805	60,645
Total Judicial	<u>63,480</u>	<u>63,480</u>	<u>60,675</u>	<u>2,805</u>	<u>60,645</u>
Public Safety:					
Police	3,508,600	3,510,800	3,382,056	128,744	3,216,776
Total Public Safety	<u>3,508,600</u>	<u>3,510,800</u>	<u>3,382,056</u>	<u>128,744</u>	<u>3,216,776</u>
Road and bridge	<u>2,630,230</u>	<u>2,713,430</u>	<u>2,231,150</u>	<u>482,280</u>	<u>2,167,321</u>
Community Development	<u>191,070</u>	<u>191,070</u>	<u>167,735</u>	<u>23,335</u>	<u>160,520</u>
Parks and Recreation					
General operations	1,216,960	1,216,960	757,991	458,969	740,287
Pool complex	360,570	360,570	327,191	33,379	330,207
Center of Craig	32,000	32,000	20,437	11,563	46,996
Recreation programs	229,730	229,730	209,832	19,898	202,546
Total Parks and Recreation	<u>1,839,260</u>	<u>1,839,260</u>	<u>1,315,451</u>	<u>523,809</u>	<u>1,320,036</u>
Capital Outlay	<u>868,440</u>	<u>898,440</u>	<u>682,853</u>	<u>215,587</u>	<u>755,581</u>
Total Expenditures	<u>10,558,925</u>	<u>10,674,325</u>	<u>9,150,949</u>	<u>1,523,376</u>	<u>8,985,963</u>

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

City of Craig, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
ACET Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For 2011)

	2012		Final Budget Variance Positive (Negative)	2011
	Original and Final Budget	Actual		Actual
Revenues:				
Grants	75,700	76,442	742	65,597
Miscellaneous	-	17,318	17,318	4,214
Total Revenues	75,700	93,760	18,060	69,811
Expenditures:				
Public safety	68,050	55,396	12,654	40,795
Capital outlay	30,000	6,294	23,706	-
Total Expenditures	98,050	61,690	36,360	40,795
Excess (Deficiency) of Revenues Over Expenditures	(22,350)	32,070	54,420	29,016
Fund Balances - Beginning		131,174		102,158
Fund Balances - Ending		163,244		131,174

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

SUPPLEMENTARY INFORMATION

City of Craig, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Capital Projects Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For 2011)

	<u>2012</u>			<u>Final Budget</u>	<u>2011</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive</u>	
				<u>(Negative)</u>	
Revenues:					
Property taxes	171,140	171,140	170,484	(656)	182,013
Specific ownership taxes	6,500	6,500	11,041	4,541	10,828
Investment earnings	260	260	1,086	826	611
Miscellaneous	500	500	-	(500)	-
Total Revenues	<u>178,400</u>	<u>178,400</u>	<u>182,611</u>	<u>4,211</u>	<u>193,452</u>
Expenditures:					
Treasurer's fees	3,000	3,000	3,398	(398)	3,628
Capital outlay	120,000	308,905	142,462	166,443	106,348
Total Expenditures	<u>123,000</u>	<u>311,905</u>	<u>145,860</u>	<u>166,045</u>	<u>109,976</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>55,400</u>	<u>(133,505)</u>	<u>36,751</u>	<u>170,256</u>	<u>83,476</u>
Fund Balances - Beginning			<u>334,420</u>		<u>250,944</u>
Fund Balances - Ending			<u><u>371,171</u></u>		<u><u>334,420</u></u>

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

City of Craig, Colorado
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Water Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For 2011)

	<u>2012</u>			Final Budget Variance Positive (Negative)	<u>2011</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Charges for services	2,549,740	2,549,740	2,903,869	354,129	2,491,591
Meter sales	2,000	2,000	1,083	(917)	5,157
Tap fees	6,000	6,000	11,960	5,960	30,740
Investment earnings	1,000	1,000	2,932	1,932	867
Rental income	-	-	-	-	277
Intergovernmental	-	-	5,000	5,000	5,000
Miscellaneous	15,000	15,000	93,934	78,934	34,239
Total Revenues	<u>2,573,740</u>	<u>2,573,740</u>	<u>3,018,778</u>	<u>445,038</u>	<u>2,567,871</u>
Expenditures:					
Salaries	823,500	823,500	777,055	46,445	737,891
Employee benefits	296,550	296,550	259,867	36,683	260,407
Repairs and maintenance	415,500	415,500	453,542	(38,042)	140,277
Utilities	186,300	186,300	228,096	(41,796)	210,854
Chemicals	124,000	124,000	141,853	(17,853)	136,640
Insurance and bonds	46,630	46,630	44,356	2,274	46,441
Supplies	98,500	98,500	42,507	55,993	50,180
Other purchased services	111,200	111,200	68,656	42,544	63,638
Capital outlay	-	160,500	144,123	16,377	67,980
Interest expense	120,560	120,560	118,424	2,136	123,485
Lease fees	48,500	48,500	48,451	49	48,451
Debt principal	252,350	252,350	252,349	1	246,863
Total Expenditures	<u>2,523,590</u>	<u>2,684,090</u>	<u>2,579,279</u>	<u>104,811</u>	<u>2,133,107</u>
Change in Net Position - Budget Basis	<u>50,150</u>	<u>(110,350)</u>	<u>439,499</u>	<u>549,849</u>	<u>434,764</u>
Reconciliation to GAAP Basis:					
Depreciation			(565,189)		(571,003)
Debt principal			252,349		246,863
Capital outlay			144,123		67,980
Capital transfer from other fund			25,833		-
Gain (loss) on disposal of assets			10,856		(11,047)
Change in Net Position - GAAP Basis			<u>307,471</u>		<u>167,557</u>
Net Position - Beginning			<u>16,161,574</u>		<u>15,994,017</u>
Net Position - Ending			<u>16,469,045</u>		<u>16,161,574</u>

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

City of Craig, Colorado
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Wastewater Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For 2011)

	<u>2012</u>			Final Budget Variance Positive (Negative)	<u>2011</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Charges for services	1,164,700	1,164,700	1,293,897	129,197	1,226,354
Tap fees	10,000	10,000	7,170	(2,830)	17,210
Investment earnings	2,000	2,000	1,831	(169)	858
Miscellaneous	-	-	19,122	19,122	1,399
Total Revenues	<u>1,176,700</u>	<u>1,176,700</u>	<u>1,322,020</u>	<u>145,320</u>	<u>1,245,821</u>
Expenditures:					
Salaries	501,760	501,760	495,356	6,404	455,071
Employee benefits	169,210	169,210	161,079	8,131	152,512
Repairs and maintenance	151,000	169,000	111,213	57,787	147,543
Utilities	130,200	130,200	143,332	(13,132)	141,822
Chemicals	21,000	22,800	20,027	2,773	5,924
Insurance and bonds	23,630	23,630	22,472	1,158	24,304
Supplies	32,000	32,000	36,992	(4,992)	35,842
Other purchased services	60,900	60,900	33,893	27,007	43,845
Capital outlay	-	75,835	110,582	(34,747)	256,899
Interest expense	7,470	7,470	6,473	997	8,765
Lease fees	8,780	8,780	8,775	5	8,775
Debt principal	64,210	64,210	64,204	6	64,204
Transfers out (in) to other funds	-	-	-	-	-
Total Expenditures	<u>1,170,160</u>	<u>1,265,795</u>	<u>1,214,398</u>	<u>51,397</u>	<u>1,345,506</u>
Change in Net Position - Budget Basis	<u>6,540</u>	<u>(89,095)</u>	<u>107,622</u>	<u>196,717</u>	<u>(99,685)</u>
Reconciliation to GAAP Basis:					
Depreciation			(292,739)		(285,650)
Debt principal			64,204		64,204
Capital outlay			59,337		256,899
Capital transfer to other fund			(25,833)		-
Gain (loss) on disposal of asset			(5,085)		4,000
Change in Net Position - GAAP Basis			<u>(92,494)</u>		<u>(60,232)</u>
Net Position - Beginning			<u>4,306,217</u>		<u>4,366,449</u>
Net Position - Ending			<u>4,213,723</u>		<u>4,306,217</u>

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

City of Craig, Colorado
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Sanitation Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For 2011)

	2012		Final Budget Variance Positive (Negative)	2011
	Original and Final Budget	Actual		Actual
Revenues:				
Charges for services	1,231,600	1,292,102	60,502	1,269,956
Miscellaneous revenue	2,000	1,952	(48)	2,160
Interest income	-	2,040	2,040	4,135
Total Revenues	1,233,600	1,296,094	62,494	1,276,251
Expenditures:				
Salaries	436,050	419,993	16,057	422,430
Employee benefits	164,970	154,498	10,472	164,437
Repairs and maintenance	39,000	22,080	16,920	23,332
Utilities	9,300	5,118	4,182	5,740
Landfill fees	380,000	284,428	95,572	295,173
Insurance and bonds	20,380	17,427	2,953	17,646
Supplies	174,950	105,922	69,028	117,294
Other purchased services	41,850	23,048	18,802	15,264
Capital outlay	250,000	74,607	175,393	-
Total Expenditures	1,516,500	1,107,121	409,379	1,061,316
Change in Net Position - Budget Basis	(282,900)	188,973	471,873	214,935
Reconciliation to GAAP Basis:				
Depreciation		(113,875)		(113,286)
Capital outlay		74,607		-
Gain from disposal of asset		32,000		-
Change in Net Position - GAAP Basis		181,705		101,649
Net Position - Beginning		1,501,375		1,399,725
Net Position - Ending		1,683,080		1,501,374

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

City of Craig, Colorado
Comparative Balance Sheets
Internal Services - Medical Benefit Fund
December 31, 2012 and 2011

	2012	2011
Assets:		
Cash and cash equivalents	38,947	-
Investments	-	1,127,044
Due from other funds	-	-
Receivables, net	279,846	206,427
Total Assets	318,793	1,333,471
Liabilities and Fund Equity:		
Liabilities:		
Checks written in excess of cash balance	-	11,860
Claims payable	501,111	319,501
Total Liabilities	501,111	331,361
Fund Equity:		
Unreserved	(182,318)	1,002,110
Total Fund Equity	(182,318)	1,002,110
Total Liabilities and Fund Balances	318,793	1,333,471

(continued)

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

City of Craig, Colorado
Schedule of Revenues, Expenses, and Changes in Fund Equity
Budget and Actual
Internal Services - Medical Benefit Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For 2011)

	2012			Final Budget Variance Positive (Negative)	2011
	Original Budget	Final Budget	Actual		Actual
Operating Revenues:					
Charges for services	1,152,000	1,152,000	1,171,679	19,679	1,118,141
Miscellaneous	200,000	200,000	459,071	259,071	786,993
Total Operating Revenues	<u>1,352,000</u>	<u>1,352,000</u>	<u>1,630,750</u>	<u>278,750</u>	<u>1,905,134</u>
Operating Expenses:					
Insurance premiums	400,000	400,000	444,297	(44,297)	335,070
Claims paid	1,480,000	2,094,300	2,330,656	(236,356)	1,984,227
Administrative fees	42,400	42,400	42,050	350	38,899
Total Operating Expenses	<u>1,922,400</u>	<u>2,536,700</u>	<u>2,817,003</u>	<u>(280,303)</u>	<u>2,358,196</u>
Operating Income (Loss)	<u>(570,400)</u>	<u>(1,184,700)</u>	<u>(1,186,253)</u>	<u>(1,553)</u>	<u>(453,062)</u>
Non-operating Revenues (Expenses):					
Investment earnings	2,000	2,000	1,825	(175)	1,444
Total Non-operating Revenues	<u>2,000</u>	<u>2,000</u>	<u>1,825</u>	<u>(175)</u>	<u>1,444</u>
Net Income (Loss)	<u>(568,400)</u>	<u>(1,182,700)</u>	<u>(1,184,428)</u>	<u>(1,728)</u>	<u>(451,618)</u>
Fund Equity - Beginning			1,002,110		1,453,728
Fund Equity - Ending			<u>(182,318)</u>		<u>1,002,110</u>

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

City of Craig, Colorado
Statement of Cash Flows
Internal Services - Medical Benefit Fund
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities:		
Cash received from users	1,098,260	1,090,890
Cash received from reimbursements	459,071	786,993
Cash paid on claims	(2,160,906)	(2,049,988)
Cash paid for premiums and administration	(486,347)	(227,948)
Net Cash Provided (Used) by Operating Activities	(1,089,922)	(400,053)
 Cash Flows From Investing Activities		
Proceeds from the sale of investments	1,127,044	398,609
Interest received	1,825	1,444
Net Cash Provided (Used) by Investing Activities	1,128,869	400,053
 Net Change in Cash and Cash Equivalents	38,947	-
Cash and Cash Equivalents - Beginning	-	-
 Cash and Cash Equivalents - Ending	38,947	-
 Reconciliation of Operating Income (Loss) to		
Net Cash Provided by Operating Activities:		
Operating income (loss)	(1,186,253)	(453,062)
Adjustments to reconcile operating income (loss)		
to net cash provided by operating activities:		
(Increase) decrease in accounts receivable	(73,419)	(27,251)
Increase (decrease) in checks written in excess of cash balances	(11,860)	(26,862)
Increase (decrease) in claims payable	181,610	107,122
Total Adjustments	96,331	53,009
Net Cash Provided by Operating Activities	(1,089,922)	(400,053)

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

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

LOCAL HIGHWAY FINANCE REPORT	City or County: City of Craig
	YEAR ENDING : December 2012

This Information From The Records Of (City of Craig):	Prepared By: Bruce M. Nelson, Finance Director Phone: 970-826-2007
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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)	1,193,285
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,646,667
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	25,305
2. General fund appropriations	2,222,127	b. Snow and ice removal	2,150
3. Other local imposts (from page 2)	273,330	c. Other	
4. Miscellaneous local receipts (from page 2)	1,176	d. Total (a. through c.)	27,455
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	2,867,407
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)	2,496,633	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	370,774	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,867,407	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)	2,867,407

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
		2,867,407	2,867,407		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2012

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	168,457	a. Interest on investments	1,176
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	104,873	g. Other Misc. Receipts	
6. Total (1. through 5.)	104,873	h. Other	
c. Total (a. + b.)	273,330	i. Total (a. through h.)	1,176
	(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	319,358	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	51,416	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	51,416	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	370,774	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
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		666,494	666,494
(4). System Enhancement & Operation		526,791	526,791
(5). Total Construction (1) + (2) + (3) + (4)	0	1,193,285	1,193,285
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,193,285	1,193,285
			(Carry forward to page 1)

Notes and Comments: