



**Financial Report**

**December 31, 2013**

**City of Craig, Colorado  
Financial Report  
December 31, 2013**

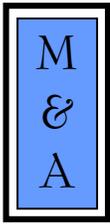
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## INDEPENDENT AUDITOR'S REPORT

### **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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*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 26, 2014**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF CRAIG**  
**Management's Discussion and Analysis (MD&A)**  
**DECEMBER 31, 2013**

**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, 2013. 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 has been experiencing a decline in fund reserves.
- ❑ Total net position was \$42,258,016 at December 31, 2013 which was down by \$997,016 from December 31, 2012.
- ❑ The City has seen a slight decrease 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 position. In the case of the City of Craig, assets exceeded liabilities by \$42,258,016 at the close of the most recent fiscal year.

**Net Position**

By far the largest portion of the City’s net position (76.9%) reflect 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
	2012	2013	2012	2013	2012	2013	
Current & other assets	9,638	8,058	4,112	4,507	13,750	12,565	-8.62%
Capital assets	14,648	14,260	23,119	22,750	37,767	37,010	-2.00%
Total Assets	<u>24,286</u>	<u>22,318</u>	<u>27,231</u>	<u>27,257</u>	<u>51,517</u>	<u>49,575</u>	-3.77%
Other liabilities	1,397	943	801	370	2,198	1,313	-40.26%
Long-term liabilities	0	0	4,458	4,533	4,458	4,533	1.68%
Total Liabilities	<u>1,397</u>	<u>943</u>	<u>5,259</u>	<u>4,903</u>	<u>6,656</u>	<u>5,846</u>	-12.17%
Deferred Inflows of Resources:							
Unavailable property tax	<u>0</u>	<u>1,471</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,471</u>	
Net Position:							
Net investment in capital assets	14,648	14,260	18,259	18,217	32,907	32,477	-1.31%
Restricted	297	271	0	0	297	271	-8.75%
Unrestricted	<u>6,338</u>	<u>5,373</u>	<u>3,713</u>	<u>4,137</u>	<u>10,051</u>	<u>9,510</u>	-5.38%
Total Net Position	<u><u>21,283</u></u>	<u><u>19,904</u></u>	<u><u>21,972</u></u>	<u><u>22,354</u></u>	<u><u>43,255</u></u>	<u><u>42,258</u></u>	-2.30%

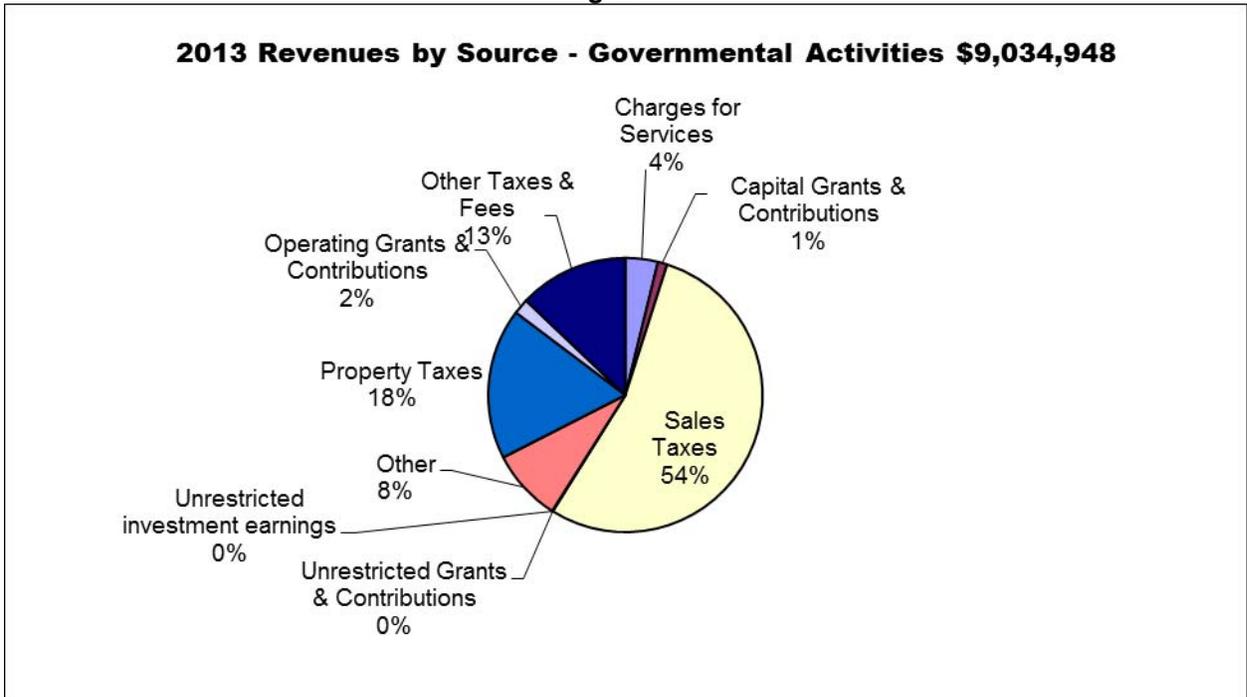
An additional portion of the City’s net position only (.64%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,509,237 may be used to meet the City’s ongoing obligations to its citizens and creditors.

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**CHANGES IN NET POSITION**

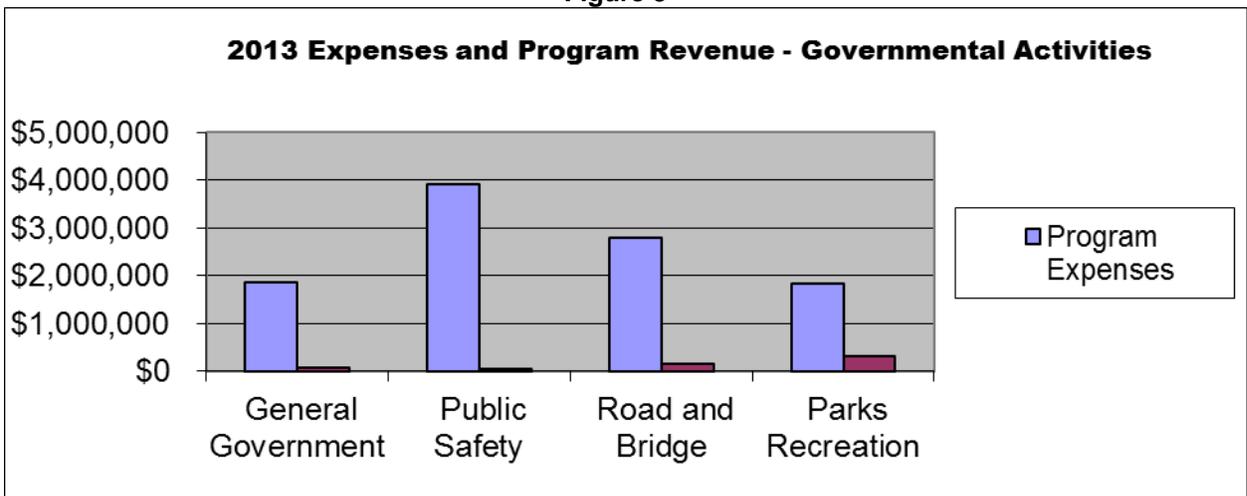
Sales taxes accounts for over one half of all revenues for the governmental activities.

**Figure 2**



The program revenue offsets only a small share of the cost of services. The total cost of all activities has decrease by -1.2%. (See Figure 4.)

**Figure 3**



The City's governmental activities revenues decreased by - 8.6%. (See Figure 4.)

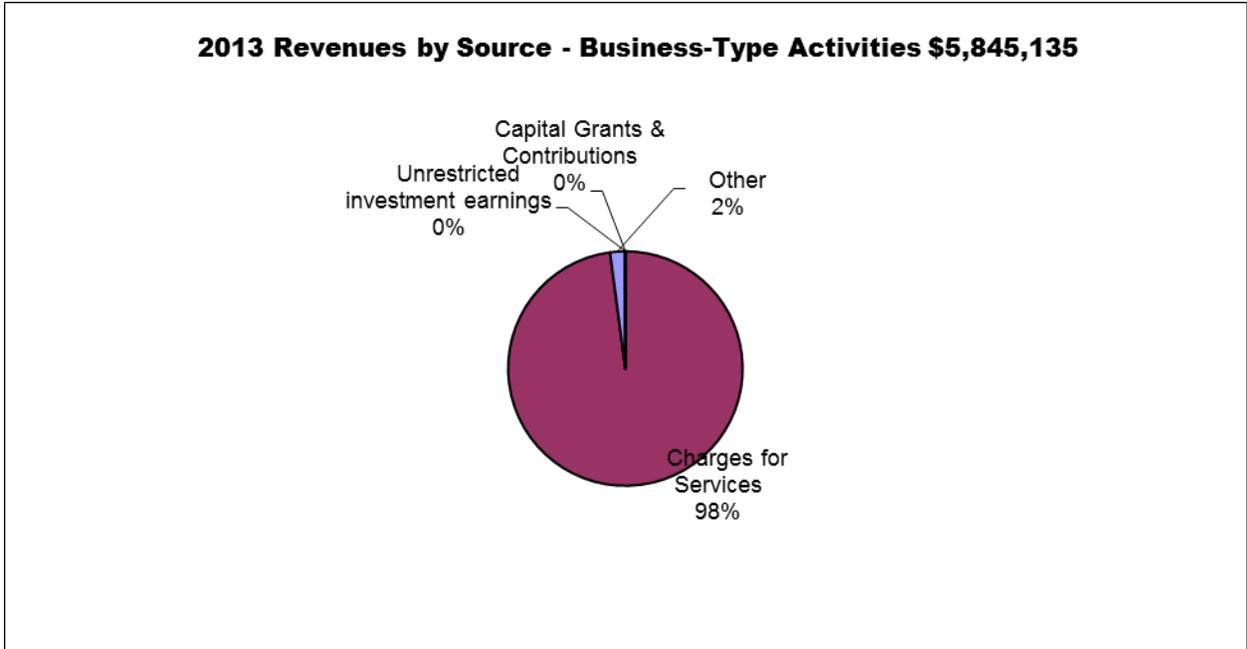
**Figure 4**  
(in thousands)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2012	2013	2012	2013	2012	2013	
Revenues							
Program Revenues							
Charges for Services	408	345	5,491	5,718	5,899	6,063	2.78%
Operating Grants & Contributions	619	165	5	3	624	168	-73.08%
Capital Grants & Contributions	95	100	19	4	114	104	-8.77%
General Revenues							
Sales Taxes	4,824	4,876	0	0	4,824	4,876	1.08%
Property Taxes	1,714	1,608	0	0	1,714	1,608	-6.18%
Other Taxes & Fees	1,247	1,165	0	0	1,247	1,165	-6.58%
Unrestricted investment earnings	12	6	7	4	19	10	-47.37%
Other	970	770	153	116	1,123	886	-21.10%
Total Revenues	<u>9,889</u>	<u>9,035</u>	<u>5,675</u>	<u>5,845</u>	<u>15,564</u>	<u>14,880</u>	-4.39%
Expenses							
General Government	1,828	1,863	0	0	1,828	1,863	1.91%
Public Safety	4,006	3,911	0	0	4,006	3,911	-2.37%
Road & Bridge	2,887	2,801	0	0	2,887	2,801	-2.98%
Parks & Recreation	1,858	1,839	0	0	1,858	1,839	-1.02%
Water	0	0	2,897	2,807	2,897	2,807	-3.11%
Wastewater	0	0	1,478	1,403	1,478	1,403	-5.07%
Solid Waste	0	0	1,227	1,253	1,227	1,253	2.12%
Total Expenses	<u>10,579</u>	<u>10,414</u>	<u>5,602</u>	<u>5,463</u>	<u>16,181</u>	<u>15,877</u>	-1.88%
Increase in net position	-690	-1,379	73	382	-617	-997	61.59%
Net position, Beginning	21,973	21,283	21,899	21,972	43,872	43,255	-1.41%
Net asset, Ending	<u>21,283</u>	<u>19,904</u>	<u>21,972</u>	<u>22,354</u>	<u>43,255</u>	<u>42,258</u>	-2.30%

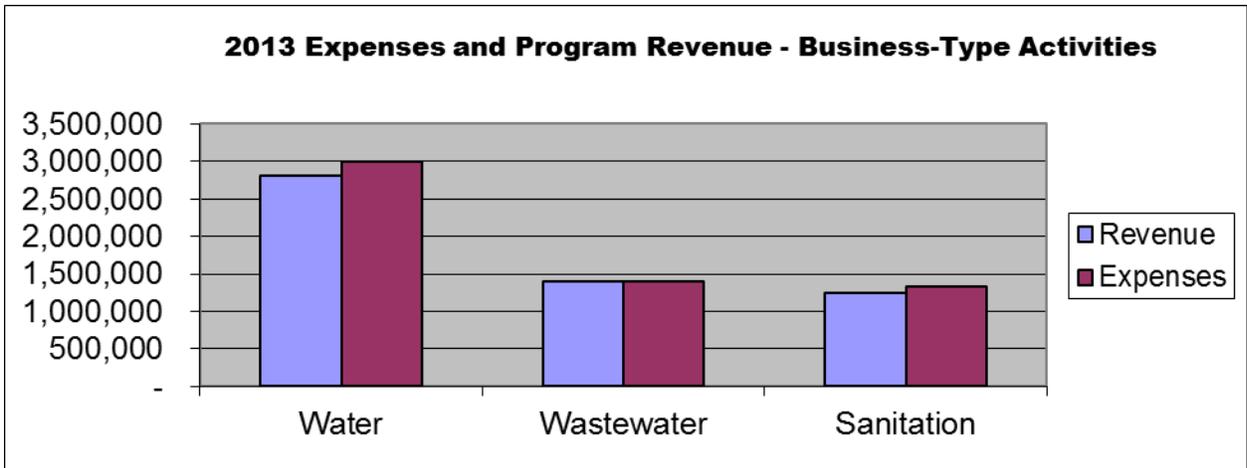
The City's total revenues were \$14,880,083. Charges for services account for 40.7% of all revenues.

- **Governmental Activities.** Governmental activities decreased the City's net position by \$1,378,940, thereby accounting for decrease in net position.
- **Business-type Activities.** Business-type activities increased the City's net position by \$381,924 accounting for an 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 \$4,742,718, while the total fund balance equaled \$5,013,826.

**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 \$16,689,871, \$4,185,282 and \$1,768,538, 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, 2013, amounts to \$37,010,810 (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
	2012	2013	2012	2013	2012	2013	
LAND	964	1,049	1,719	1,719	2,683	2,768	3.17%
BUILDINGS/IMPROVEMENTS	44,794	45,090	35,409	35,368	80,203	80,458	0.32%
MACHINERY AND EQUIPMENT	6,319	6,464	4,203	4,442	10,522	10,906	3.65%
WORK IN PROGRESS					0	0	0.00%
<b>TOTALS AT HISTORICAL COST</b>	<b>52,077</b>	<b>52,603</b>	<b>41,331</b>	<b>41,529</b>	<b>93,408</b>	<b>94,132</b>	<b>0.78%</b>
<b>TOTAL ACCUM. DEPRECIATION</b>	<b>37,429</b>	<b>38,343</b>	<b>18,212</b>	<b>18,779</b>	<b>55,641</b>	<b>57,122</b>	<b>2.66%</b>
<b>NET CAPITAL ASSETS</b>	<b>14,648</b>	<b>14,260</b>	<b>23,119</b>	<b>22,750</b>	<b>37,767</b>	<b>37,010</b>	<b>-2.00%</b>

**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	
	2012	2013	2012	2013	2012	2013
	\$	\$	\$	\$	\$	\$
Revenue bonds	-	-	-	-	-	-
Note Payable Colorado						
Water	-	-	214,014	144,460	214,014	144,460
Note Payable Colorado						
Water	-	-	4,646,515	4,388,680	4,646,515	4,388,680
	-	-	4,860,529	4,533,140	4,860,529	4,533,140

**ECONOMIC FACTORS**

- The local economy has maintained a downward climate in 2013.
- The City and County sales tax collections for 2013 increased by only 1.1%.
- When budgeting for 2013, 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 2014 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 4<sup>th</sup> Street, City of Craig, Colorado, 81625.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of Craig, Colorado**  
**Statement of Net Position**  
**December 31, 2013**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	5,056,908	3,841,681	8,898,589
Receivables, net of allowance for uncollectibles:			
Property tax	1,470,996	-	1,470,996
Accounts	1,239,871	580,065	1,819,936
Internal balances	289,773	(289,773)	-
Inventory	-	375,045	375,045
Capital assets not being depreciated	1,049,262	1,719,009	2,768,271
Capital assets, net of accumulated depreciation	13,211,119	21,031,420	34,242,539
<b>Total Assets</b>	<b>22,317,929</b>	<b>27,257,447</b>	<b>49,575,376</b>
<b>Liabilities:</b>			
Accounts payable	137,452	142,265	279,717
Claims payable	173,385	-	173,385
Accrued payroll	264,008	107,315	371,323
Accrued interest payable	-	47,040	47,040
Deposits	10,213	-	10,213
Compensated absences	357,777	73,770	431,547
Long-term liabilities:			
Due within one year	-	338,226	338,226
Due in more than one year	-	4,194,913	4,194,913
<b>Total Liabilities</b>	<b>942,835</b>	<b>4,903,529</b>	<b>5,846,364</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable property tax	1,470,996	-	1,470,996
<b>Total Deferred Inflows of Resources</b>	<b>1,470,996</b>	<b>-</b>	<b>1,470,996</b>
<b>Net Position:</b>			
Net investment in capital assets	14,260,381	18,217,290	32,477,671
Restricted for emergencies	271,108	-	271,108
Unrestricted	5,372,609	4,136,628	9,509,237
<b>Total Net Position</b>	<b>19,904,098</b>	<b>22,353,918</b>	<b>42,258,016</b>

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

**City of Craig, Colorado**  
**Statement of Activities**  
**For the Year Ended December 31, 2013**

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
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	1,862,911	75,959	-	-	(1,786,952)	-	(1,786,952)
Public safety	3,911,217	60,683	165,039	-	(3,685,495)	-	(3,685,495)
Road and bridge	2,801,056	-	-	-	(2,801,056)	-	(2,801,056)
Parks and recreation	1,838,704	208,673	-	99,571	(1,530,460)	-	(1,530,460)
<b>Total governmental activities</b>	<b>10,413,888</b>	<b>345,315</b>	<b>165,039</b>	<b>99,571</b>	<b>(9,803,963)</b>	<b>-</b>	<b>(9,803,963)</b>
<b>Business-type activities:</b>							
Water	2,806,716	2,986,778	2,587	4,270	-	186,919	186,919
Wastewater	1,403,294	1,393,689	-	-	-	(9,605)	(9,605)
Sanitation	1,253,201	1,337,963	-	-	-	84,762	84,762
<b>Total business-type activities</b>	<b>5,463,211</b>	<b>5,718,430</b>	<b>2,587</b>	<b>4,270</b>	<b>-</b>	<b>262,076</b>	<b>262,076</b>
<b>Total all activities</b>	<b>15,877,099</b>	<b>6,063,745</b>	<b>167,626</b>	<b>103,841</b>	<b>(9,803,963)</b>	<b>262,076</b>	<b>(9,541,887)</b>
<b>General revenues:</b>							
Taxes:							
Sales and use tax					4,875,898	-	4,875,898
Property tax, levied for general purposes					1,608,496	-	1,608,496
Specific ownership tax					114,727	-	114,727
Franchise tax					298,865	-	298,865
Severance tax					359,973	-	359,973
Transportation tax					358,776	-	358,776
Other taxes					32,274	-	32,274
Mineral lease revenue					756,991	-	756,991
Investment earnings					6,481	4,287	10,768
Grants and contributions not restricted to specific programs					1,220	-	1,220
Miscellaneous					13,306	81,061	94,367
Gain (loss) on disposal of capital assets					(1,984)	34,500	32,516
<b>Total general revenues, special items, and transfers</b>					<b>8,425,023</b>	<b>119,848</b>	<b>8,544,871</b>
<b>Change in net position</b>					<b>(1,378,940)</b>	<b>381,924</b>	<b>(997,016)</b>
<b>Net Position - Beginning</b>					<b>21,283,038</b>	<b>21,971,994</b>	<b>43,255,032</b>
<b>Net Position - Ending</b>					<b>19,904,098</b>	<b>22,353,918</b>	<b>42,258,016</b>

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

## **FUND FINANCIAL STATEMENTS**

**City of Craig, Colorado**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2013**

	<u>General</u>	<u>ACET</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	4,516,395	195,404	305,821	5,017,620
Receivables, net				
Property tax	1,316,122	-	154,874	1,470,996
Accounts	905,227	-	3,295	908,522
<b>Total Assets</b>	<u>6,737,744</u>	<u>195,404</u>	<u>463,990</u>	<u>7,397,138</u>
<b>Liabilities and Fund Balance:</b>				
<b>Liabilities:</b>				
Accounts payable	133,574	795	3,083	137,452
Accrued payroll	264,008	-	-	264,008
Deposits	10,214	-	-	10,214
<b>Total Liabilities</b>	<u>407,796</u>	<u>795</u>	<u>3,083</u>	<u>411,674</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable property tax	1,316,122	-	154,874	1,470,996
<b>Total Deferred Inflows of Resources</b>	<u>1,316,122</u>	<u>-</u>	<u>154,874</u>	<u>1,470,996</u>
<b>Fund Balances:</b>				
Restricted to:				
TABOR emergency reserve	271,108	-	-	271,108
Assigned to:				
Public safety	-	194,609	-	194,609
Capital projects	-	-	306,033	306,033
Unassigned	4,742,718	-	-	4,742,718
<b>Total Fund Balances</b>	<u>5,013,826</u>	<u>194,609</u>	<u>306,033</u>	<u>5,514,468</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>6,737,744</u>	<u>195,404</u>	<u>463,990</u>	<u>7,397,138</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, 2013**

**Total Fund Balances of Governmental Funds** 5,514,468

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	52,603,491	
Accumulated depreciation	<u>(38,343,110)</u>	14,260,381

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	(357,777)
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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.

487,026

**Net Position of Governmental Activities**

19,904,098

**City of Craig, Colorado**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2013**

	<u>General</u>	<u>ACET</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	7,418,109	-	180,153	7,598,262
Licenses and permits	54,901	-	-	54,901
Intergovernmental revenue	1,001,876	71,692	-	1,073,568
Charges for services	208,673	-	-	208,673
Fines and forfeitures	59,408	-	-	59,408
Investment earnings	5,746	-	735	6,481
Miscellaneous	34,364	1,275	-	35,639
<b>Total Revenues</b>	<u>8,783,077</u>	<u>72,967</u>	<u>180,888</u>	<u>9,036,932</u>
<b>Expenditures:</b>				
Current				
General government	1,554,400	-	3,347	1,557,747
Judicial	66,905	-	-	66,905
Public safety	3,758,767	41,400	-	3,800,167
Road and bridge	2,489,584	-	-	2,489,584
Community development	178,458	-	-	178,458
Parks and recreation	1,480,193	-	-	1,480,193
Capital outlay	510,514	202	242,679	753,395
<b>Total Expenditures</b>	<u>10,038,821</u>	<u>41,602</u>	<u>246,026</u>	<u>10,326,449</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,255,744)</u>	<u>31,365</u>	<u>(65,138)</u>	<u>(1,289,517)</u>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	20,000	-	-	20,000
<b>Total Other Financing Sources (Uses)</b>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
<b>Net Change in Fund Balance</b>	<u>(1,235,744)</u>	<u>31,365</u>	<u>(65,138)</u>	<u>(1,269,517)</u>
<b>Fund Balances - Beginning</b>	<u>6,249,570</u>	<u>163,244</u>	<u>371,171</u>	<u>6,783,985</u>
<b>Fund Balances - Ending</b>	<u>5,013,826</u>	<u>194,609</u>	<u>306,033</u>	<u>5,514,468</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, 2013**

**Net Change in Fund Balances of Governmental Funds** (1,269,517)

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	949,655	
Depreciation expense	<u>(1,315,519)</u>	(365,864)

Changes in accrued compensated absences are considered changes  
in long-term liabilities. This is the change in compensated absences  
during the year. 2,936

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. (21,984)

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. 275,489

**Change in Net Position of Governmental Activities** (1,378,940)

**City of Craig, Colorado**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2013**

	<b>Enterprise Funds</b>			<b>Total</b>	<b>Internal Service Fund</b>
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Sanitation Fund</b>		
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	2,148,246	902,027	791,408	3,841,681	39,288
Receivables, net of allowance for uncollectibles	228,093	153,452	198,520	580,065	331,349
Inventory	350,710	24,335	-	375,045	-
<b>Total current assets</b>	<u>2,727,049</u>	<u>1,079,814</u>	<u>989,928</u>	<u>4,796,791</u>	<u>370,637</u>
<b>Non-current assets:</b>					
Non-depreciable capital assets	1,476,156	242,853	-	1,719,009	-
Depreciable capital assets, net	17,073,581	3,105,798	852,041	21,031,420	-
<b>Total non-current assets</b>	<u>18,549,737</u>	<u>3,348,651</u>	<u>852,041</u>	<u>22,750,429</u>	<u>-</u>
<b>Total Assets</b>	<u>21,276,786</u>	<u>4,428,465</u>	<u>1,841,969</u>	<u>27,547,220</u>	<u>370,637</u>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	65,265	49,252	27,748	142,265	-
Claims payable	-	-	-	-	173,385
Accrued payroll	48,787	29,651	28,877	107,315	-
Accrued interest payable	45,915	1,125	-	47,040	-
Compensated absences	38,268	18,696	16,806	73,770	-
Notes payable - current	263,321	74,905	-	338,226	-
<b>Total current liabilities</b>	<u>461,556</u>	<u>173,629</u>	<u>73,431</u>	<u>708,616</u>	<u>173,385</u>
<b>Long-term liabilities:</b>					
Notes payable - non-current	4,125,359	69,554	-	4,194,913	-
<b>Total Liabilities</b>	<u>4,586,915</u>	<u>243,183</u>	<u>73,431</u>	<u>4,903,529</u>	<u>173,385</u>
<b>Net Position:</b>					
Net invested in capital assets	14,161,057	3,204,192	852,041	18,217,290	-
Unrestricted	2,528,814	981,090	916,497	4,426,401	197,252
<b>Total Net Position</b>	<u>16,689,871</u>	<u>4,185,282</u>	<u>1,768,538</u>	<u>22,643,691</u>	<u>197,252</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(289,773)</u>	
<b>Net Position of Business Type Activities</b>				<u>22,353,918</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, 2013**

	<b>Enterprise Funds</b>				<b>Internal Service Fund</b>
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>	
<b>Operating Revenues:</b>					
Charges for services	2,985,485	1,393,689	1,337,963	5,717,137	2,125,116
Miscellaneous	68,295	9,899	4,160	82,354	776,460
<b>Total Operating Revenues</b>	<b>3,053,780</b>	<b>1,403,588</b>	<b>1,342,123</b>	<b>5,799,491</b>	<b>2,901,576</b>
<b>Operating Expenses:</b>					
Salaries	791,112	502,483	432,263	1,725,858	-
Employee benefits	388,436	239,387	231,287	859,110	1,886,387
Depreciation	562,049	286,411	132,293	980,753	-
Repairs and maintenance	417,329	127,760	23,967	569,056	-
Utilities	222,575	142,077	6,827	371,479	-
Landfill fees	-	-	312,756	312,756	-
Chemicals	141,523	17,022	-	158,545	-
Insurance and bonds	49,867	24,279	18,314	92,460	636,038
Supplies	60,564	31,548	98,946	191,058	-
Other purchased services	59,417	49,362	22,874	131,653	-
<b>Total Operating Expenses</b>	<b>2,692,872</b>	<b>1,420,329</b>	<b>1,279,527</b>	<b>5,392,728</b>	<b>2,522,425</b>
<b>Operating Income (Loss)</b>	<b>360,908</b>	<b>(16,741)</b>	<b>62,596</b>	<b>406,763</b>	<b>379,151</b>
<b>Non-operating Revenues (Expenses):</b>					
Investment earnings	2,263	1,162	862	4,287	419
Interest expense	(113,251)	(4,087)	-	(117,338)	-
Gain (loss) on disposal of asset	12,500	-	22,000	34,500	-
Intergovernmental	2,587	-	-	2,587	-
Lease fees	(48,451)	(8,775)	-	(57,226)	-
<b>Total Non-operating Revenues</b>	<b>(144,352)</b>	<b>(11,700)</b>	<b>22,862</b>	<b>(133,190)</b>	<b>419</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>216,556</b>	<b>(28,441)</b>	<b>85,458</b>	<b>273,573</b>	<b>379,570</b>
<b>Capital Contributions (tap fees)</b>	<b>4,270</b>	<b>-</b>	<b>-</b>	<b>4,270</b>	<b>-</b>
<b>Change in Net Position</b>	<b>220,826</b>	<b>(28,441)</b>	<b>85,458</b>	<b>277,843</b>	<b>379,570</b>
<b>Total Net Position - Beginning</b>	<b>16,469,045</b>	<b>4,213,723</b>	<b>1,683,080</b>	<b>22,365,848</b>	<b>(182,318)</b>
<b>Total Net Position - Ending</b>	<b>16,689,871</b>	<b>4,185,282</b>	<b>1,768,538</b>	<b>22,643,691</b>	<b>197,252</b>
<b>Change in Net Position of Enterprise Funds</b>				277,843	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				104,081	
<b>Change in Net Position of Business Type Activities</b>				<b>381,924</b>	

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, 2013**

	<b>Enterprise Funds</b>				<b>Internal Service Fund</b>
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>	
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers and others	2,983,295	1,433,094	1,318,101	5,734,490	2,073,613
Cash paid for goods and services	(907,877)	(384,067)	(523,270)	(1,815,214)	(2,850,151)
Cash paid to employees	(1,180,159)	(740,943)	(664,109)	(2,585,211)	-
Other cash receipts	68,295	9,899	4,160	82,354	776,460
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>963,554</u>	<u>317,983</u>	<u>134,882</u>	<u>1,416,419</u>	<u>(78)</u>
<b>Cash Flows From Non-capital Financing Activities:</b>					
Net operating transfers in (out)	-	-	-	-	-
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(77,329)	(124,027)	(410,527)	(611,883)	-
Capital grants and contributions	6,857	-	-	6,857	-
Principal paid on capital debt	(257,835)	(69,555)	-	(327,390)	-
Interest paid on capital debt	(115,433)	(5,077)	-	(120,510)	-
Lease fees	(48,451)	(8,775)	-	(57,226)	-
Proceeds from the sale of assets	12,500	-	22,000	34,500	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(479,691)</u>	<u>(207,434)</u>	<u>(388,527)</u>	<u>(1,075,652)</u>	<u>-</u>
<b>Cash Flows From Investing Activities</b>					
Interest on investments	2,263	1,162	863	4,288	419
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>2,263</u>	<u>1,162</u>	<u>863</u>	<u>4,288</u>	<u>419</u>
<b>Net Change in Cash and Cash Equivalents</b>	486,126	111,711	(252,782)	345,055	341
<b>Cash and Cash Equivalents - Beginning</b>	1,662,120	790,316	1,044,190	3,496,626	38,947
<b>Cash and Cash Equivalents - Ending</b>	<u>2,148,246</u>	<u>902,027</u>	<u>791,408</u>	<u>3,841,681</u>	<u>39,288</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>					
Operating income (loss)	360,908	(16,741)	62,596	406,763	379,151
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>					
Depreciation	562,049	286,411	132,293	980,753	-
(Increase) decrease in accounts receivable	(2,190)	39,405	(19,862)	17,353	(51,503)
(Increase) decrease in inventories	40,421	(3,313)	-	37,108	-
Increase (decrease) in accounts payable	2,977	11,294	(39,586)	(25,315)	-
Increase (decrease) in claims payable	-	-	-	-	(327,726)
Increase (decrease) in accrued payroll	3,102	1,431	3,588	8,121	-
Increase (decrease) in compensated absences	(3,713)	(504)	(4,147)	(8,364)	-
<b>Total Adjustments</b>	<u>602,646</u>	<u>334,724</u>	<u>72,286</u>	<u>1,009,656</u>	<u>(379,229)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>963,554</u>	<u>317,983</u>	<u>134,882</u>	<u>1,416,419</u>	<u>(78)</u>

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, 2013**  
**(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 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, 2013**  
**(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, 2013**  
**(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, 2013**  
**(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, 2013, the City believes all receivable balances are collectible.

**City of Craig, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2013**  
**(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, 2013**  
**(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, 2013**  
**(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.

**11. 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.

**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 2013.

1. For the 2013 budget year, prior to August 25, 2012, 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, 2013**  
**(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, 2012, 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, 2012, 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 2012 were collected in 2013 and taxes certified in 2013 will be collected in 2014. 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.

**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 \$271,108, which is the approximate required reserve at December 31, 2013.

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, 2013**  
**(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, 2013, the carrying value of the City’s deposits was \$228,031. The bank balance of these accounts was \$612,894. The FDIC insures the first \$250,000 of the Town’s interest-bearing deposits at each financial institution. 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&amp;P Rating</u>	<u>Amount</u>
Colotrust	AAAm	\$ 6,490,043
CSIP	AAAm	2,001,280
Csafe	AAAm	176,665
Total		<u>\$ 8,667,988</u>

The City’s holding in an investment pool is comprised of balances with COLOTRUST, CSIP 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, 2013**  
**(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:

<b><u>Deposits and Investments</u></b>	
Deposits	\$ 228,031
Cash on hand	2,570
Investment pools	8,667,988
	<u>\$ 8,898,589</u>

<b><u>Financial Statement Captions:</u></b>	
Cash and cash equivalents:	
Governmental activities	\$ 4,998,208
Business-type activities	3,900,381
	<u>\$ 8,898,589</u>

**B. Capital Assets**

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

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 964,146	85,116	-	1,049,262
Total capital assets, not being depreciated	<u>964,146</u>	<u>85,116</u>	<u>-</u>	<u>1,049,262</u>
Capital assets, being depreciated				
Infrastructure	41,025,772	296,382	-	41,322,154
Buildings and improvements	3,767,571	-	-	3,767,571
Vehicles and equipment	6,319,314	568,157	(422,967)	6,464,504
Total capital assets being depreciated	<u>51,112,657</u>	<u>864,539</u>	<u>(422,967)</u>	<u>51,554,229</u>
Less accumulated depreciation for:				
Infrastructure	(31,245,073)	(577,345)	-	(31,822,418)
Buildings and improvements	(1,511,653)	(108,873)	-	(1,620,526)
Vehicles and equipment	(4,671,848)	(629,301)	400,983	(4,900,166)
Total accumulated depreciation	<u>(37,428,574)</u>	<u>(1,315,519)</u>	<u>400,983</u>	<u>(38,343,110)</u>
Total capital assets being depreciated, net	<u>13,684,083</u>	<u>(450,980)</u>	<u>(21,984)</u>	<u>13,211,119</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 14,648,229</u>	<u>(365,864)</u>	<u>(21,984)</u>	<u>14,260,381</u>

**City of Craig, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2013**  
**(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>
<b>Business-type Activities:</b>				
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	35,409,242	124,027	(165,172)	35,368,097
Vehicles and equipment	4,202,552	487,856	(248,183)	4,442,225
Total capital assets being depreciated	<u>39,611,794</u>	<u>611,883</u>	<u>(413,355)</u>	<u>39,810,322</u>
Less accumulated depreciation for:				
Infrastructure and buildings	(14,982,440)	(735,238)	165,172	(15,552,506)
Vehicles and equipment	(3,229,063)	(245,516)	248,183	(3,226,396)
Total accumulated depreciation	<u>(18,211,503)</u>	<u>(980,754)</u>	<u>413,355</u>	<u>(18,778,902)</u>
Total capital assets being depreciated, net	<u>21,400,291</u>	<u>(368,871)</u>	<u>-</u>	<u>21,031,420</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 23,119,300</u>	<u>(368,871)</u>	<u>-</u>	<u>22,750,429</u>

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

**Governmental Activities:**

General government	\$ 343,109
Public safety	165,226
Road and bridge	582,630
Parks and recreation	224,554
<b>Total depreciation - governmental activities</b>	<u>\$ 1,315,519</u>

**Business-type Activities:**

Water	\$ 562,050
Wastewater	286,411
Sanitation	132,293
<b>Total depreciation - business-type activities</b>	<u>\$ 980,754</u>

**C. Interfund Receivables, Payables, and Transfers**

Business-type activities owed governmental activities \$289,773 at December 31, 2013 as a result of internal service fund activity of the enterprise funds being consolidated into the governmental activities.

**City of Craig, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2013**  
**(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**

<u>Year</u>	<u>CWRPDA Note 1995</u>	<u>CWRPDA Note 2006</u>	<u>Total</u>
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	-	419,070	419,070
2019-2023	-	2,097,851	2,097,851
2024-2027	-	1,673,927	1,673,927
Total	159,514	5,875,380	6,034,894
Less: interest	(15,054)	(1,486,700)	(1,501,754)
Bonds outstanding	<u>\$ 144,460</u>	<u>4,388,680</u>	<u>4,533,140</u>

**4. Accrued Compensated Absences**

Earned but unused vacation and sick benefits amounted to \$357,777 in governmental activities and \$82,064 in business-type activities at December 31, 2013.

**City of Craig, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2013**  
**(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>
<b>Governmental Activities:</b>					
Compensated absences	\$ 360,713	-	(2,936)	357,777	-
<b>Total Governmental Activities Long-term Liabilities</b>	<u>\$ 360,713</u>	<u>-</u>	<u>(2,936)</u>	<u>357,777</u>	<u>-</u>
<b>Business-type Activities:</b>					
CWRPDA - Note payable 1995	\$ 4,646,515	-	(257,835)	4,388,680	263,321
CWRPDA - Note payable 2006	214,014	-	(69,554)	144,460	69,554
Compensated absences	82,134	-	(70)	82,064	-
<b>Total Business-type Activities Long-term Liabilities</b>	<u>\$ 4,942,663</u>	<u>-</u>	<u>(327,459)</u>	<u>4,615,204</u>	<u>332,875</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, 2013**  
**(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, 2013, were \$726,483 for the City and \$363,240 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, 2013, the plan had 63 employees fully vested and 22 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, 2013**  
**(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, 2013:

Liability balance December 31, 2012	\$ 501,111
Incurred claims, including IBNR	1,833,993
Claims paid	<u>(2,161,719)</u>
Liability balance December 31, 2013	<u>\$ 173,385</u>

In these financial statements, claims incurred but not reported include only an estimate of claims incurred but not reported up to December 31, 2013. 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, 2013**  
**(With Comparative Actual Amounts For 2012)**

	<u>2013</u>			<u>Final Budget</u>	<u>2012</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>Revenues:</b>					
<b>Taxes:</b>					
General property taxes	1,436,900	1,436,900	1,439,548	2,648	1,438,779
Highway user taxes	308,850	308,850	308,029	(821)	319,358
Specific ownership taxes	70,000	70,000	103,522	33,522	93,832
Sales tax	4,737,700	4,737,700	4,875,898	138,198	4,824,225
Franchise tax	300,000	300,000	298,865	(1,135)	303,880
Severance tax	265,000	265,000	359,973	94,973	534,162
Interest and penalties	-	-	7,297	7,297	9,997
Cigarette tax	17,700	17,700	24,977	7,277	28,547
<b>Total Taxes</b>	<u>7,136,150</u>	<u>7,136,150</u>	<u>7,418,109</u>	<u>281,959</u>	<u>7,552,780</u>
<b>Licenses and Permits:</b>					
Building permits	26,000	26,000	45,267	19,267	75,312
Miscellaneous	11,930	11,930	9,634	(2,296)	14,869
<b>Total Licenses and Permits</b>	<u>37,930</u>	<u>37,930</u>	<u>54,901</u>	<u>16,971</u>	<u>90,181</u>
<b>Intergovernmental:</b>					
Motor vehicle tax	18,000	18,000	50,747	32,747	51,416
State grants	365,800	365,800	1,220	(364,580)	2,542
Mineral lease	753,000	753,000	756,991	3,991	919,067
County road and bridge	-	-	-	-	499,143
State lottery	90,000	90,000	99,571	9,571	94,850
Public safety grants	80,000	80,000	93,347	13,347	43,143
<b>Total Intergovernmental</b>	<u>1,306,800</u>	<u>1,306,800</u>	<u>1,001,876</u>	<u>(304,924)</u>	<u>1,610,161</u>
<b>Charges for Services:</b>					
Recreation program fees	82,075	82,075	79,032	(3,043)	86,777
Swimming pool fees	108,050	108,050	107,181	(869)	118,565
Concessions	2,400	2,400	22,460	20,060	7,813
<b>Total Charges for Services</b>	<u>192,525</u>	<u>192,525</u>	<u>208,673</u>	<u>16,148</u>	<u>213,155</u>
<b>Fines and Forfeitures</b>	<u>60,000</u>	<u>60,000</u>	<u>59,408</u>	<u>(592)</u>	<u>70,311</u>
<b>Investment Earnings</b>	<u>10,150</u>	<u>10,150</u>	<u>5,746</u>	<u>(4,404)</u>	<u>10,767</u>
<b>Miscellaneous:</b>					
Rents and royalties	11,000	11,000	21,058	10,058	16,818
Miscellaneous	30,000	30,000	13,306	(16,694)	49,031
Proceeds from sale of assets	-	-	20,000	20,000	1,600
<b>Total Miscellaneous</b>	<u>41,000</u>	<u>41,000</u>	<u>54,364</u>	<u>13,364</u>	<u>67,449</u>
<b>Total Revenues</b>	<u>8,784,555</u>	<u>8,784,555</u>	<u>8,803,077</u>	<u>18,522</u>	<u>9,614,804</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, 2013**  
**(With Comparative Actual Amounts For 2012)**

	<u>2013</u>			<u>Final Budget</u>	<u>2012</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>Expenditures:</b>					
<b>General Government:</b>					
City council	298,295	369,095	347,247	21,848	240,572
Administration	375,345	393,205	357,854	35,351	320,688
Engineering	133,350	138,450	113,330	25,120	116,610
Finances	299,150	309,230	287,404	21,826	264,024
Clerk and personnel	221,080	231,200	218,093	13,107	189,573
Building maintenance	90,230	90,230	74,759	15,471	76,316
City attorney	125,530	156,590	155,713	877	103,246
<b>Total General Government</b>	<u>1,542,980</u>	<u>1,688,000</u>	<u>1,554,400</u>	<u>133,600</u>	<u>1,311,029</u>
<b>Judicial:</b>					
Municipal	67,690	74,090	66,905	7,185	60,675
<b>Total Judicial</b>	<u>67,690</u>	<u>74,090</u>	<u>66,905</u>	<u>7,185</u>	<u>60,675</u>
<b>Public Safety:</b>					
Police	3,665,120	3,864,795	3,758,767	106,028	3,382,056
<b>Total Public Safety</b>	<u>3,665,120</u>	<u>3,864,795</u>	<u>3,758,767</u>	<u>106,028</u>	<u>3,382,056</u>
<b>Road and bridge</b>	<u>2,792,930</u>	<u>2,868,950</u>	<u>2,489,584</u>	<u>379,366</u>	<u>2,231,150</u>
<b>Community Development</b>	<u>193,610</u>	<u>200,010</u>	<u>178,458</u>	<u>21,552</u>	<u>167,735</u>
<b>Parks and Recreation</b>					
General operations	1,192,360	1,278,960	875,558	403,402	757,991
Pool complex	379,780	389,380	354,921	34,459	327,191
Center of Craig	31,400	31,400	31,367	33	20,437
Recreation programs	242,420	252,020	218,347	33,673	209,832
<b>Total Parks and Recreation</b>	<u>1,845,960</u>	<u>1,951,760</u>	<u>1,480,193</u>	<u>471,567</u>	<u>1,315,451</u>
<b>Capital Outlay</b>	<u>906,100</u>	<u>975,900</u>	<u>510,514</u>	<u>465,386</u>	<u>682,853</u>
<b>Total Expenditures</b>	<u>11,014,390</u>	<u>11,623,505</u>	<u>10,038,821</u>	<u>1,584,684</u>	<u>9,150,949</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, 2013**  
**(With Comparative Actual Amounts For 2012)**

	2013			Final Budget Variance Positive (Negative)	2012
	Original Budget	Final Budget	Actual		Actual
<b>Revenues:</b>					
Grants	69,692	69,692	71,692	2,000	76,442
Miscellaneous	-	-	1,275	1,275	17,318
<b>Total Revenues</b>	69,692	69,692	72,967	3,275	93,760
<b>Expenditures:</b>					
Public safety	60,670	60,670	41,400	19,270	55,396
Capital outlay	11,000	18,000	202	17,798	6,294
<b>Total Expenditures</b>	71,670	78,670	41,602	37,068	61,690
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,978)	(8,978)	31,365	40,343	32,070
<b>Fund Balances - Beginning</b>			163,244		131,174
<b>Fund Balances - Ending</b>			194,609		163,244

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, 2013**  
**(With Comparative Actual Amounts For 2012)**

	<u>2013</u>			<b>Final Budget Variance Positive (Negative)</b>	<u>2012</u>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>					
Property taxes	169,130	169,130	168,948	(182)	170,484
Specific ownership taxes	6,500	6,500	11,205	4,705	11,041
Investment earnings	260	260	735	475	1,086
Miscellaneous	500	500	-	(500)	-
<b>Total Revenues</b>	<u>176,390</u>	<u>176,390</u>	<u>180,888</u>	<u>4,498</u>	<u>182,611</u>
<b>Expenditures:</b>					
Treasurer's fees	3,000	3,000	3,347	(347)	3,398
Capital outlay	120,000	308,905	242,679	66,226	142,462
<b>Total Expenditures</b>	<u>123,000</u>	<u>311,905</u>	<u>246,026</u>	<u>65,879</u>	<u>145,860</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>53,390</u>	<u>(135,515)</u>	<u>(65,138)</u>	<u>70,377</u>	<u>36,751</u>
<b>Fund Balances - Beginning</b>			371,171		334,420
<b>Fund Balances - Ending</b>			<u>306,033</u>		<u>371,171</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, 2013**  
**(With Comparative Actual Amounts For 2012)**

	2013			Final Budget Variance Positive (Negative)	2012
	Original Budget	Final Budget	Actual		Actual
<b>Revenues:</b>					
Charges for services	2,847,100	2,847,100	2,985,485	138,385	2,903,869
Meter sales	2,000	2,000	1,293	(707)	1,083
Tap fees	25,000	25,000	4,270	(20,730)	11,960
Investment earnings	1,000	1,000	2,263	1,263	2,932
Intergovernmental	625,000	625,000	2,587	(622,413)	5,000
Miscellaneous	15,000	15,000	67,002	52,002	93,934
<b>Total Revenues</b>	<u>3,515,100</u>	<u>3,515,100</u>	<u>3,062,900</u>	<u>(452,200)</u>	<u>3,018,778</u>
<b>Expenditures:</b>					
Salaries	851,970	851,970	791,112	60,858	777,055
Employee benefits	352,270	433,410	388,436	44,974	259,867
Repairs and maintenance	548,500	586,735	417,329	169,406	453,542
Utilities	205,500	205,500	222,575	(17,075)	228,096
Chemicals	143,500	143,500	141,523	1,977	141,853
Insurance and bonds	50,630	50,630	49,867	763	44,356
Supplies	125,650	127,400	60,564	66,836	42,507
Other purchased services	119,200	119,200	59,417	59,783	68,656
Capital outlay	1,170,000	1,195,000	77,329	1,117,671	144,123
Interest expense	115,450	115,450	113,251	2,199	118,424
Lease fees	48,500	48,500	48,451	49	48,451
Debt principal	257,850	257,850	257,835	15	252,349
<b>Total Expenditures</b>	<u>3,989,020</u>	<u>4,135,145</u>	<u>2,627,689</u>	<u>1,507,456</u>	<u>2,579,279</u>
<b>Change in Net Position - Budget Basis</b>	<u>(473,920)</u>	<u>(620,045)</u>	<u>435,211</u>	<u>1,055,256</u>	<u>439,499</u>
<b>Reconciliation to GAAP Basis:</b>					
Depreciation			(562,049)		(565,189)
Debt principal			257,835		252,349
Capital outlay			77,329		144,123
Capital transfer from other fund			-		25,833
Gain (loss) on disposal of assets			12,500		10,856
<b>Change in Net Position - GAAP Basis</b>			<u>220,826</u>		<u>307,471</u>
<b>Net Position - Beginning</b>			<u>16,469,045</u>		<u>16,161,574</u>
<b>Net Position - Ending</b>			<u>16,689,871</u>		<u>16,469,045</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, 2013**  
**(With Comparative Actual Amounts For 2012)**

	2013			Final Budget Variance Positive (Negative)	2012
	Original Budget	Final Budget	Actual		Actual
<b>Revenues:</b>					
Charges for services	1,322,000	1,322,000	1,393,689	71,689	1,293,897
Tap fees	10,000	10,000	-	(10,000)	7,170
Investment earnings	1,800	1,800	1,162	(638)	1,831
Miscellaneous	-	-	9,899	9,899	19,122
<b>Total Revenues</b>	<u>1,333,800</u>	<u>1,333,800</u>	<u>1,404,750</u>	<u>70,950</u>	<u>1,322,020</u>
<b>Expenditures:</b>					
Salaries	497,290	497,290	502,483	(5,193)	495,356
Employee benefits	198,050	239,190	239,387	(197)	161,079
Repairs and maintenance	150,000	157,435	127,760	29,675	111,213
Utilities	143,200	143,200	142,077	1,123	143,332
Chemicals	21,000	22,800	17,022	5,778	20,027
Insurance and bonds	24,630	24,630	24,279	351	22,472
Supplies	34,200	34,200	31,548	2,652	36,992
Other purchased services	68,900	68,900	49,362	19,538	33,893
Capital outlay	1,100,000	1,100,000	124,027	975,973	110,582
Interest expense	5,080	5,080	4,087	993	6,473
Lease fees	8,780	8,780	8,775	5	8,775
Debt principal	69,560	69,560	69,554	6	64,204
Transfers out (in) to other funds	-	-	-	-	-
<b>Total Expenditures</b>	<u>2,320,690</u>	<u>2,371,065</u>	<u>1,340,361</u>	<u>1,030,704</u>	<u>1,214,398</u>
<b>Change in Net Position - Budget Basis</b>	<u>(986,890)</u>	<u>(1,037,265)</u>	<u>64,389</u>	<u>1,101,654</u>	<u>107,622</u>
<b>Reconciliation to GAAP Basis:</b>					
Depreciation			(286,411)		(292,739)
Debt principal			69,554		64,204
Capital outlay			124,027		59,337
Capital transfer to other fund			-		(25,833)
Gain (loss) on disposal of asset			-		(5,085)
<b>Change in Net Position - GAAP Basis</b>			<u>(28,441)</u>		<u>(92,494)</u>
<b>Net Position - Beginning</b>			<u>4,213,723</u>		<u>4,306,217</u>
<b>Net Position - Ending</b>			<u>4,185,282</u>		<u>4,213,723</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, 2013**  
**(With Comparative Actual Amounts For 2012)**

	2013			Final Budget Variance Positive (Negative)	2012
	Original Budget	Final Budget	Actual		Actual
<b>Revenues:</b>					
Charges for services	1,221,100	1,221,100	1,337,963	116,863	1,292,102
Miscellaneous revenue	3,000	3,000	4,160	1,160	1,952
Interest income	-	-	862	862	2,040
<b>Total Revenues</b>	<u>1,224,100</u>	<u>1,224,100</u>	<u>1,342,985</u>	<u>118,885</u>	<u>1,296,094</u>
<b>Expenditures:</b>					
Salaries	429,730	429,730	432,263	(2,533)	419,993
Employee benefits	195,530	237,790	231,287	6,503	154,498
Repairs and maintenance	39,000	39,000	23,967	15,033	22,080
Utilities	8,500	8,500	6,827	1,673	5,118
Landfill fees	350,000	350,000	312,756	37,244	284,428
Insurance and bonds	20,550	20,550	18,314	2,236	17,427
Supplies	175,000	175,000	98,946	76,054	105,922
Other purchased services	41,350	41,350	22,874	18,476	23,048
Capital outlay	432,500	432,500	410,527	21,973	74,607
<b>Total Expenditures</b>	<u>1,692,160</u>	<u>1,734,420</u>	<u>1,557,761</u>	<u>176,659</u>	<u>1,107,121</u>
<b>Change in Net Position - Budget Basis</b>	<u>(468,060)</u>	<u>(510,320)</u>	<u>(214,776)</u>	<u>295,544</u>	<u>188,973</u>
<b>Reconciliation to GAAP Basis:</b>					
Depreciation			(132,293)		(113,875)
Capital outlay			410,527		74,607
Gain from disposal of asset			22,000		32,000
<b>Change in Net Position - GAAP Basis</b>			<u>85,458</u>		<u>181,705</u>
<b>Net Position - Beginning</b>			<u>1,683,080</u>		<u>1,501,375</u>
<b>Net Position - Ending</b>			<u><u>1,768,538</u></u>		<u><u>1,683,080</u></u>

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, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Assets:</b>		
Cash and cash equivalents	39,288	38,947
Receivables, net	331,349	279,846
<b>Total Assets</b>	<b>370,637</b>	<b>318,793</b>
<b>Liabilities and Fund Equity:</b>		
<b>Liabilities:</b>		
Claims payable	173,385	501,111
<b>Total Liabilities</b>	<b>173,385</b>	<b>501,111</b>
<b>Fund Equity:</b>		
Unreserved	197,252	(182,318)
<b>Total Fund Equity</b>	<b>197,252</b>	<b>(182,318)</b>
<b>Total Liabilities and Fund Balances</b>	<b>370,637</b>	<b>318,793</b>

(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, 2013**  
**(With Comparative Actual Amounts For 2012)**

	<u>2013</u>			<u>Final Budget Variance Positive (Negative)</u>	<u>2012</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Operating Revenues:</b>					
Charges for services	1,519,000	2,136,600	2,125,116	(11,484)	1,171,679
Miscellaneous	200,000	200,000	776,460	576,460	459,071
<b>Total Operating Revenues</b>	<u>1,719,000</u>	<u>2,336,600</u>	<u>2,901,576</u>	<u>564,976</u>	<u>1,630,750</u>
<b>Operating Expenses:</b>					
Insurance premiums	330,000	685,700	636,038	49,662	444,297
Claims incurred	1,321,500	2,142,600	1,833,993	308,607	2,330,656
Administrative fees	42,400	56,000	52,394	3,606	42,050
<b>Total Operating Expenses</b>	<u>1,693,900</u>	<u>2,884,300</u>	<u>2,522,425</u>	<u>361,875</u>	<u>2,817,003</u>
<b>Operating Income (Loss)</b>	<u>25,100</u>	<u>(547,700)</u>	<u>379,151</u>	<u>926,851</u>	<u>(1,186,253)</u>
<b>Non-operating Revenues (Expenses):</b>					
Investment earnings	1,800	1,800	419	(1,381)	1,825
<b>Total Non-operating Revenues</b>	<u>1,800</u>	<u>1,800</u>	<u>419</u>	<u>(1,381)</u>	<u>1,825</u>
<b>Net Income (Loss)</b>	<u>26,900</u>	<u>(545,900)</u>	<u>379,570</u>	<u>925,470</u>	<u>(1,184,428)</u>
<b>Fund Equity - Beginning</b>			(182,318)		1,002,110
<b>Fund Equity - Ending</b>			<u>197,252</u>		<u>(182,318)</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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from users	2,073,613	1,098,260
Cash received from reimbursements	776,460	459,071
Cash paid on claims	(2,161,719)	(2,160,906)
Cash paid for premiums and administration	(688,432)	(486,347)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(78)</u>	<u>(1,089,922)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Transfers to other funds	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>-</u>	<u>-</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from the sale of investments	-	1,127,044
Interest received	419	1,825
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>419</u>	<u>1,128,869</u>
<b>Net Change in Cash and Cash Equivalents</b>	341	38,947
<b>Cash and Cash Equivalents - Beginning</b>	<u>38,947</u>	<u>-</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>39,288</u>	<u>38,947</u>
<b>Reconciliation of Operating Income (Loss) to</b>		
<b>Net Cash Provided by Operating Activities:</b>		
Operating income (loss)	379,151	(1,186,253)
<b>Adjustments to reconcile operating income (loss)</b>		
<b>to net cash provided by operating activities:</b>		
(Increase) decrease in accounts receivable	(51,503)	(73,419)
Increase (decrease) in checks written in excess of cash balances	-	(11,860)
Increase (decrease) in claims payable	(327,726)	181,610
<b>Total Adjustments</b>	<u>(379,229)</u>	<u>96,331</u>
<b>Net Cash Provided by Operating Activities</b>	<u>(78)</u>	<u>(1,089,922)</u>

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.

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: City of Craig
		YEAR ENDING : December 2013
This Information From The Records Of (example - City of _ or County of _):	Prepared By: Bruce M. Nelson, Finance Director Phone: 970-826-2007	

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

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

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

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,093,302
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,855,906
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	24,095
2. General fund appropriations	2,333,546	b. Snow and ice removal	3,133
3. Other local imposts (from page 2)	282,828	c. Other	
4. Miscellaneous local receipts (from page 2)	1,286	d. Total (a. through c.)	27,228
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)	2,976,436
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	2,617,660	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government (from page 2)</b>	358,776	2. Notes:	
<b>D. Receipts from Federal Government (from page 2)</b>	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	2,976,436	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	2,976,436

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		2,976,436	2,976,436		0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2013

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	168,101	a. Interest on investments	1,286
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	114,727	g. Other Misc. Receipts	
6. Total (1. through 5.)	114,727	h. Other	
c. Total (a. + b.)	282,828	i. Total (a. through h.)	1,286
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	308,029	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	50,747	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.)	50,747	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	358,776	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)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		790,524	790,524
(4). System Enhancement & Operation		302,778	302,778
(5). Total Construction (1) + (2) + (3) + (4)	0	1,093,302	1,093,302
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,093,302	1,093,302
			(Carry forward to page 1)

Notes and Comments: