

CITY OF CRAIG
FINANCIAL STATEMENTS
DECEMBER 31, 2011

TABLE OF C O N T E N T S

Independent Auditors' Report	<i>i - ii</i>
Management's Discussion and Analysis	<i>iii - ix</i>
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS	
<u>Government Funds</u>	
Governmental Funds - Balance Sheet	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	4
Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
<u>Proprietary Funds</u>	
Proprietary Funds - Statement of Net Assets	7
Proprietary Funds - Statement of Revenues, Expenses and Changes in Fund Equity	8
Proprietary Funds - Statement of Cash Flows	9 - 10
NOTES TO THE BASIC FINANCIAL STATEMENTS	11 - 26
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	27
SUPPLEMENTARY INFORMATION	
<u>General Fund</u>	
Comparative Balance Sheets	28
Schedule of Revenues – Budget and Actual	29
Schedule of Expenditures – Budget and Actual	30

TABLE OF CONTENTS - (CONTINUED)

Non-Major Governmental Funds

Combining Balance Sheet	31
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	32
Center of Craig - Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual	33
Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual	34
ACET Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual	35

Major Enterprise Funds

Water Fund - Schedule of Revenues, Expenses, and Changes in Fund Equity, Budget and Actual (Non-GAAP Budgetary Basis)	36
Wastewater Fund - Schedule of Revenues, Expenses, and Changes in Fund Equity, Budget and Actual (Non-GAAP Budgetary Basis)	37
Sanitation Fund - Schedule of Revenues, Expenses, and Changes in Fund Equity, Budget and Actual (Non-GAAP Budgetary Basis)	38

Internal Services – Medical Benefit Fund

Comparative Balance Sheets	39
Schedule of Revenues, Expenses, and Changes in Fund Equity – Budget and Actual	40
Statements of Cash Flows	43
Local Highway Finance Report	42 - 43



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Craig
Craig, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Craig, Colorado, (City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13 to the financial statements, the City adopted the provisions of GASB Statement No 54 *Fund Balance Reporting And Governmental Fund Type Definitions* in 2011.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages *iii* through *ix* and 27, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

400 South Colorado Boulevard, Suite 690 • Denver, Colorado 80246
303 733-3796 • FAX 303 733-6230 • www.pnacpa.com

City of Craig

July 5, 2012

Page Two

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.

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 combining and individual fund statements and schedules, and the Local Highway Finance Report, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules, and the Local Highway Finance Report, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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.

Ryski + Adams, LLC

July 5, 2012

CITY OF CRAIG
Management's Discussion and Analysis (MD&A)
DECEMBER 31, 2011

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, 2011. It should be read in conjunction with the City's financial statements, which follow this section.

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

FINANCIAL HIGHLIGHTS

- ❑ The City is able to continue maintain adequate fund reserves.
- ❑ Total net assets were \$43,872,599 at December 31, 2011.
- ❑ The City has seen a slight decrease in revenues with a little increase in expenses, but was still able to maintain the same level of services.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are 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 assets presents information on all of the City's assets and liabilities. The difference between the assets and liabilities is report as net assets. Over time, increases or decreases in the City's net assets 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 assets have changed during the fiscal year just ended. All changes in net assets 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 government-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 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 assets 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 \$43,872,599 at the close of the most recent fiscal year.

Net Assets

By far the largest portion of the City's net assets (76.7%) 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 is 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 Assets
(in thousands)**

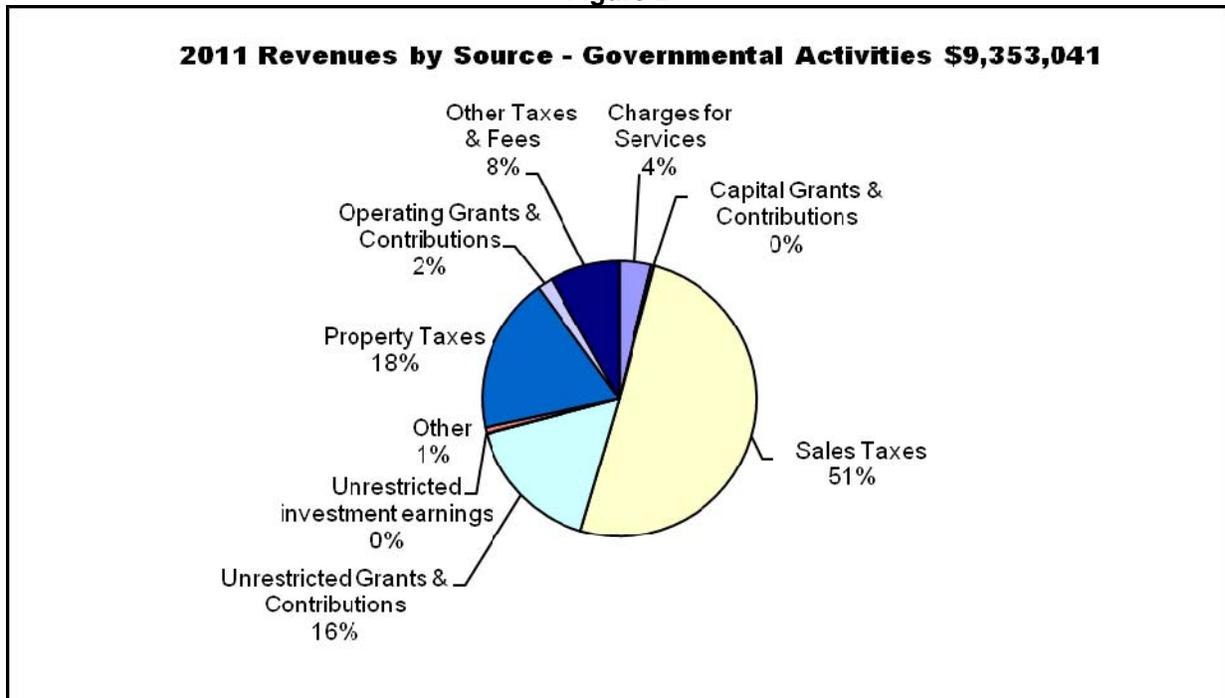
	Governmental Activities		Business-type Activities		Total		Total % Change
	2010	2011	2010	2011	2010	2011	
Current & other assets	\$10,600	\$ 9,667	\$ 3,236	\$ 3,624	\$13,836	\$13,291	-3.95%
Capital assets	15,484	14,974	24,503	23,836	39,987	38,810	-2.94%
Total assets	<u>26,084</u>	<u>24,641</u>	<u>27,739</u>	<u>27,460</u>	<u>53,823</u>	<u>52,101</u>	-3.20%
Other liabilities	3,486	2,667	749	700	4,235	3,367	-20.50%
Long-term liabilities	0	0	5,177	4,861	5,177	4,861	-6.10%
Total Liabilities	<u>3,486</u>	<u>2,667</u>	<u>5,926</u>	<u>5,561</u>	<u>9,412</u>	<u>8,228</u>	-12.58%
Net assets:							
Invested in capital assets, net of related debt	15,484	14,974	19,014	18,659	34,498	33,633	-2.51%
Restricted	278	272	0	0	278	272	-2.16%
Unrestricted	6,836	6,728	2,799	3,240	9,635	9,968	3.46%
Total Net Assets	<u>\$22,598</u>	<u>\$21,974</u>	<u>\$21,813</u>	<u>\$21,899</u>	<u>\$44,411</u>	<u>\$43,873</u>	-1.21%

An additional portion of the City's net assets, only (.62%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$9,968,279 may be used to meet the City's ongoing obligations to its citizens and creditors.

CHANGES IN NET ASSETS

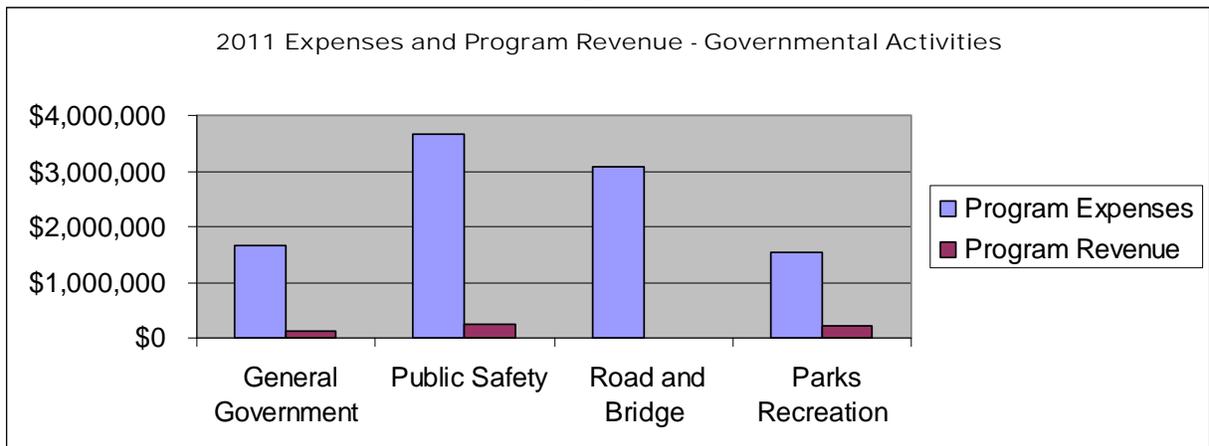
Sales taxes accounts for almost one half of all revenues for the governmental activities.

Figure 2



The program revenue offsets only a small share of the cost of services. The total cost of all activities has increase by 5.3%. (See Figure 4.)

Figure 3



The City's governmental activities revenues decreased by 6.6%. (See Figure 4.)

**Figure 4
(in thousands)**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2010	2011	2010	2011	2010	2011	
Revenues							
Program Revenues							
Charges for Services	\$ 225	\$ 353	\$ 4,851	\$ 4,993	\$ 5,076	\$ 5,346	5.32%
Operating Grants & Contributions	102	168	0	0	102	168	64.71%
Capital Grants & Contributions	238	35	159	53	397	88	-77.83%
General Revenues							
Sales Taxes	5,198	4,714	0	0	5,198	4,714	-9.31%
Property Taxes	1,692	1,718	0	0	1,692	1,718	1.54%
Other Taxes & Fees	777	766	0	0	777	766	-1.42%
Unrestricted investment earnings	14	6	8	6	22	12	-45.45%
Other	1,771	1,593	-27	38	1,744	1,631	-6.48%
Total Revenues	10,017	9,353	4,991	5,090	15,008	14,443	-3.76%
Expenses							
General Government	1,635	1,668	0	0	1,635	1,668	2.02%
Public Safety	3,528	3,674	0	0	3,528	3,674	4.14%
Road & Bridge	2,656	3,092	0	0	2,656	3,092	16.42%
Parks & Recreation	1,487	1,544	0	0	1,487	1,544	3.83%
Water	0	0	2,557	2,446	2,557	2,446	-4.34%
Wastewater	0	0	1,268	1,344	1,268	1,344	5.99%
Solid Waste	0	0	1,126	1,206	1,126	1,206	7.10%
Total Expenses	9,306	9,978	4,951	4,996	14,257	14,974	5.03%
Loss on Disposal of Capital Assets	0	0	0	-7	0	-7	100.00%
Increase (Decrease) in net assets	711	-625	40	87	751	-538	-171.64%
Net Assets, Beginning	21,887	22,598	21,773	21,813	43,660	44,411	1.72%
Net Asset, Ending	\$22,598	\$21,973	\$21,813	\$21,900	\$44,411	\$43,873	-1.21%

The City's total revenues were \$14,435,937. Charges for services account for 37.0% of all revenues.

- **Governmental Activities.** Governmental activities decreased the City's net assets by \$624,929, thereby accounting for decrease in net assets.

Business-type Activities. Business-type activities increased the City's net assets by \$86,531 accounting for only a slight increase in net assets.

Figure 5

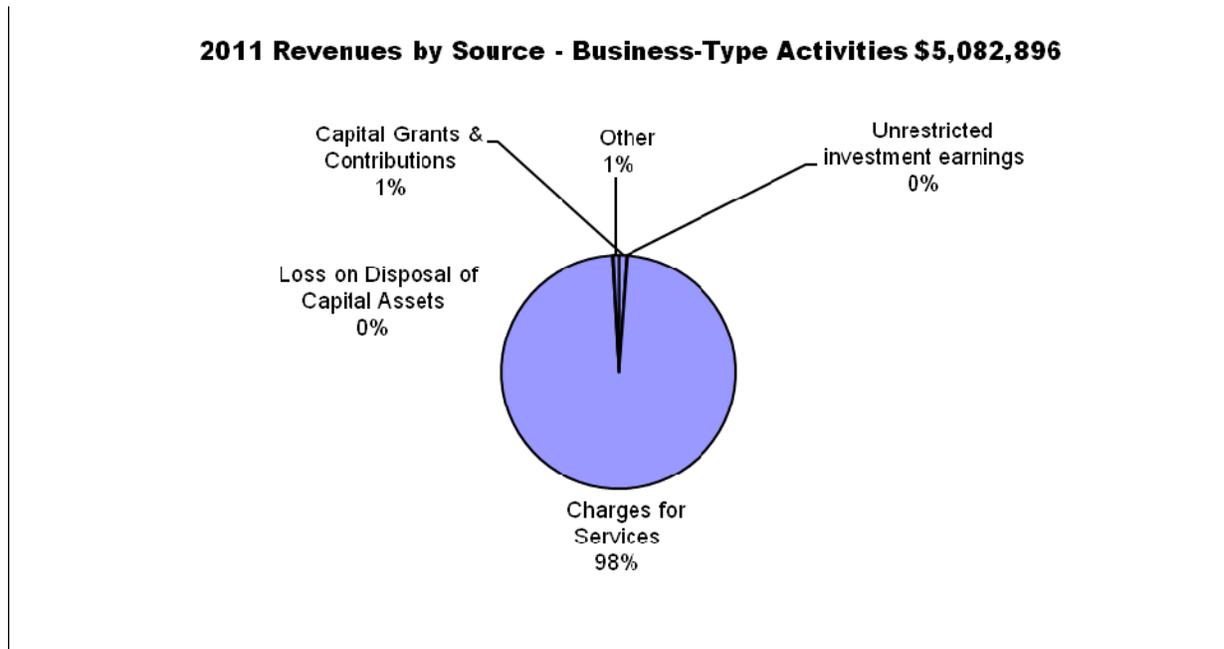
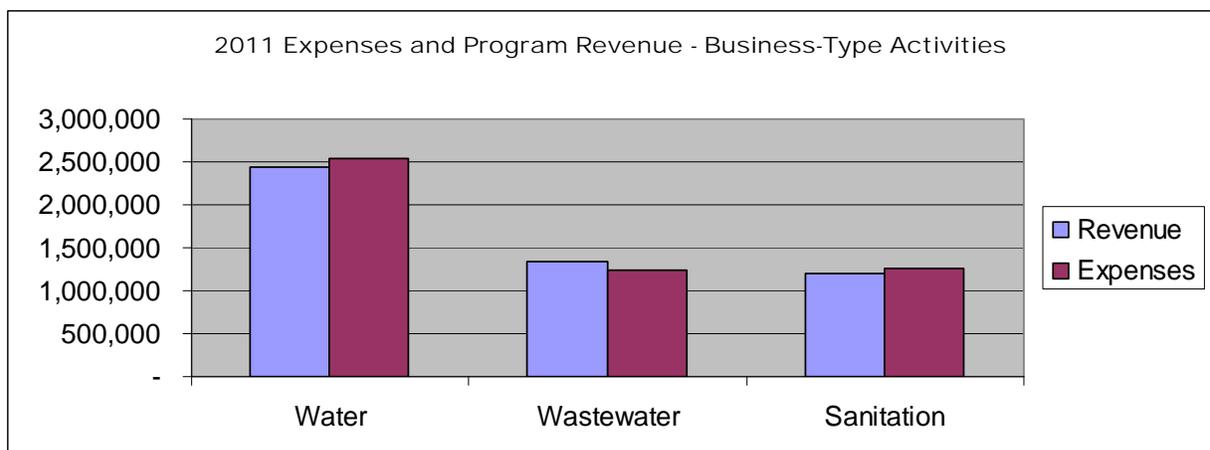


Figure 6



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, unassigned 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, unassigned fund balance of the general fund was \$3,548,723, while the total fund balance equaled \$5,785,717.

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 assets of the Water, Wastewater and Solid Waste Fund at the end of the year amount to \$16,161,574, \$4,306,217 and \$1,501,374, 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, 2011, amounts to \$38,809,838 (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 %
	2010	2011	2010	2011	2009	2011	Change
	LAND	\$ 961	\$ 964	\$1,594	\$ 1,719	\$ 2,555	\$ 2,683
BUILDINGS	3,471	3,768	33,529	33,567	37,000	37,335	0.91%
OTHER IMPROVEMENTS	40,695	40,796	2,116	2,116	42,811	42,912	0.24%
MACHINERY AND EQUIPMENT	5,663	5,974	4,103	4,064	9,766	10,038	2.79%
WORK IN PROGRESS	245	0	0	0	245	0	-
TOTALS AT HISTORICAL COST	51,035	51,502	41,342	41,466	92,377	92,968	100.00%
TOTAL ACCUM. DEPRECIATION	35,551	36,528	16,839	17,630	52,390	54,158	0.64%
NET CAPITAL ASSETS	<u>\$15,484</u>	<u>\$14,974</u>	<u>\$24,503</u>	<u>\$23,836</u>	<u>\$39,987</u>	<u>\$38,810</u>	3.37%
							-2.94%

BUDGETARY HIGHLIGHTS

- A decrease in the overall budget was due to an anticipated decrease in overall revenues.

Long-Term Debt

The City has no outstanding General Obligation Bonds.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenue bonds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Note Payable Colorado						
Water	0	-0	342,422	278,218	342,422	278,218
Note Payable Colorado						
Water	0	0	5,145,727	4,898,894	5,145,727	4,898,894
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$5,488,149</u>	<u>\$5,177,112</u>	<u>\$5,488,149</u>	<u>\$5,177,112</u>

ECONOMIC FACTORS

- The local economy started an upward climate in 2011.
- When you subtract the \$838,264 as a result of an audit out of 2010, the City and County sales tax collections for 2011 actually increased by about 8.1%.
- Building permits were almost non-existent.
- When budgeting for 2011, 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 2012 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 an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 300 West 4th Street, City of Craig, Colorado, 81625.

BASIC FINANCIAL STATEMENTS

CITY OF CRAIG
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Current Assets</u>			
Cash and cash equivalents	\$ 30,156	\$ 143,477	\$ 173,633
Investments	7,191,203	2,075,742	9,266,945
Receivables:			
Accounts	1,227,038	526,330	1,753,368
Property taxes	1,624,666	0	1,624,666
Internal balances	(406,101)	406,101	0
Inventory	0	472,001	472,001
Total current assets	<u>9,666,962</u>	<u>3,623,651</u>	<u>13,290,613</u>
<u>Long-Term Assets</u>			
Capital assets			
Non-depreciable capital assets	964,146	1,719,009	2,683,155
Depreciable capital assets, net	<u>14,009,474</u>	<u>22,117,209</u>	<u>36,126,683</u>
Total long-term assets	<u>14,973,620</u>	<u>23,836,218</u>	<u>38,809,838</u>
 Total assets	 <u>24,640,582</u>	 <u>27,459,869</u>	 <u>52,100,451</u>
<u>Liabilities and Net Assets</u>			
Current liabilities			
Accounts payable	115,876	170,894	286,770
Checks written in excess of cash balance	11,860	0	11,860
Claims payable	319,501	0	319,501
Accrued payroll	202,609	83,059	285,668
Accrued interest payable	0	53,345	53,345
Deposit	69,378	0	69,378
Unearned revenue	1,624,666	0	1,624,666
Notes payable – current	0	316,553	316,553
Compensated absences payable	<u>323,607</u>	<u>75,975</u>	<u>399,582</u>
Total current liabilities	2,667,497	699,826	3,367,323
Long-term liabilities			
Notes payable – long term	<u>0</u>	<u>4,860,529</u>	<u>4,860,529</u>
Total liabilities	<u>2,667,497</u>	<u>5,560,355</u>	<u>8,227,852</u>
<u>Net Assets</u>			
Invested in capital assets net of related debt	14,973,620	18,659,136	33,632,756
Restricted	271,564	0	271,564
Unrestricted	<u>6,727,901</u>	<u>3,240,378</u>	<u>9,968,279</u>
Total Net Assets	<u>\$ 21,973,085</u>	<u>\$ 21,899,514</u>	<u>\$ 43,872,599</u>

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

CITY OF CRAIG
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services, Sales and Fines</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Governmental Activities</u>							
General Government	\$ 1,667,883	\$ 78,150	\$ 0	\$ 34,464	\$ (1,555,269)	\$ 0	\$ (1,555,269)
Public safety	3,674,238	66,368	167,742	0	(3,440,128)	0	(3,440,128)
Road and bridge	3,091,783	4,218	0	0	(3,087,565)	0	(3,087,565)
Parks and recreation	<u>1,544,066</u>	<u>204,215</u>	<u>0</u>	<u>0</u>	<u>(1,339,851)</u>	<u>0</u>	<u>(1,339,851)</u>
Total governmental activities	<u>9,977,970</u>	<u>352,951</u>	<u>167,742</u>	<u>34,464</u>	<u>(9,422,813)</u>	<u>0</u>	<u>(9,422,813)</u>
<u>Business-Type Activities</u>							
Water	2,445,982	2,496,748	0	35,740	0	86,506	86,506
Wastewater	1,344,506	1,226,354	0	17,210	0	(100,942)	(100,942)
Sanitation	<u>1,205,877</u>	<u>1,269,956</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>64,079</u>	<u>64,079</u>
Total business-type activities	<u>4,996,365</u>	<u>4,993,058</u>	<u>0</u>	<u>52,950</u>	<u>0</u>	<u>49,643</u>	<u>49,643</u>
Total primary government	<u>\$ 14,974,335</u>	<u>\$ 5,346,009</u>	<u>\$ 167,742</u>	<u>\$ 87,414</u>	<u>(9,422,813)</u>	<u>49,643</u>	<u>(9,373,170)</u>
<u>General Revenues</u>							
Sales and use tax					4,714,031	0	4,714,031
Property taxes					1,718,345	0	1,718,345
Specific ownership tax					104,884	0	104,884
Franchise tax					300,701	0	300,701
Transportation tax					323,225	0	323,225
Other taxes					37,288	0	37,288
Investment earnings					6,504	5,860	12,364
Grants and contributions not restricted to specific programs					1,527,641	0	1,527,641
Miscellaneous					65,265	38,075	103,340
Loss on disposal of capital assets					<u>0</u>	<u>(7,047)</u>	<u>(7,047)</u>
Total general revenues and transfers					<u>8,797,884</u>	<u>36,888</u>	<u>8,834,772</u>
Change in net assets					(624,929)	86,531	(538,398)
Net assets, beginning of year					<u>22,598,014</u>	<u>21,812,983</u>	<u>44,410,997</u>
Net assets, ending of year					<u>\$ 21,973,085</u>	<u>\$ 21,899,514</u>	<u>\$ 43,872,599</u>

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

CITY OF CRAIG
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2011

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 8,906	\$ 21,250	\$ 30,156
Investments	5,860,112	204,047	6,064,159
Due from other funds	0	239,768	239,768
Receivables			
Accounts	1,015,570	5,041	1,020,611
Property taxes	<u>1,453,613</u>	<u>171,053</u>	<u>1,624,666</u>
Total Assets	<u>\$ 8,338,201</u>	<u>\$ 641,159</u>	<u>\$ 8,979,360</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts payable	\$ 111,364	\$ 4,512	\$ 115,876
Accrued payroll	202,609	0	202,609
Deposits	69,378	0	69,378
Due to other funds	715,520	0	715,520
Deferred Revenue	<u>1,453,613</u>	<u>171,053</u>	<u>1,624,666</u>
Total liabilities	<u>2,552,484</u>	<u>175,565</u>	<u>2,728,049</u>
<u>Fund Balances</u>			
Restricted for			
Tabor Amendment	271,564	0	271,564
Committed to:			
Zoning in lieu of land	42,000	0	42,000
Cultural and recreations	40,000	0	40,000
Assigned to:			
Public Safety	0	131,174	131,174
Capital projects	0	334,420	334,420
To subsequent year's expenditure	1,883,430	0	1,883,430
Unassigned	<u>3,548,723</u>	<u>0</u>	<u>3,548,723</u>
Total fund balances	<u>5,785,717</u>	<u>465,594</u>	<u>6,251,311</u>
Total Liabilities and Fund Balances	<u>\$ 8,338,201</u>	<u>\$ 641,159</u>	<u>\$ 8,979,360</u>

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

CITY OF CRAIG
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total Governmental Fund Balance		\$ 6,251,311
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$ 51,501,566	
Less accumulated depreciation	<u>(36,527,946)</u>	14,973,620
Liabilities, including compensated absences not due and payable in the current period, and therefore not reported in the funds.		
Compensated absences		(323,607)
Internal service fund is used by management for medical benefits. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets.		
		<u>1,071,761</u>
Net Assets of Governmental Activities		<u>\$ 21,973,085</u>

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

CITY OF CRAIG
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Taxes	\$ 7,005,632	\$ 192,842	\$ 7,198,474
Licenses and permits	60,202	0	60,202
Intergovernmental	1,664,250	65,597	1,729,847
Charges for services	217,643	0	217,643
Fines	64,568	0	64,568
Interest	4,450	610	5,060
Other	<u>71,589</u>	<u>4,214</u>	<u>75,803</u>
Total revenues	<u>9,088,334</u>	<u>263,263</u>	<u>9,351,597</u>
<u>Expenditures</u>			
<u>Current</u>			
General Government	1,305,084	3,628	1,308,712
Public Safety	3,216,776	147,143	3,363,919
Road and Bridge	2,167,321	0	2,167,321
Community development	160,520	0	160,520
Parks and recreation	1,320,036	0	1,320,036
Judicial	60,645	0	60,645
Capital outlay	<u>755,581</u>	<u>0</u>	<u>755,581</u>
Total expenditures	<u>8,985,963</u>	<u>150,771</u>	<u>9,136,734</u>
Excess of revenues over expenditures	<u>102,371</u>	<u>112,492</u>	<u>214,863</u>
Beginning fund balance before restatement	5,634,994	401,454	6,036,448
Accounting changes	<u>48,352</u>	<u>(48,352)</u>	<u>0</u>
Beginning fund balance after restatement	<u>5,683,346</u>	<u>353,102</u>	<u>6,036,448</u>
Fund balances, end of year	<u>\$ 5,785,717</u>	<u>\$ 465,594</u>	<u>\$ 6,251,311</u>

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

CITY OF CRAIG
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, 2011

Net Change in Fund Balances – Governmental Funds \$ 214,863

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 expense in the current period.

Depreciation expense	\$ (1,265,438)	
Capital outlay that was capitalized	<u>755,581</u>	(509,857)

Compensated absences reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

Liability at 12/31/2010	(323,607)	
Liability at 12/31/2009	<u>322,847</u>	(760)

Internal service fund is used by management to charge medical benefits, to individual funds. The net revenue of certain activities of the internal service fund are reported with governmental activities on the statement of activities.

(329,175)

Change in Net Assets of Governmental Activities \$ (624,929)

CITY OF CRAIG
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>	
<u>Assets</u>					
<u>Current assets</u>					
Cash and cash equivalents	\$ 0	\$ 36,150	\$ 107,327	\$ 143,477	\$ 0
Due from other funds	467,929	7,823	0	475,752	0
Accounts receivable	219,445	137,328	169,557	526,330	206,427
Investments	680,272	705,167	690,303	2,075,742	1,127,044
Inventory	<u>441,285</u>	<u>30,716</u>	<u>0</u>	<u>472,001</u>	<u>0</u>
Total current assets	<u>1,808,931</u>	<u>917,184</u>	<u>967,187</u>	<u>3,693,302</u>	<u>1,333,471</u>
<u>Capital assets</u>					
<u>Non-depreciable</u>					
Land and improvements	1,476,156	242,853	0	1,719,009	0
<u>Depreciable</u>					
Buildings	26,687,719	6,746,859	132,740	33,567,318	0
Improvements	298,805	1,816,997	0	2,115,802	0
Furniture and equipment	<u>1,759,231</u>	<u>815,681</u>	<u>1,488,902</u>	<u>4,063,814</u>	<u>0</u>
Total capital assets	30,221,911	9,622,390	1,621,642	41,465,943	0
Less accumulated depreciation	<u>(10,748,292)</u>	<u>(5,872,867)</u>	<u>(1,008,566)</u>	<u>(17,629,725)</u>	<u>0</u>
Total capital assets	<u>19,473,619</u>	<u>3,749,523</u>	<u>613,076</u>	<u>23,836,218</u>	<u>0</u>
Total assets	<u>21,282,550</u>	<u>4,666,707</u>	<u>1,580,263</u>	<u>27,529,520</u>	<u>1,333,471</u>
<u>Liabilities and Fund Equity</u>					
<u>Current liabilities</u>					
Accounts payable	94,920	40,546	35,428	170,894	0
Checks written in excess of cash balance	0	0	0	0	11,860
Claims payable	0	0	0	0	319,501
Accrued payroll	38,163	23,681	21,215	83,059	0
Accrued interest payable	50,233	3,112	0	53,345	0
Accrued compensated absences	38,796	14,933	22,246	75,975	0
Notes payable – current	<u>252,349</u>	<u>64,204</u>	<u>0</u>	<u>316,553</u>	<u>0</u>
Total current liabilities	474,461	146,476	78,889	699,826	331,361
<u>Long-term liabilities</u>					
Notes payable, net of current portion	<u>4,646,515</u>	<u>214,014</u>	<u>0</u>	<u>4,860,529</u>	<u>0</u>
Total liabilities	<u>5,120,976</u>	<u>360,490</u>	<u>78,889</u>	<u>5,560,355</u>	<u>331,361</u>
<u>Fund equity</u>					
Invested in capital assets, net of related debt	14,574,755	3,471,305	613,076	18,659,136	0
Unrestricted	<u>1,586,819</u>	<u>834,912</u>	<u>888,298</u>	<u>3,310,029</u>	<u>1,002,110</u>
Total Fund Equity	<u>\$ 16,161,574</u>	<u>\$ 4,306,217</u>	<u>\$ 1,501,374</u>	21,969,165	<u>\$ 1,002,110</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(69,651)</u>	
Net assets of business-type activities				<u>\$ 21,899,514</u>	

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

CITY OF CRAIG
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
DECEMBER 31, 2011

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>	
<u>Operating Revenues</u>					
Charges for services	\$ 2,496,748	\$ 1,226,354	\$ 1,269,956	\$ 4,993,058	\$ 1,118,141
Miscellaneous	<u>34,239</u>	<u>1,399</u>	<u>2,160</u>	<u>37,798</u>	<u>786,993</u>
Total operating revenues	<u>2,530,987</u>	<u>1,227,753</u>	<u>1,272,116</u>	<u>5,030,856</u>	<u>1,905,134</u>
<u>Operating Expenses</u>					
Salaries	737,891	455,071	422,430	1,615,392	0
Depreciation	571,003	285,650	113,286	969,939	0
Repairs and maintenance	140,277	147,543	23,332	311,152	0
Employee benefits	260,407	152,512	164,437	577,356	1,984,227
Utilities	210,854	141,822	5,740	358,416	0
Landfill fees	0	0	295,173	295,173	0
Chemicals	136,640	5,924	0	142,564	0
Insurance and bonds	46,441	24,304	17,646	88,391	373,969
Supplies	50,180	35,842	117,294	203,316	0
Other purchased services	<u>63,638</u>	<u>43,845</u>	<u>15,264</u>	<u>122,747</u>	<u>0</u>
Total operating expenses	<u>2,217,331</u>	<u>1,292,513</u>	<u>1,174,602</u>	<u>4,684,446</u>	<u>2,358,196</u>
Net operating income (loss)	<u>313,656</u>	<u>(64,760)</u>	<u>97,514</u>	<u>346,410</u>	<u>(453,062)</u>
<u>Non-Operating Revenues (Expenses)</u>					
Interest income	867	858	4,135	5,860	1,444
Interest expense	(123,485)	(8,765)	0	(132,250)	0
Sale of assets	(11,047)	4,000	0	(7,047)	0
Rental income	277	0	0	277	0
Intergovernmental	5,000	0	0	5,000	0
Lease fees	<u>(48,451)</u>	<u>(8,775)</u>	<u>0</u>	<u>(57,226)</u>	<u>0</u>
Total non-operating revenues	<u>(176,839)</u>	<u>(12,682)</u>	<u>4,135</u>	<u>(185,386)</u>	<u>1,444</u>
Income (loss) before contributions and transfers	136,817	(77,442)	101,649	161,024	(451,618)
Tap fees	<u>30,740</u>	<u>17,210</u>	<u>0</u>	<u>47,950</u>	<u>0</u>
Changes in fund equity	167,557	(60,232)	101,649	208,974	(451,618)
Fund equity, beginning of year	<u>15,994,017</u>	<u>4,366,449</u>	<u>1,399,725</u>	<u>21,760,191</u>	<u>1,453,728</u>
Fund equity, end of year	<u>\$ 16,161,574</u>	<u>\$ 4,306,217</u>	<u>\$ 1,501,374</u>	<u>\$ 21,969,165</u>	<u>\$ 1,002,110</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>\$ (122,443)</u>	
Fund activities related to enterprise funds				<u>\$ 86,531</u>	

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

CITY OF CRAIG
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2011

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>	
<u>Cash Flows from Operating</u>					
<u>Activities</u>					
Cash received from customers	\$ 2,473,275	\$ 1,205,095	\$ 1,268,456	\$ 4,946,826	\$ 1,877,883
Cash paid to suppliers	(763,599)	(447,525)	(466,277)	(1,677,401)	(2,277,936)
Cash paid to employees	(995,444)	(604,306)	(586,526)	(2,186,276)	0
Other income	<u>39,239</u>	<u>1,399</u>	<u>2,160</u>	<u>42,798</u>	<u>0</u>
Net cash provided by (used for) operating activities	<u>753,471</u>	<u>154,663</u>	<u>217,813</u>	<u>1,125,947</u>	<u>(400,053)</u>
<u>Cash Flows from Capital and Related</u>					
<u>Financing Activities</u>					
Acquisition and construction of capital assets	(67,980)	(256,899)	0	(324,879)	0
Capital grants and contributions	30,740	17,210	0	47,950	0
Principal paid on notes and bonds	(246,863)	(64,204)	0	(311,067)	0
Interest paid on notes and bonds	(123,485)	(9,690)	0	(133,175)	0
Lease fees	(48,451)	(8,775)	0	(57,226)	0
Proceeds from the sale of assets	<u>10,301</u>	<u>4,000</u>	<u>0</u>	<u>14,301</u>	<u>0</u>
Net cash used in capital and related financing activities	<u>(445,738)</u>	<u>(318,358)</u>	<u>0</u>	<u>(764,096)</u>	<u>0</u>
<u>Cash Flows from Noncapital</u>					
<u>Financing Activities</u>					
Advances to other funds	<u>(467,929)</u>	<u>(7,823)</u>	<u>0</u>	<u>(475,752)</u>	<u>0</u>
<u>Cash Flows from Investing</u>					
<u>Activities</u>					
Purchase of investments	(459,978)	0	(150,751)	(610,729)	398,609
Proceeds from the sale of investments	0	206,810	0	206,810	0
Rental income	277	0	0	277	0
Interest received	<u>867</u>	<u>858</u>	<u>4,135</u>	<u>5,860</u>	<u>1,444</u>
Net cash provided by (used in) investing activities	<u>(458,834)</u>	<u>207,668</u>	<u>(146,616)</u>	<u>(397,782)</u>	<u>400,053</u>
Net increase (decrease) in cash and cash equivalents	(619,030)	36,150	71,197	(511,683)	0
Cash and cash equivalents, beginning of year	<u>619,030</u>	<u>0</u>	<u>36,130</u>	<u>655,160</u>	<u>0</u>
Cash and cash equivalents, end of year	<u>\$ 0</u>	<u>\$ 36,150</u>	<u>\$ 107,327</u>	<u>\$ 143,477</u>	<u>\$ 0</u>

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

CITY OF CRAIG
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
DECEMBER 31, 2011

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Net operating income (loss)	\$ 313,656	\$ (64,760)	\$ 97,514	\$ 346,410	\$ (453,062)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	571,003	285,650	113,286	969,939	0
Operating grants received	5,000	0	0	5,000	0
Changes in assets and liabilities					
(Increase) decrease in					
accounts receivable	(23,473)	(21,259)	(1,500)	(46,232)	(27,251)
(Increase) decrease in inventory	(86,730)	(8,307)	0	(95,037)	0
Increase (decrease) in					
accounts payable	(28,839)	(8,713)	8,172	(29,380)	107,122
Decrease in checks written in excess of cash balances	0	(31,225)	0	(31,225)	(26,862)
Increase in accrued payroll	(458)	1,077	(2,200)	(1,581)	0
Increase in accrued vacation payable	<u>3,312</u>	<u>2,200</u>	<u>2,541</u>	<u>8,053</u>	<u>0</u>
Total adjustments	<u>439,815</u>	<u>219,423</u>	<u>120,299</u>	<u>779,537</u>	<u>53,009</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ 753,471</u>	<u>\$ 154,663</u>	<u>\$ 217,813</u>	<u>\$ 1,125,947</u>	<u>\$ (400,053)</u>

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

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City is a home rule city (a municipal corporation) and operates under a council-manager form of government, and is governed by a six-member elected city council plus the mayor.

The financial statements of the City of Craig (City) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the City's accounting policies are described below.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

As required by generally accepted accounting principles, these financial statements present the activities of the City, which is legally separate and financially independent of other state and local governments.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The City reports one blended component unit.

The following component unit is blended into the primary government's reporting entity since the sole purpose of this entity is to provide programs for the City:

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.

Joint Ventures

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.

Basis or Presentation

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

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed, but the statements distinguish governmental activities generally supported by taxes and City general revenues, from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the financial position of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City.

Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, which report fees and other charges to users of the City's services; (2) operating grants and contributions, which finance annual operating activities, including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which functions the revenues are restricted.

Taxes and other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental funds and enterprise funds are reported in separate columns.

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose, provided it is expended or transferred according to the general laws of Colorado.

Non-Major Governmental Funds – In addition to the major fund listed above, the City also reports two non-major governmental funds. There is one special revenue fund which accounts for revenues generated primarily from grants. There is also one capital projects fund. This fund accounts for financial resources collected and used to acquire, construct, maintain and replace capital assets, including infrastructure.

Proprietary Fund – The proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds include the following:

Enterprise Funds – (Water, Wastewater, and Sanitation Funds) – These funds are used to account for those operations that are financed and operated in a manner similar to private business where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal Service Fund – This fund accounts for operations that provide services to other departments or agencies of the City, on a cost reimbursement basis. The fund partially retains the risk of providing medical insurance to other departments and the enterprise funds.

Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation, with brief explanations, to better identify the relationship between the government-wide statements and the governmental fund statements.

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus (Continued)

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of this fund type are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. The proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Revenues – Non-exchange Transactions – Non-exchange transactions, in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, specific ownership taxes, grants, and donations. On an accrual basis, revenue from property taxes and specific ownership taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for the specified purpose; and expenditure requirements, which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

For the year ended December 31, 2011, 17% of the sales tax revenues were provided by a single vendor.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: sales taxes, property taxes, specific ownership taxes, interest, and federal and state grants.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Property taxes receivable not collected within 60 days of year-end have been recorded as deferred revenue. Since property taxes are levied in December (i.e., there is a legal claim) for the next calendar year's operations, the total levy is reported as taxes receivable and deferred revenue.

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents, and Investments

For the purposes of the statements of cash flows, cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

Colorado law authorizes the City to invest in the following types of obligations:

- Obligations of the United States and certain U.S. Government agency securities.
- General obligation and revenue bonds of U.S. local government entities.
- Banker's acceptance of certain banks.
- Commercial paper limited to securities with highest rating category by at least one nationally recognized rating agency at time of purchase.
- Certain money market funds
- Guaranteed investment contracts.
- Local government investment pools

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. At December 31, 2011, the City believes all receivable balances are collectible.

Inventory

Inventories are recorded at average cost.

Prepaid Items

Payments made to vendors for services that will benefit periods (e.g., insurance, rents) beyond December 31, 2011 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year which services are consumed.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally results from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

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.

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds.

Fund Equity

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

During 2011, the City adopted GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of constraints placed on a government's fund balances more transparent. Based on that statement fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making body for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council and Management may assign fund balances for specific purposes.

Unassigned – all other spendable amounts. The City will only report a positive unassigned fund balance in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

Unassigned (Continued)

spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of these assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. All other net assets are reported as unrestricted.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the City, these revenues are charges for services and certain other revenue sources. Operating expenses are necessary costs incurred to provide the goods or services.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses section in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Interfund activity has been eliminated from the government-wide financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates have been made by management in the estimate of claims payable. Actual results could differ materially from these estimates, making it reasonably possible that a change in these estimates could occur in the near term.

Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – The City adopts annual operating budgets on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds.

The enterprise funds adopt budgets on the non-GAAP basis, wherein bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the individual fund level. Any change in the total budget for each fund requires approval by the City Council. All unexpended annual appropriations lapse at year-end.

NOTE 3 - CASH AND INVESTMENTS

Deposits and Investments

Deposits – 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 specified by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. As of December 31, 2011, the City’s deposits were not exposed to credit risk, as all deposits were insured by the Federal Deposit Insurance Commission (FDIC) or collateralized in accordance with PDPA.

At December 31, 2011, the City’s cash deposits had the following book and bank balances:

	Book	Bank
Insured Deposits	\$ 171,063	\$ 272,178
Cash on hand	2,570	n/a
Cash	\$ 173,633	\$ 272,178

Investments – All of the investments currently held by the City are in the public funds investment pools, Colorado Government Liquid Asset Trust (COLOTRUST) and Colorado Surplus Asset Fund Trust (CSAFE). These two investment pools were established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The pools are required to submit quarterly reports stating financial condition to shareholders, as well as undergo an annual audit of financial statements. These funds operate similarly to a money market fund, and each share is equal in value to \$1.00.

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST is rated AAA by Standard and Poor's, Fitch and Moody's. CSAFE is rated AAAM by Standard and Poor's. Financial statements for COLOTRUST may be obtained at www.colotruster.com and for CSAFE at www.csafe.org.

Investment Pool

COLOTRUST	\$ 9,090,823
CSAFE	<u>176,122</u>
Total Investment Pools	<u>\$ 9,266,945</u>

Credit Risk – Investment activities are governed by the City's investment policies and procedures, which require the City to manage funds in order to preserve and maintain capital, maintain liquidity and maximize income provided the safety and income constraints are met.

Interest Rate Risk – The policy limits investment maturities to five years. At December 31, 2011, the City has interest rate risk related only to investments in COLOTRUST and CSAFE. At December 31, COLOTRUST and CSAFE had weighted average maturities of 11 and 45 days.

Concentrations Risk – The City has a policy that directs the diversification of investments assets held in cash and pooled investment to minimize the risk of loss resulting from over-concentration of assets in specific securities or institutions. The policy does not specify the specific limits. Management believes at December 31, 2011 it has no investments which subject the City to a concentration of credit risk.

Cash and Investment Reconciliation

	<u>Cash</u> <u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Governmental funds	\$ 30,156	\$ 7,191,203	\$ 7,221,359
Proprietary funds	<u>143,477</u>	<u>2,075,242</u>	<u>2,218,719</u>
Total	<u>\$ 173,633</u>	<u>\$ 9,266,445</u>	<u>\$ 9,440,078</u>
Deposits			\$ 173,623
Investments			<u>9,266,445</u>
Total			<u>\$ 9,440,068</u>

NOTE 4 - RECEIVABLES

Receivables at December 31, 2011, consisted of taxes, interest, accounts, and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 5 - PROPERTY TAXES

Annual property taxes are levied by the Moffat County Commissioners on assessed valuation as of December 15 for the subsequent year's operations, and attaches as an enforceable lien on the property on the ensuing January 1.

Taxpayers may pay property taxes in two equal installments. One-half of the taxes due will become delinquent March 1, after which date interest will be added as provided by law. The remaining half will become delinquent June 16. If the entire annual tax is paid on or before April 30, no interest will be added.

NOTE 6 - CAPITAL ASSETS

Capital assets under governmental activities for the year ended December 31, were as follows:

	<u>Balance</u> <u>1/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2011</u>
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated</u>				
Land	\$ 960,646	\$ 3,500	\$ 0	\$ 964,146
Construction in progress	<u>244,566</u>	<u>51,696</u>	<u>(296,262)</u>	<u>0</u>
Total not being depreciated	<u>1,205,212</u>	<u>55,196</u>	<u>(296,262)</u>	<u>964,146</u>
<u>Capital assets being depreciated</u>				
Buildings	3,471,309	296,262	0	3,767,571
Improvements	40,694,745	101,522	0	40,796,267
Furniture and equipment	<u>5,662,802</u>	<u>598,863</u>	<u>(288,083)</u>	<u>5,973,582</u>
Total capital assets being depreciated	<u>49,828,856</u>	<u>996,647</u>	<u>(288,083)</u>	<u>50,537,420</u>
Total Capital assets	<u>51,034,068</u>	<u>1,051,843</u>	<u>(584,345)</u>	<u>51,501,566</u>
<u>Accumulated depreciation</u>				
Buildings	(1,295,882)	(106,898)	0	(1,402,780)
Improvements	(30,086,844)	(580,874)	0	(30,667,718)
Furniture and equipment	<u>(4,167,865)</u>	<u>(577,666)</u>	<u>288,083</u>	<u>(4,457,448)</u>
Total accumulated depreciation	<u>(35,550,591)</u>	<u>(1,265,438)</u>	<u>288,083</u>	<u>(36,527,946)</u>
Depreciable capital assets, net	<u>14,278,265</u>	<u>(268,791)</u>	<u>0</u>	<u>14,009,474</u>
Governmental Activities Capital Assets, Net	<u>\$15,483,477</u>	<u>\$ (213,595)</u>	<u>\$ (296,262)</u>	<u>\$14,973,620</u>

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Capital assets under business activities were as follows:

	<u>1/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/2011</u>
<u>Business-Type Activities:</u>				
Capital assets not being depreciated				
Land	\$ 1,593,978	\$ 125,031	\$ 0	\$ 1,719,009
Total capital assets not being depreciated	<u>1,593,978</u>	<u>125,031</u>	<u>0</u>	<u>1,719,009</u>
Capital assets being depreciated				
Buildings	33,529,154	90,000	(51,836)	33,567,318
Improvements	2,115,802	0	0	2,115,802
Furniture and equipment	<u>4,102,962</u>	<u>109,848</u>	<u>(148,996)</u>	<u>4,063,814</u>
Total capital assets being depreciated	<u>39,747,918</u>	<u>199,848</u>	<u>(200,832)</u>	<u>39,746,934</u>
Accumulated depreciation				
Buildings	(12,205,942)	(643,590)	34,222	(12,815,310)
Improvements	(1,561,965)	(205,932)	0	(1,767,897)
Furniture and equipment	<u>(3,071,363)</u>	<u>(120,417)</u>	<u>145,262</u>	<u>(3,046,518)</u>
Total accumulated depreciation	<u>(16,839,270)</u>	<u>(969,939)</u>	<u>179,484</u>	<u>(17,629,725)</u>
Depreciable assets net	<u>22,908,648</u>	<u>(770,091)</u>	<u>(21,348)</u>	<u>22,117,209</u>
Total Business-Type Activities	<u>\$24,502,626</u>	<u>\$ (645,060)</u>	<u>\$ (21,348)</u>	<u>\$23,836,218</u>
 <u>Depreciation by Function</u>				
<u>Governmental Activities:</u>				
Administration			\$ 63,960	
Support Services				
Road and bridge			846,724	
Parks and recreation			185,471	
Police			<u>169,283</u>	
Total depreciation for governmental activities			<u>1,265,438</u>	
 <u>Business-Type Activities:</u>				
Water			571,003	
Wastewater			285,650	
Sanitation			<u>113,286</u>	
Total depreciation for business-type activities			<u>969,939</u>	
Total Depreciation Expense			<u>\$ 2,235,377</u>	

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 7 - LONG-TERM DEBT

During the year ended December 31, 2011, the following changes occurred in long-term liabilities:

	<u>1/1/2011</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/2011</u>	<u>Amount Due In One Year</u>
<u>Governmental Activities</u>					
Compensated absences	\$ 322,847	\$ 760	\$ 0	\$ 323,607	\$ 0
<u>Business Activities</u>					
Note payable Colorado Water	\$ 5,145,727	\$ 0	\$ 246,863	\$ 4,898,864	\$ 252,349
Note payable Colorado Water	342,422	0	64,204	278,218	64,204
Compensated absences	<u>67,922</u>	<u>8,053</u>	<u>0</u>	<u>75,975</u>	<u>0</u>
Total	<u>\$ 5,556,071</u>	<u>\$ 8,053</u>	<u>\$ 311,067</u>	<u>\$ 5,253,057</u>	<u>\$ 316,553</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund. For the business-type activities, compensated absences are liquidated by the water, wastewater and solid waste funds.

Interest paid during the year totaled \$132,250.

Notes Payable

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%.

	<u>1995 CWRPDA Note</u>
2012	\$ 80,449
2013	83,406
2014	80,152
2015	<u>79,362</u>
Total due	323,369
Interest portion	<u>(45,151)</u>
Principal (present value of minimum lease payments)	<u>\$ 278,218</u>

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 7 - LONG-TERM DEBT (CONTINUED)

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.

	<u>2006</u> <u>CWRPDA Note</u>
2012	\$ 372,909
2013	373,268
2014	373,517
2051	373,053
2016	370,629
2017 – 2021	1,858,477
2022 – 2026	1,884,946
2027	<u>404,805</u>
 Total due	 6,011,604
 Less interest portion	 <u>(1,112,740)</u>
 Principal (present value of minimum lease payments)	 <u>\$ 4,898,864</u>

Both 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.

NOTE 8 - RETIREMENT PLANS

Deferred Compensation Plan

The City offers employees the opportunity to voluntarily participate in a deferred compensation plan established under Internal Revenue Code Section 457. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. The City has no fiduciary responsibility for the Plan.

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, 2011, were \$683,771 for the City and \$341,886 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, 2011, the plan had 60 employees fully vested and 27 non-vested employees.

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 9 - 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; injuries to employees; and natural disasters. The City carries commercial insurance and reinsurance for the risks of loss, including worker's compensation and employee health and accident insurance. There were no significant reductions in insurance coverage from the prior year, and no settlements exceeding the City's insurance coverage during the past three years.

The City also handles health and life insurance claims for its employees. 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.

The following represent the changes in approximate aggregate liabilities for the city for the year ended December 31, 2011.

Liability balance January 1, 2011	\$ 212,379	
Incurred claims, including IBNR	2,091,349	
Claims paid	<u>(1,984,227)</u>	
 Liability Balance December 31, 2011	 \$ <u>319,501</u>	

NOTE 10 - INTERFUND TRANSFERS

The composition of interfund balances as of December 31, 2011, are as follows:

	<u>Due From</u>	<u>Due To</u>
Major		
General Fund	\$ 0	\$ 715,520
Non-major Governmental	239,768	0
Water Fund	467,929	0
Waste Water Fund	<u>7,823</u>	<u>0</u>
 Totals	 \$ <u>715,520</u>	 \$ <u>715,520</u>

NOTE 11 - 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.

CITY OF CRAIG
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 12 - TABOR

In 1992, a constitutional amendment (commonly referred to as TABOR) was passed, limiting powers of public entities to borrow, tax, and spend without a public vote. In 2000, the voters in the City approved a revenue increase for the City, effective in the 2001 budget year. As part of the tax and revenue ballot question, public approval also was given to remove the revenues of the City from the spending and growth provisions set forth in the TABOR amendment. The ballot question also included language which effectively exempted the City from compliance with the 5.5% revenue budget limit described in the Colorado State Statues.

In 1998, the Attorney General of the State of Colorado issued an opinion that election question language used by several public entities to exempt them from the 5.5% statutory limit may not, in fact, have that effect. In 1999, a new Attorney General re-examined the question and issued a new opinion which did, in effect, exempt many public entities from the 5.5% revenue limit. The City subsequently received written confirmation from the Division of Local Government that its election question did exempt the City from this revenue restriction.

The City reserved 3% of its annual General Fund expenditures to comply with provisions of TABOR's emergency reserve requirements.

NOTE 13 - RESTATEMENT

During 2011, the City adopted the provisions of GASB Statement 54 *Fund Balance Reporting And Governmental Fund Type Definitions*. Implementation of this pronouncement resulted in the Center of Craig Special Revenue Fund being incorporated into the General Fund. As a result, the beginning General Fund fund balance increased \$48,352 to \$5,683,346.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRAIG
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011			Favorable (Unfavorable) Variance	(Memo only) 2010 Actual
	Original Budget	Final Budget	Actual		
<u>Revenues</u>					
Taxes	\$ 6,773,800	\$ 6,773,800	\$ 7,005,632	\$ 231,832	\$ 7,477,825
Licenses and permits	44,520	44,520	60,202	15,682	70,311
Intergovernmental	1,061,710	1,061,710	1,664,250	602,540	1,714,544
Charges for services	199,000	199,000	217,643	18,643	198,539
Fines and forfeits	60,000	60,000	64,568	4,568	64,026
Interest	8,500	8,500	4,450	(4,050)	9,345
Other	<u>65,000</u>	<u>65,000</u>	<u>71,589</u>	<u>6,589</u>	<u>95,579</u>
Total revenues	<u>8,212,530</u>	<u>8,212,530</u>	<u>9,088,334</u>	<u>875,804</u>	<u>9,630,169</u>
<u>Expenditures</u>					
Current					
General government	1,442,500	1,454,050	1,305,084	148,966	1,193,576
Public safety	3,329,120	3,329,120	3,216,776	112,344	3,167,633
Road and bridge	2,480,600	2,480,600	2,167,321	313,279	1,864,870
Community development	182,460	182,460	160,520	21,940	248,838
Parks and recreation	1,448,800	1,469,800	1,320,036	149,764	1,308,655
Judicial	60,760	60,760	60,645	115	58,411
Capital outlay	<u>949,930</u>	<u>1,441,670</u>	<u>755,581</u>	<u>686,089</u>	<u>1,284,223</u>
Total expenditures	<u>9,894,170</u>	<u>10,418,460</u>	<u>8,985,963</u>	<u>1,432,497</u>	<u>9,126,206</u>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over (Under) Expenditures</u>	(1,681,640)	(2,205,930)	102,371	2,308,301	503,963
Other financing sources (uses)					
Transfer in	<u>57,800</u>	<u>57,800</u>	<u>0</u>	<u>(57,800)</u>	<u>57,800</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>\$ (1,623,840)</u>	<u>\$ (2,148,130)</u>	102,371	<u>\$ 2,250,501</u>	561,763
Fund Balance, beginning of year			5,634,994		5,073,231
Accounting changes			<u>48,352</u>		<u>0</u>
Beginning Fund Balance, After Restatement			<u>5,683,346</u>		<u>0</u>
Fund Balances, end of Year			<u>\$ 5,785,717</u>		<u>\$ 5,634,994</u>

See the accompanying independent auditor's report

SUPPLEMENTARY INFORMATION

CITY OF CRAIG
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash	\$ 8,906	\$ 8,343
Investments	5,860,112	5,591,819
Receivables		
Other	1,015,570	1,203,162
Property taxes	<u>1,453,613</u>	<u>1,547,060</u>
Total Assets	<u>\$ 8,338,201</u>	<u>\$ 8,350,384</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Accounts payable	\$ 111,364	\$ 95,295
Accrued payroll	202,609	800,043
Deferred revenue	1,453,613	208,834
Due to other funds	715,520	1,547,060
Deposits	<u>69,378</u>	<u>64,158</u>
Total liabilities	<u>2,552,484</u>	<u>2,715,390</u>
<u>Fund Balances</u>		
Restricted for:		
Tabor Amendment	271,564	278,324
Committed to:		
Zoning in lieu of land	42,000	0
Cultural and recreations	40,000	0
Assigned to:		
Subsequent year's expenditures	1,883,430	1,605,040
Unassigned	<u>3,548,723</u>	<u>3,751,630</u>
Total fund balances	<u>5,785,717</u>	<u>5,634,994</u>
Total Liabilities and Fund Balance	<u>\$ 8,338,201</u>	<u>\$ 8,350,384</u>

See the accompanying independent auditor's report

CITY OF CRAIG
GENERAL FUND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011			Favorable (Unfavorable) Variance	2010
	Original Budget	Final Budget	Actual		
<u>Revenues</u>					
Taxes					
General property taxes	\$ 1,553,300	\$ 1,553,300	\$ 1,536,331	\$ (16,969)	\$ 1,513,249
Highway user taxes	341,000	341,000	323,225	(17,775)	331,193
Specific ownership taxes	80,000	80,000	94,056	14,056	88,826
Sales tax	4,513,500	4,513,500	4,714,031	200,531	5,197,586
Franchise taxes	260,000	260,000	300,701	40,701	304,493
Interest and penalties	1,000	1,000	8,399	7,399	8,683
Cigarette tax	<u>25,000</u>	<u>25,000</u>	<u>28,889</u>	<u>3,889</u>	<u>33,795</u>
Total taxes	<u>6,773,800</u>	<u>6,773,800</u>	<u>7,005,632</u>	<u>231,832</u>	<u>7,477,825</u>
Licenses and permits					
Building permits	36,000	36,000	48,499	12,499	62,068
Miscellaneous	<u>8,520</u>	<u>8,520</u>	<u>11,703</u>	<u>3,183</u>	<u>8,243</u>
Total licenses and permits	<u>44,520</u>	<u>44,520</u>	<u>60,202</u>	<u>15,682</u>	<u>70,311</u>
Intergovernmental					
Motor vehicle tax	25,000	25,000	44,383	19,383	56,517
State shared	860,000	860,000	1,463,696	603,696	1,518,520
State lottery	90,000	90,000	84,312	(5,688)	82,000
Federal shared	<u>86,710</u>	<u>86,710</u>	<u>71,859</u>	<u>(14,851)</u>	<u>57,507</u>
Total intergovernmental	<u>1,061,710</u>	<u>1,061,710</u>	<u>1,664,250</u>	<u>602,540</u>	<u>1,714,544</u>
Charges for Services					
Recreation program fees	106,800	106,800	87,660	(19,140)	86,679
Swimming pool fees	79,200	79,200	114,789	35,589	102,407
Concessions	<u>13,000</u>	<u>13,000</u>	<u>15,194</u>	<u>2,194</u>	<u>9,453</u>
Total charges for services	<u>199,000</u>	<u>199,000</u>	<u>217,643</u>	<u>18,643</u>	<u>198,539</u>
Fines, Forfeits and Other					
Fines	60,000	60,000	64,568	4,568	64,026
Rents and royalties	20,000	20,000	16,538	(3,462)	7,284
Other	45,000	45,000	55,051	10,051	88,295
Interest income	<u>8,500</u>	<u>8,500</u>	<u>4,450</u>	<u>(4,050)</u>	<u>9,345</u>
Total fines, forfeits and other	<u>133,500</u>	<u>133,500</u>	<u>140,607</u>	<u>7,107</u>	<u>168,950</u>
Total Revenues	<u>\$ 8,212,530</u>	<u>\$ 8,212,530</u>	<u>\$ 9,088,334</u>	<u>\$ 875,804</u>	<u>\$ 9,630,169</u>

See the accompanying independent auditor's report

CITY OF CRAIG
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	<u>2011</u>			Favorable (Unfavorable) Variance	(Memo only)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		2010 <u>Actual</u>
<u>Expenditures</u>					
General Government					
City council	\$ 270,340	\$ 270,340	\$ 260,843	\$ 9,497	\$ 128,241
Administration	360,580	367,880	323,629	44,251	335,665
Engineering	123,000	123,000	105,527	17,473	102,321
Finances	274,950	274,950	253,282	21,668	260,019
Clerk and personnel	200,440	204,690	190,374	14,316	189,724
Building maintenance	96,500	96,500	71,481	25,019	76,376
City attorney	<u>116,690</u>	<u>116,690</u>	<u>99,948</u>	<u>16,742</u>	<u>101,230</u>
Total general government	<u>1,442,500</u>	<u>1,454,050</u>	<u>1,305,084</u>	<u>148,966</u>	<u>1,193,576</u>
Judicial					
Municipal	<u>60,760</u>	<u>60,760</u>	<u>60,645</u>	<u>115</u>	<u>58,411</u>
Public safety					
Police	<u>3,329,120</u>	<u>3,329,120</u>	<u>3,216,776</u>	<u>112,344</u>	<u>3,167,633</u>
Road and bridge	<u>2,480,600</u>	<u>2,480,600</u>	<u>2,167,321</u>	<u>313,279</u>	<u>1,864,870</u>
Community development	<u>182,460</u>	<u>182,460</u>	<u>160,520</u>	<u>21,940</u>	<u>248,838</u>
Parks and recreation					
General operations	820,070	820,070	740,287	79,783	785,284
Pool complex	362,330	362,330	330,207	32,123	302,138
Center of Craig	39,800	60,800	46,996	13,804	0
Recreation programs	<u>226,600</u>	<u>226,600</u>	<u>202,546</u>	<u>24,054</u>	<u>221,233</u>
Total parks and recreation	<u>1,448,800</u>	<u>1,469,800</u>	<u>1,320,036</u>	<u>149,764</u>	<u>1,308,655</u>
Capital outlay	<u>949,930</u>	<u>1,441,670</u>	<u>755,581</u>	<u>686,089</u>	<u>1,284,223</u>
Total Expenditures	<u>\$ 9,894,170</u>	<u>\$ 10,418,460</u>	<u>\$ 8,985,963</u>	<u>\$ 1,432,497</u>	<u>\$ 9,126,206</u>

See the accompanying independent auditor's report

CITY OF CRAIG
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	<u>The Center of Craig</u>	<u>Capital Projects Fund</u>	<u>ACET Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 0	\$ 0	\$ 21,250	\$ 21,250
Investments	0	154,047	50,000	204,047
Due from other funds	0	175,332	64,436	239,768
Accounts receivable	0	5,041	0	5,041
Property tax receivable	<u>0</u>	<u>171,053</u>	<u>0</u>	<u>171,053</u>
Total Assets	<u>\$ 0</u>	<u>\$ 505,473</u>	<u>\$ 135,686</u>	<u>\$ 641,159</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 0	\$ 0	\$ 4,512	\$ 4,512
Deferred revenue	<u>0</u>	<u>171,053</u>	<u>0</u>	<u>171,053</u>
Total liabilities	<u>0</u>	<u>171,053</u>	<u>4,512</u>	<u>175,565</u>
<u>Fund Balances</u>				
<u>Assigned to:</u>				
Capital Projects	0	334,420	0	334,420
Public safety	<u>0</u>	<u>0</u>	<u>131,174</u>	<u>131,174</u>
Total fund balances	<u>0</u>	<u>334,420</u>	<u>131,174</u>	<u>465,594</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 505,473</u>	<u>\$ 135,686</u>	<u>\$ 641,159</u>

See the accompanying independent auditor's report

CITY OF CRAIG
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>The Center of Craig</u>	<u>Capital Projects Fund</u>	<u>ACET Fund</u>	<u>Total</u>
<u>Revenues</u>				
Intergovernmental	\$ 0	\$ 0	\$ 65,597	\$ 65,597
Taxes	0	192,842	0	192,842
Interest	0	610	0	610
Miscellaneous	<u>0</u>	<u>0</u>	<u>4,214</u>	<u>4,214</u>
Total revenues	<u>0</u>	<u>193,452</u>	<u>69,811</u>	<u>263,263</u>
<u>Expenditures</u>				
General government	0	3,628	0	3,628
Public safety	<u>0</u>	<u>106,348</u>	<u>40,795</u>	<u>147,143</u>
Total expenditures	<u>0</u>	<u>109,976</u>	<u>40,795</u>	<u>150,771</u>
<u>Excess of Revenues Over Expenditures</u>	<u>0</u>	<u>83,476</u>	<u>29,016</u>	<u>112,492</u>
Fund balance, before restatement	48,352	250,944	102,158	401,454
Accounting changes	<u>(48,352)</u>	<u>0</u>	<u>0</u>	<u>(48,352)</u>
Beginning fund balance, after restatement	<u>0</u>	<u>250,944</u>	<u>102,158</u>	<u>353,102</u>
Fund balance, end of year	<u>\$ 0</u>	<u>\$ 334,420</u>	<u>\$ 131,174</u>	<u>\$ 465,594</u>

See the accompanying independent auditor's report

CITY OF CRAIG
CENTER OF CRAIG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES,
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011			(Memo only) 2010 <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>	
<u>Revenues</u>				
User fees	\$ 0	\$ 0	\$ 0	\$ 8,328
Rents	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,000</u>
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,328</u>
<u>Expenditures</u>				
Supplies	0	0	0	4,813
Operating expenses	0	0	0	24,659
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,472</u>
<u>Excess (Deficiency) of Revenues Over (Under)</u>				
<u>Expenditures</u>	<u>\$ 0</u>	0	<u>\$ 0</u>	(3,144)
Fund balances, beginning of year		48,352		51,496
Accounting changes		<u>(48,352)</u>		<u>0</u>
Beginning Fund Balance, After Restatement		<u>0</u>		<u>51,496</u>
Fund Balances, end of Year		<u>\$ 0</u>		<u>\$ 48,352</u>

See the accompanying independent auditor's report

CITY OF CRAIG
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES,
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	<u>2011</u>			(Memo only)
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>	<u>2010 Actual</u>
<u>Revenues</u>				
Taxes	\$ 189,280	\$ 192,842	\$ 3,562	\$ 189,546
Interest	<u>760</u>	<u>610</u>	<u>(150)</u>	<u>924</u>
Total revenues	<u>190,040</u>	<u>193,452</u>	<u>3,412</u>	<u>190,470</u>
<u>Expenditures</u>				
County treasurer's fees	3,000	3,628	(628)	3,571
Public safety	<u>120,000</u>	<u>106,348</u>	<u>13,652</u>	<u>172,390</u>
Total expenditures	<u>123,000</u>	<u>109,976</u>	<u>13,024</u>	<u>175,961</u>
<u>Excess of Revenues Over</u> <u>Expenditures</u>	<u>\$ 67,040</u>	83,476	<u>\$ 16,436</u>	14,509
Fund balances, beginning of year		<u>250,944</u>		<u>236,435</u>
Fund balance, end of year		<u>\$ 334,420</u>		<u>\$ 250,944</u>

See the accompanying independent auditor's report

CITY OF CRAIG
ACET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES,
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	<u>2011</u>			Favorable (Unfavorable) Variance	(Memo only)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		2010 <u>Actual</u>
<u>Revenues</u>					
Intergovernmental	\$ 66,950	\$ 66,950	\$ 65,597	\$ (1,353)	\$ 101,354
Miscellaneous	<u>0</u>	<u>0</u>	<u>4,214</u>	<u>4,214</u>	<u>7,513</u>
Total revenues	<u>66,950</u>	<u>66,950</u>	<u>69,811</u>	<u>2,861</u>	<u>108,867</u>
<u>Expenditures</u>					
Public safety	<u>67,090</u>	<u>66,190</u>	<u>40,795</u>	<u>25,395</u>	<u>70,869</u>
<u>Excess of Revenues Over</u> <u>Expenditures</u>	<u>\$ (140)</u>	<u>\$ 760</u>	29,016	<u>\$ 28,256</u>	37,998
Fund balances, beginning of year			<u>102,158</u>		<u>64,160</u>
Fund balance, end of year			<u>\$ 131,174</u>		<u>\$ 102,158</u>

See the accompanying independent auditor's report

CITY OF CRAIG
WATER FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011				(Memo only) 2010 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<u>Revenues</u>					
Charges for services	\$ 2,512,560	\$ 2,512,560	\$ 2,491,591	\$ (20,969)	\$ 2,373,110
Meter sales	3,000	3,000	5,157	2,157	6,171
Capital contributions	20,000	20,000	30,740	10,740	43,550
Interest income	1,000	1,000	867	(133)	1,178
Grant	0	0	5,000	5,000	158,824
Rents	0	0	277	277	0
Gain (loss) on sale of equipment	0	0	(11,047)	(11,047)	1,750
Miscellaneous	<u>3,500</u>	<u>3,500</u>	<u>34,239</u>	<u>30,739</u>	<u>7,187</u>
Total revenues	<u>2,540,060</u>	<u>2,540,060</u>	<u>2,556,824</u>	<u>16,764</u>	<u>2,591,770</u>
<u>Expenses</u>					
Salaries	786,670	786,670	737,891	48,779	713,368
Repairs and maintenance	376,000	390,500	140,277	250,223	339,577
Employee benefits	296,130	296,130	260,407	35,723	258,775
Utilities	186,300	186,300	210,854	(24,554)	217,889
Chemicals	119,500	119,500	136,640	(17,140)	112,650
Insurance and bonds	59,250	59,250	46,441	12,809	51,803
Supplies	120,800	120,800	50,180	70,620	40,946
Other purchased services	59,700	59,700	63,638	(3,938)	64,783
Information technology	2,500	2,500	0	2,500	794
Capital outlay	25,000	25,000	67,980	(42,980)	376,139
Interest	125,580	125,580	123,485	2,095	128,435
Lease fees	48,500	48,500	48,451	49	48,451
Debt principal	246,890	246,890	246,863	27	241,377
Operating transfers out	<u>52,000</u>	<u>52,000</u>	<u>0</u>	<u>52,000</u>	<u>39,600</u>
Total expenses	<u>2,504,820</u>	<u>2,519,320</u>	<u>2,133,107</u>	<u>386,213</u>	<u>2,634,587</u>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over (Under) Expenditures</u>	<u>\$ 35,240</u>	<u>\$ 20,740</u>	423,717	<u>\$ 402,977</u>	<u>\$ (42,817)</u>
Fund equity, beginning of year			15,994,017		
Depreciation			(571,003)		
Debt principal			246,863		
Capital outlay			<u>67,980</u>		
Fund equity, end of year			<u>\$ 16,161,574</u>		

See the accompanying independent auditor's report

CITY OF CRAIG
WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	<u>2011</u>			Favorable (Unfavorable) Variance	(Memo only)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		2010 <u>Actual</u>
<u>Revenues</u>					
Charges for services	\$ 1,144,330	\$ 1,144,330	\$ 1,226,354	\$ 82,024	\$ 1,131,459
Miscellaneous income	0	0	1,399	1,399	14,111
Sales of assets	0	0	4,000	4,000	0
Tap fees	10,000	10,000	17,210	7,210	0
Interest income	<u>2,000</u>	<u>2,000</u>	<u>858</u>	<u>(1,142)</u>	<u>2,029</u>
Total revenues	<u>1,156,330</u>	<u>1,156,330</u>	<u>1,249,821</u>	<u>93,491</u>	<u>1,147,599</u>
<u>Expenses</u>					
Salaries	480,420	480,420	455,071	25,349	458,355
Repairs and maintenance	105,000	107,500	147,543	(40,043)	104,062
Employee benefits	167,910	167,910	152,512	15,398	157,257
Utilities	125,200	125,200	141,822	(16,622)	139,205
Chemicals	34,000	34,000	5,924	28,076	17,648
Insurance and bonds	23,730	23,730	24,304	(574)	32,382
Supplies	31,000	31,000	35,842	(4,842)	24,036
Other purchased services	39,900	39,900	43,845	(3,945)	28,002
Information technology	2,500	2,500	0	2,500	90
Capital outlay	33,000	258,000	256,899	1,101	180,768
Interest	9,680	9,680	8,765	915	10,950
Lease fees	8,780	8,780	8,775	5	8,775
Debt principal	64,210	64,210	64,204	6	58,854
Operating transfers out	<u>19,000</u>	<u>19,000</u>	<u>0</u>	<u>19,000</u>	<u>18,200</u>
Total expenses	<u>1,144,330</u>	<u>1,371,830</u>	<u>1,345,506</u>	<u>26,324</u>	<u>1,238,584</u>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over (Under) Expenditures</u>	<u>\$ 12,000</u>	<u>\$ (215,500)</u>	(95,685)	<u>\$ 119,815</u>	<u>\$ (90,985)</u>
Fund equity, beginning of year			4,366,449		
Debt principal			64,204		
Depreciation			(285,650)		
Capital outlay			<u>256,899</u>		
Fund equity, end of year			<u>\$ 4,306,217</u>		

See the accompanying independent auditor's report

CITY OF CRAIG
SANITATION FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	<u>2011</u>			
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>	<u>(Memo only) 2010 Actual</u>
<u>Revenues</u>				
Charges for services	\$ 1,245,000	\$ 1,269,956	\$ 24,956	\$ 1,296,413
Intergovernmental revenues	1,500	2,160	660	7,810
Interest income	<u>4,000</u>	<u>4,135</u>	<u>135</u>	<u>4,235</u>
 Total revenues	 <u>1,250,500</u>	 <u>1,276,251</u>	 <u>25,751</u>	 <u>1,308,458</u>
<u>Expenses</u>				
Salaries	423,470	422,430	1,040	433,195
Repairs and maintenance	39,000	23,332	15,668	12,936
Employee benefits	172,810	164,437	8,373	166,582
Utilities	9,700	5,740	3,960	5,808
Chemicals	450	0	450	70
Insurance and bonds	17,170	17,646	(476)	14,842
Supplies	172,950	117,294	55,656	88,322
Landfill fees	380,000	295,173	84,827	269,694
Other purchased services	41,150	15,264	25,886	26,988
Information technology	700	0	700	90
Capital outlay	<u>40,000</u>	<u>0</u>	<u>40,000</u>	<u>257,743</u>
 Total expenses	 <u>1,297,400</u>	 <u>1,061,316</u>	 <u>236,084</u>	 <u>1,276,270</u>
<u>Excess (Deficiency) of Revenues</u>				
<u>Over (Under) Expenditures</u>	<u>\$ (46,900)</u>	214,935	<u>\$ 261,835</u>	<u>\$ 32,188</u>
 Fund equity, beginning of year		1,399,725		
Depreciation		<u>(113,286)</u>		
 Fund equity, end of year		 <u>\$ 1,501,374</u>		

See the accompanying independent auditor's report

CITY OF CRAIG
INTERNAL SERVICES – MEDICAL BENEFIT FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Investments	\$ 1,127,044	\$ 1,525,653
Receivables	<u>206,427</u>	<u>179,176</u>
Total Assets	<u>\$ 1,333,471</u>	<u>\$ 1,704,829</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Checks written in excess of cash balance	\$ 11,860	\$ 38,722
Claims payable	<u>319,501</u>	<u>212,379</u>
Total liabilities	<u>331,361</u>	<u>251,101</u>
<u>Fund Equity</u>		
Unreserved	<u>1,002,110</u>	<u>1,453,728</u>
Total Liabilities and Fund Equity	<u>\$ 1,333,471</u>	<u>\$ 1,704,829</u>

See the accompanying independent auditor's report

CITY OF CRAIG
INTERNAL SERVICE FUND – MEDICAL BENEFIT FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	<u>2011</u>			Favorable (Unfavorable) Variance	(Memo only) 2010
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<u>Operating Revenues</u>					
Charges for services	\$1,130,000	\$1,130,000	\$1,118,141	\$ (11,859)	\$1,141,420
Other	<u>50,000</u>	<u>50,000</u>	<u>786,993</u>	<u>736,993</u>	<u>251,507</u>
Total operating revenues	<u>1,180,000</u>	<u>1,180,000</u>	<u>1,905,134</u>	<u>725,134</u>	<u>1,392,927</u>
<u>Operating Expenses</u>					
Insurance premiums	291,430	336,430	335,070	1,360	301,299
Claims paid	1,200,000	2,050,000	1,984,227	65,773	1,294,635
Administrative fees	<u>38,000</u>	<u>38,000</u>	<u>38,899</u>	<u>(899)</u>	<u>38,500</u>
Total operating expenses	<u>1,529,430</u>	<u>2,424,430</u>	<u>2,358,196</u>	<u>66,234</u>	<u>1,634,434</u>
<u>Operating loss</u>	(349,430)	(1,244,430)	(453,062)	791,368	(241,507)
Non-operating income					
Interest income	<u>4,000</u>	<u>4,000</u>	<u>1,444</u>	<u>(2,556)</u>	<u>3,459</u>
Net income (loss)	<u>\$ (345,430)</u>	<u>\$(1,240,430)</u>	(451,618)	<u>\$ 788,812</u>	(238,048)
Fund equity, beginning			<u>1,453,728</u>		<u>1,691,776</u>
Fund equity, end of year			<u>\$1,002,110</u>		<u>\$1,453,728</u>

See the accompanying independent auditor's report

CITY OF CRAIG
INTERNAL SERVICES – MEDICAL BENEFIT FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities</u>		
Cash received from users	\$ 1,090,890	\$ 992,068
Cash received from reimbursements	786,993	251,507
Cash paid on claims	(227,948)	(250,868)
Cash paid on insurance and other	<u>(2,049,988)</u>	<u>(1,255,913)</u>
Net cash used in operating activities	<u>(400,053)</u>	<u>(263,206)</u>
<u>Cash flows from investing activities</u>		
Sale (purchase) of investments	398,609	84,821
Interest received	<u>1,444</u>	<u>3,459</u>
Net cash provided by investing activities	<u>400,053</u>	<u>88,280</u>
Net decrease in cash and cash equivalents	0	(174,926)
Cash and cash equivalents, beginning of year	<u>0</u>	<u>174,926</u>
Cash and cash equivalents, end of year	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of changes in net assets to net cash used in operating activities:		
Operating Income	<u>\$ (453,062)</u>	<u>\$ (241,507)</u>
Adjustments to reconcile operating income to net cash used in operating activities		
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(27,251)	(149,352)
Checks written in excess of cash balances	(26,862)	38,722
Increase (decrease) in claims payable	<u>107,122</u>	<u>88,931</u>
Total adjustments	<u>53,009</u>	<u>(21,699)</u>
Net cash used in operating activities	<u>\$ (400,053)</u>	<u>\$ (263,206)</u>

See the accompanying independent auditor's report

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

LOCAL HIGHWAY FINANCE REPORT	City or County: CITY OF CRAIG
	YEAR ENDING : December 2011

This Information From The Records Of : CITY OF CRAIG	Prepared By: Bruce M. Nelson 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
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,116,031
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,608,599
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	28,727
2. General fund appropriations	2,102,657	b. Snow and ice removal	4,415
3. Other local imposts (from page 2)	285,671	c. Other	
4. Miscellaneous local receipts (from page 2)	1,836	d. Total (a. through c.)	33,142
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)	2,757,772
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	2,390,164	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	367,608	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,757,772	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,757,772

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		2,757,772	2,757,772		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2011

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	180,787	a. Interest on investments	1,836
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	104,884	g. Other Misc. Receipts	
6. Total (1. through 5.)	104,884	h. Other	
c. Total (a. + b.)	285,671	i. Total (a. through h.)	1,836
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	323,225	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	44,383	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.)	44,383	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	367,608	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		663,900	663,900
(4). System Enhancement & Operation		452,131	452,131
(5). Total Construction (1) + (2) + (3) + (4)	0	1,116,031	1,116,031
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,116,031	1,116,031
			(Carry forward to page 1)

Notes and Comments: