



Financial Report

December 31, 2016



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**City of Craig, Colorado
Financial Report
December 31, 2016**

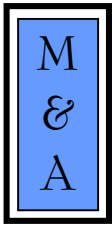
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council City of Craig, Colorado

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Craig (the "City"), as of and for the year ended December 31, 2016, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Craig as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

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

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
July 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF CRAIG
Management's Discussion and Analysis (MD&A)
DECEMBER 31, 2016

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, 2016. 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's Governmental Activities continues to experience a decline in net position, whereas the business-type activities are able to maintain or increase net position.
- ❑ Total net position was \$41,618,631 at December 31, 2016 which increased by \$58,781 from December 31,2015.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Analysis of the City as a Whole

As noted earlier, net position may serve over time as a useful indicator a government's financial position. In the case of the City of Craig, assets exceeded liabilities by \$41,618,631 at the close of the most recent fiscal year.

Net Position

By far the largest portion of the City's net position (73.60%) reflect its investment in capital assets (e.g., land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets in reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

**Figure 1
City of Craig**

**Net Position
(in thousands)**

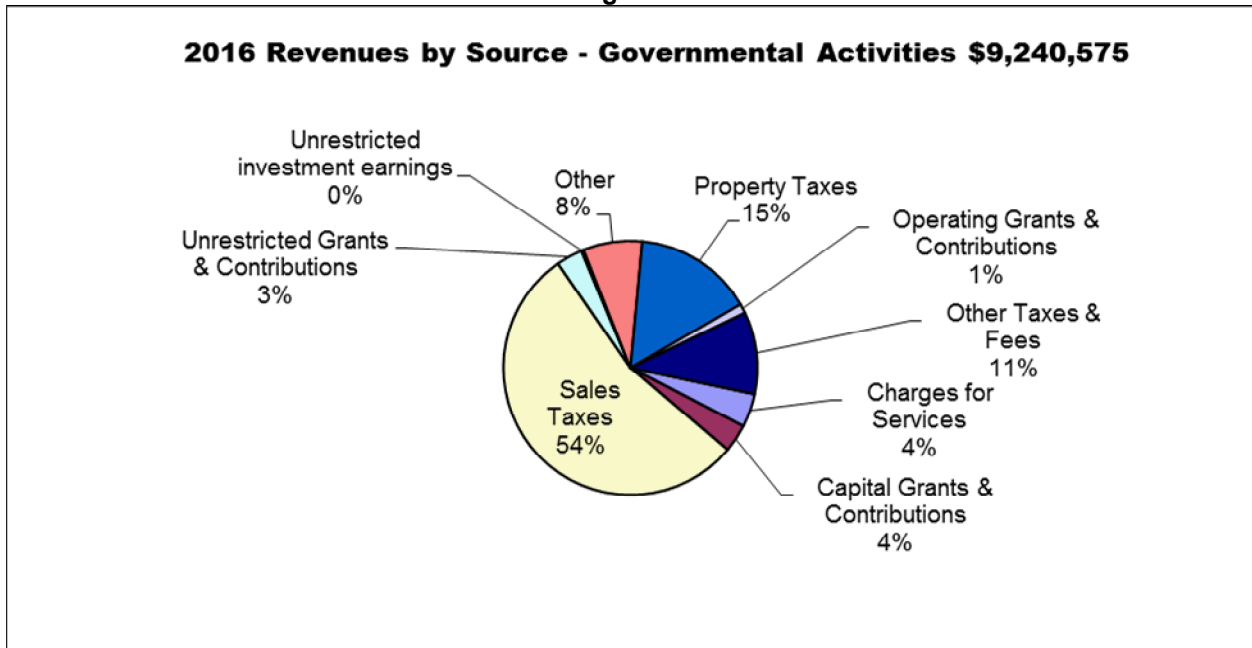
	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	
Current & other assets	7,628	7,549	5,779	6,062	13,407	13,611	1.52%
Capital assets	12,675	12,392	21,844	22,077	34,519	34,469	-0.14%
Total Assets	20,303	19,941	27,623	28,139	47,926	48,080	0.32%
Other liabilities	674	645	434	575	1,108	1,220	10.11%
Long-term liabilities			3,856	3,582	3,856	3,582	-7.11%
Total Liabilities	674	645	4,290	4,157	4,964	4,802	-3.26%
Deferred Inflows of Resources:							
Unavailable property tax	1,402	1,402	0	0	1,402	1,402	0.00%
Net Position:							
Net investment in capital assets	12,675	12,392	17,988	18,495	30,663	30,887	0.73%
Restricted	272	270	0	0	272	270	-0.74%
Unrestricted	5,280	5,232	5,345	5,487	10,625	10,719	0.88%
Total Net Position	18,227	17,894	23,333	23,982	41,560	41,876	0.76%

An additional portion of the City's net position only (.64%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$10,719,621 may be used to meet the City's ongoing obligations to its citizens and creditors.

CHANGES IN NET POSITION

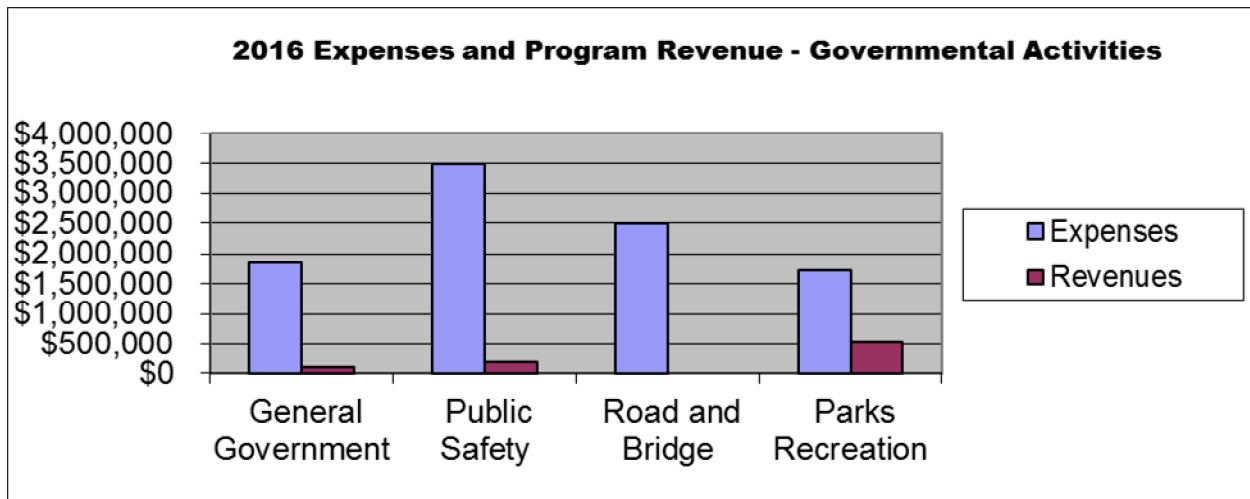
Sales taxes accounts for almost one half of all revenues for the governmental activities.

Figure 2



The program revenue for governmental activities offsets only a small share of the cost of services. The total cost of governmental activities has decreased by -2.08%. (See Figure 4.)

Figure 3



The City's governmental activities revenues increased by 1.44%. (See Figure 4.)

Figure 4
(in thousands)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	
Revenues							
Program Revenues							
Charges for Services	397	393	5,758	6,170	6,155	6,563	6.63%
Operating Grants & Contributions	120	110	11	10	131	120	-8.40%
Capital Grants & Contributions	86	329	2	21	88	350	297.73%
General Revenues							
Sales Taxes	4,920	5,005	0	0	4,920	5,005	1.73%
Property Taxes	1,443	1,404	0	0	1,443	1,404	-2.70%
Other Taxes & Fees	1,312	966	0	0	1,312	966	-26.37%
Unrestricted investment earnings	8	30	9	34	17	64	276.47%
Other	824	1,004	73	100	897	1,104	23.08%
Total Revenues	9,110	9,241	5,853	6,335	14,963	15,576	4.10%
Expenses							
General Government	1,785	1,852	0	0	1,785	1,852	3.75%
Public Safety	3,553	3,490	0	0	3,553	3,490	-1.77%
Road & Bridge	2,617	2,497	0	0	2,617	2,497	-4.59%
Parks & Recreation	1,822	1,735	0	0	1,822	1,735	-4.77%
Water	0	0	2,839	3,076	2,839	3,076	8.35%
Wastewater	0	0	1,497	1,292	1,497	1,292	-13.69%
Solid Waste	0	0	1,302	1,317	1,302	1,317	1.15%
Total Expenses	9,777	9,574	5,638	5,685	15,415	15,259	-1.01%
Loss on Disposal of Capital Assets	0	0	9	0	9	0	-100.00%
Increase in net position	(667)	(333)	224	650	(443)	317	-171.56%
Net Position - Beginning	18,894	18,227	23,108	23,332	42,002	41,559	-1.05%
Net Position - Ending	18,227	17,894	23,332	23,982	41,559	41,876	0.76%

The City's total revenues were \$15,575,406. Charges for services account for 42.14% of all revenues.

- **Governmental Activities.** Governmental activities decreased the City's net position by \$333,117 thereby accounting for decrease in net position.

- **Business-type Activities.** Business-type activities increased the City's net position by \$391,898 accounting for an increase in net position.

Figure 5

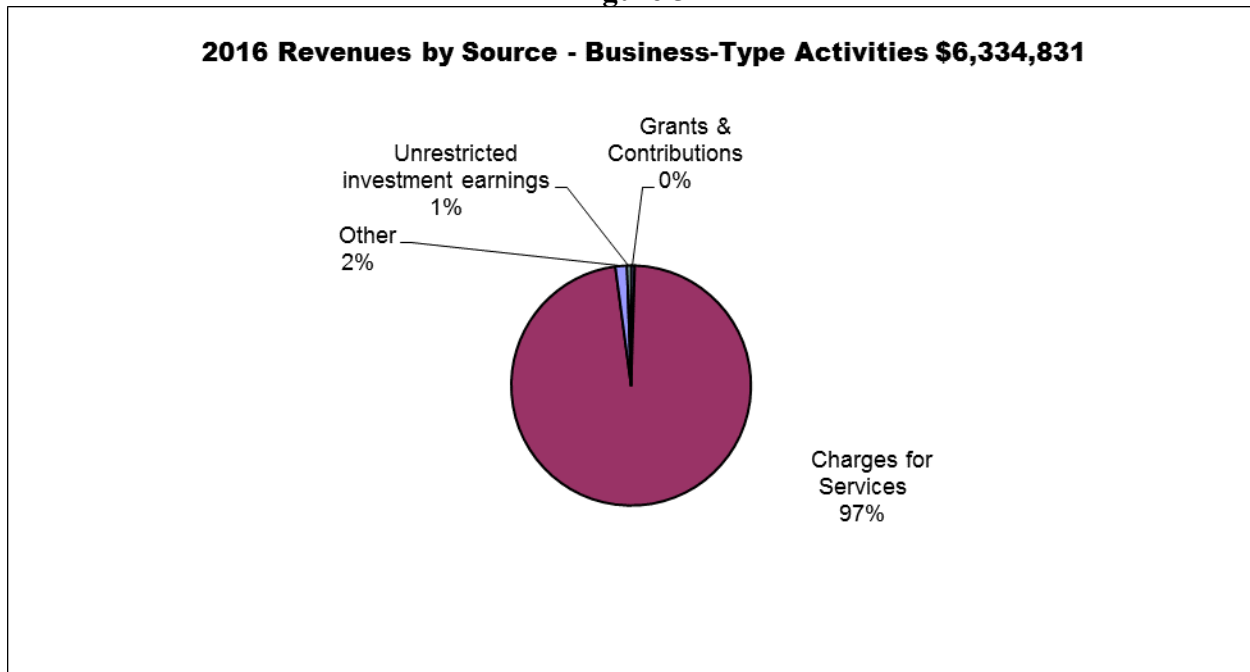
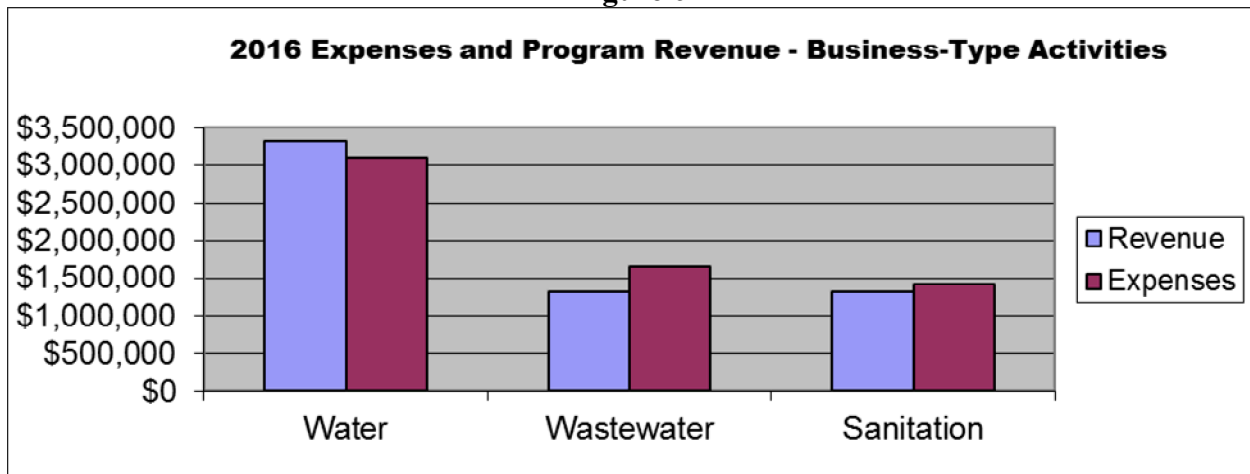


Figure 6



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$4,444,131, while the total fund balance equaled \$4,714,418.

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

Net Position of the Water, Wastewater and Sanitation Fund at the end of the year amount to \$17,139,092, \$4,868,542 and \$2,000,117, 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 investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$34,469,053 (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**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	
LAND	1,079	1,310	1,719	1,719	2,798	3,029	8.26%
BUILDINGS/IMPROVEMENTS	45,690	46,238	36,339	37,432	82,029	83,670	2.00%
MACHINERY AND EQUIPMENT	6,502	6,564	4,479	4,479	10,981	11,043	0.56%
TOTALS AT HISTORICAL COST	53,271	54,112	42,537	43,630	95,808	97,742	2.02%
TOTAL ACCUM. DEPRECIATION	(40,596)	(41,720)	(20,693)	(21,553)	(61,289)	(63,273)	3.24%
NET CAPITAL ASSETS	12,675	12,392	21,844	22,077	34,519	34,469	-0.14%

BUDGETARY HIGHLIGHTS

- In general, all anticipated revenues were realized and actual expenses being a lot less than their budgets, resulted in better outcome than originally anticipated.

Long-Term Debt

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

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Note Payable Colorado Water	-	-	3,857	3,582	3,857	3,582
	-	-	3,857	3,582	3,857	3,582

ECONOMIC FACTORS

- The local economic climate continues to remain flat in 2016.
- The City and County sales tax collections for 2016 only increased by 1.73%.
- When budgeting for 2016, 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 2017 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Craig, Colorado
Statement of Net Position
December 31, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	4,874,975	5,356,628	10,231,603
Receivables, net of allowance for uncollectibles:			
Property tax	1,401,365	-	1,401,365
Accounts	989,492	642,165	1,631,657
Internal balances	283,129	(283,129)	-
Inventory	-	346,580	346,580
Capital assets not being depreciated	1,309,762	1,719,009	3,028,771
Capital assets, net of accumulated depreciation	11,081,866	20,358,416	31,440,282
Total Assets	<u>19,940,589</u>	<u>28,139,669</u>	<u>48,080,258</u>
Liabilities:			
Accounts payable	139,261	383,697	522,958
Accrued payroll	120,919	51,293	172,212
Accrued interest payable	-	36,777	36,777
Compensated absences	385,035	102,950	487,985
Long-term liabilities:			
Due within one year	-	285,264	285,264
Due in more than one year	-	3,296,996	3,296,996
Total Liabilities	<u>645,215</u>	<u>4,156,977</u>	<u>4,802,192</u>
Deferred Inflows of Resources:			
Unavailable property tax	1,401,365	-	1,401,365
Total Deferred Inflows of Resources	<u>1,401,365</u>	<u>-</u>	<u>1,401,365</u>
Net Position:			
Net investment in capital assets	12,391,628	18,495,165	30,886,793
Restricted for emergencies	270,287	-	270,287
Unrestricted	5,232,094	5,487,527	10,719,621
Total Net Position	<u>17,894,009</u>	<u>23,982,692</u>	<u>41,876,701</u>

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

City of Craig, Colorado
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	1,852,049	114,816	-	-	(1,737,233)	-	(1,737,233)
Public safety	3,489,513	78,015	110,481	-	(3,301,017)	-	(3,301,017)
Road and bridge	2,496,711	-	-	-	(2,496,711)	-	(2,496,711)
Parks and recreation	1,735,419	199,763	-	329,038	(1,206,618)	-	(1,206,618)
Total governmental activities	9,573,692	392,594	110,481	329,038	(8,741,579)	-	(8,741,579)
Business-type activities:							
Water	3,076,560	3,097,059	1,870	13,660	-	36,029	36,029
Wastewater	1,291,577	1,650,673	-	7,650	-	366,746	366,746
Sanitation	1,316,725	1,422,284	7,726	-	-	113,285	113,285
Total business-type activities	5,684,863	6,170,016	9,596	21,310	-	516,059	516,059
Total all activities	15,258,555	6,562,610	120,077	350,348	(8,741,579)	516,059	(8,225,520)
General revenues:							
Taxes:							
Sales and use tax					5,004,915	-	5,004,915
Property tax, levied for general purposes					1,403,891	-	1,403,891
Specific ownership tax					108,644	-	108,644
Franchise tax					294,736	-	294,736
Severance tax					182,146	-	182,146
Transportation tax					352,743	-	352,743
Other taxes					27,810	-	27,810
Mineral lease revenue					637,846	-	637,846
Investment earnings					29,576	33,693	63,269
Grants and contributions not restricted to specific programs					309,614	-	309,614
Miscellaneous					56,541	100,216	156,757
Total general revenues, special items, and transfers					8,408,462	133,909	8,542,371
Change in net position					(333,117)	649,968	316,851
Net Position - Beginning					18,227,126	23,332,724	41,559,850
Net Position - Ending					17,894,009	23,982,692	41,876,701

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

FUND FINANCIAL STATEMENTS

City of Craig, Colorado
Balance Sheet
Governmental Funds
December 31, 2016

	General	ACET	Capital Projects	Total Governmental Funds
Assets:				
Cash and cash equivalents	3,992,690	215,741	443,726	4,652,157
Receivables, net				
Property tax	1,253,822	-	147,543	1,401,365
Accounts	980,746	-	8,746	989,492
Total Assets	<u>6,227,258</u>	<u>215,741</u>	<u>600,015</u>	<u>7,043,014</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	138,099	1,162	-	139,261
Accrued payroll	120,919	-	-	120,919
Total Liabilities	<u>259,018</u>	<u>1,162</u>	<u>-</u>	<u>260,180</u>
Deferred Inflows of Resources:				
Unavailable property tax	1,253,822	-	147,543	1,401,365
Total Deferred Inflows of Resources	<u>1,253,822</u>	<u>-</u>	<u>147,543</u>	<u>1,401,365</u>
Fund Balances:				
Restricted to:				
TABOR emergency reserve	270,287	-	-	270,287
Assigned to:				
Public safety	-	214,579	-	214,579
Capital projects	-	-	452,472	452,472
Unassigned	4,444,131	-	-	4,444,131
Total Fund Balances	<u>4,714,418</u>	<u>214,579</u>	<u>452,472</u>	<u>5,381,469</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>6,227,258</u>	<u>215,741</u>	<u>600,015</u>	<u>7,043,014</u>

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

City of Craig, Colorado
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended December 31, 2016

Total Fund Balances of Governmental Funds 5,381,469

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

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

Capital assets	54,111,975	
Accumulated depreciation	<u>(41,720,347)</u>	12,391,628

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

Compensated absences	(385,035)
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Internal service funds are used by management for medical benefits.
The assets and liabilities of the internal service funds are included
in governmental activities in the Statement of Net Position.

505,947

Net Position of Governmental Activities

17,894,009

City of Craig, Colorado
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016

	<u>General</u>	<u>ACET</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	7,172,494	-	157,863	7,330,357
Licenses and permits	91,982	-	-	91,982
Intergovernmental revenue	1,181,833	18,674	-	1,200,507
Charges for services	199,763	-	-	199,763
Fines and forfeitures	66,375	-	-	66,375
Investment earnings	25,157	1,313	3,106	29,576
Miscellaneous	71,425	11,640	7,950	91,015
Total Revenues	<u>8,809,029</u>	<u>31,627</u>	<u>168,919</u>	<u>9,009,575</u>
Expenditures:				
Current				
General government	1,481,269	-	2,962	1,484,231
Judicial	59,245	-	-	59,245
Public safety	3,355,491	34,161	-	3,389,652
Road and bridge	2,012,658	-	-	2,012,658
Community development	90,911	-	-	90,911
Parks and recreation	1,409,485	-	-	1,409,485
Capital outlay	490,544	-	142,691	633,235
Total Expenditures	<u>8,899,603</u>	<u>34,161</u>	<u>145,653</u>	<u>9,079,417</u>
Excess (Deficiency) of Revenues Over Expenditures	(90,574)	(2,534)	23,266	(69,842)
Fund Balances - Beginning	<u>4,804,992</u>	<u>217,113</u>	<u>429,206</u>	<u>5,451,311</u>
Fund Balances - Ending	<u>4,714,418</u>	<u>214,579</u>	<u>452,472</u>	<u>5,381,469</u>

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

City of Craig, Colorado
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended December 31, 2016

Net Change in Fund Balances of Governmental Funds (69,842)

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

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is the
amount by which capital outlay exceeded depreciation during the year.

Capital outlay	633,647	
Depreciation expense	<u>(1,147,727)</u>	(514,080)

Changes in accrued compensated absences are considered changes
in long-term liabilities. This is the change in compensated absences
during the year. 20,288

Donations of land affect the net position of governmental activities, but do not
affect current financial resources; therefore, are not recorded in the funds 231,000

Internal service fund is used by management for medical benefits.
The net income (loss) of certain activities of the internal service fund are
reported with governmental activities on the Statement of Activities. (483)

Change in Net Position of Governmental Activities (333,117)

City of Craig, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2016

	Enterprise Funds			Total	Internal Service Fund
	Water Fund	Wastewater Fund	Sanitation Fund		
Assets:					
Current assets:					
Cash and cash equivalents	2,945,368	936,524	1,474,736	5,356,628	222,818
Receivables, net of allowance for uncollectibles	268,342	172,470	201,353	642,165	-
Inventory	315,435	31,145	-	346,580	-
Total current assets	<u>3,529,145</u>	<u>1,140,139</u>	<u>1,676,089</u>	<u>6,345,373</u>	<u>222,818</u>
Non-current assets:					
Non-depreciable capital assets	1,476,156	242,853	-	1,719,009	-
Depreciable capital assets, net	16,292,976	3,658,973	406,467	20,358,416	-
Total non-current assets	<u>17,769,132</u>	<u>3,901,826</u>	<u>406,467</u>	<u>22,077,425</u>	<u>-</u>
Total Assets	<u>21,298,277</u>	<u>5,041,965</u>	<u>2,082,556</u>	<u>28,422,798</u>	<u>222,818</u>
Liabilities:					
Current liabilities:					
Accounts payable	226,733	121,666	35,298	383,697	-
Accrued payroll	22,601	14,968	13,724	51,293	-
Accrued interest payable	36,777	-	-	36,777	-
Compensated absences	47,744	21,789	33,417	102,950	-
Notes payable - current	285,264	-	-	285,264	-
Total current liabilities	<u>619,119</u>	<u>158,423</u>	<u>82,439</u>	<u>859,981</u>	<u>-</u>
Long-term liabilities:					
Notes payable - non-current	3,296,996	-	-	3,296,996	-
Total Liabilities	<u>3,916,115</u>	<u>158,423</u>	<u>82,439</u>	<u>4,156,977</u>	<u>-</u>
Net Position:					
Net invested in capital assets	14,186,872	3,901,826	406,467	18,495,165	-
Unrestricted	3,195,290	981,716	1,593,650	5,770,656	222,818
Total Net Position	<u>17,382,162</u>	<u>4,883,542</u>	<u>2,000,117</u>	<u>24,265,821</u>	<u>222,818</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(283,129)</u>	
Net Position of Business Type Activities				<u>23,982,692</u>	

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

City of Craig, Colorado
Statement of Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Enterprise Funds				Internal Service Fund
	Water Fund	Wastewater Fund	Sanitation Fund	Total	
Operating Revenues:					
Charges for services	3,094,544	1,650,673	1,422,284	6,167,501	2,065,717
Miscellaneous	84,274	15,622	2,835	102,731	-
Total Operating Revenues	<u>3,178,818</u>	<u>1,666,295</u>	<u>1,425,119</u>	<u>6,270,232</u>	<u>2,065,717</u>
Operating Expenses:					
Salaries	702,538	484,960	446,991	1,634,489	-
Employee benefits	353,523	226,706	219,882	800,111	71,596
Depreciation	563,008	205,112	125,533	893,653	-
Repairs and maintenance	708,814	127,815	45,109	881,738	-
Utilities	225,400	110,150	8,089	343,639	-
Landfill fees	-	-	328,637	328,637	-
Chemicals	128,293	13,731	-	142,024	-
Insurance and bonds	55,198	25,842	15,804	96,844	1,994,832
Supplies	43,628	24,496	102,380	170,504	-
Other purchased services	154,646	72,711	24,251	251,608	-
Total Operating Expenses	<u>2,935,048</u>	<u>1,291,523</u>	<u>1,316,676</u>	<u>5,543,247</u>	<u>2,066,428</u>
Operating Income (Loss)	<u>243,770</u>	<u>374,772</u>	<u>108,443</u>	<u>726,985</u>	<u>(711)</u>
Non-operating Revenues (Expenses):					
Investment earnings	18,173	6,280	9,240	33,693	36
Interest expense	(92,973)	-	-	(92,973)	-
Intergovernmental	1,870	-	7,726	9,596	-
Lease fees	(48,451)	-	-	(48,451)	-
Total Non-operating Revenues	<u>(121,381)</u>	<u>6,280</u>	<u>16,966</u>	<u>(98,135)</u>	<u>36</u>
Income (Loss) Before Contributions and Transfers	122,389	381,052	125,409	628,850	(675)
Capital Contributions (tap fees)	13,660	7,650	-	21,310	-
Change in Net Position	<u>136,049</u>	<u>388,702</u>	<u>125,409</u>	<u>650,160</u>	<u>(675)</u>
Total Net Position - Beginning	<u>17,246,113</u>	<u>4,494,840</u>	<u>1,874,708</u>	<u>23,615,661</u>	<u>223,493</u>
Total Net Position - Ending	<u><u>17,382,162</u></u>	<u><u>4,883,542</u></u>	<u><u>2,000,117</u></u>	<u><u>24,265,821</u></u>	<u><u>222,818</u></u>
Change in Net Position of Enterprise Funds				650,160	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(192)	
Change in Net Position of Business Type Activities				<u><u>649,968</u></u>	

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

City of Craig, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Enterprise Funds				Internal Service Fund
	Water Fund	Wastewater Fund	Sanitation Fund	Total	
Cash Flows From Operating Activities:					
Cash received from customers and others	3,074,541	1,622,492	1,373,404	6,070,437	2,065,717
Cash paid for goods and services	(1,182,561)	(340,926)	(513,295)	(2,036,782)	(2,066,429)
Cash paid to employees	(1,049,635)	(712,533)	(668,648)	(2,430,816)	-
Other cash receipts	84,274	15,622	2,835	102,731	-
Net Cash Provided (Used) by Operating Activities	<u>926,619</u>	<u>584,655</u>	<u>194,296</u>	<u>1,705,570</u>	<u>(712)</u>
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(425,609)	(701,184)	-	(1,126,792)	-
Capital grants and contributions	15,530	7,650	7,726	30,906	-
Principal paid on capital debt	(274,292)	-	-	(274,292)	-
Interest paid on capital debt	(96,336)	-	-	(96,336)	-
Lease fees	(48,451)	-	-	(48,451)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(829,158)</u>	<u>(693,534)</u>	<u>7,726</u>	<u>(1,514,965)</u>	<u>-</u>
Cash Flows From Investing Activities					
Interest on investments	18,173	6,280	9,240	33,693	36
Net Cash Provided (Used) by Investing Activities	<u>18,173</u>	<u>6,280</u>	<u>9,240</u>	<u>33,693</u>	<u>36</u>
Net Change in Cash and Cash Equivalents	115,634	(102,599)	211,262	224,297	(676)
Cash and Cash Equivalents - Beginning	2,829,734	1,039,123	1,263,474	5,132,331	223,494
Cash and Cash Equivalents - Ending	<u>2,945,368</u>	<u>936,524</u>	<u>1,474,736</u>	<u>5,356,628</u>	<u>222,818</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	243,770	374,772	108,443	726,985	(712)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	563,008	205,113	125,533	893,654	-
(Increase) decrease in accounts receivable	(20,003)	(28,182)	(48,880)	(97,065)	-
(Increase) decrease in inventories	40,949	(3,426)	-	37,523	-
Increase (decrease) in accounts payable	126,469	39,719	10,975	177,163	-
Increase (decrease) in retainage payable	(34,000)	(2,474)	-	(36,474)	-
Increase (decrease) in accrued payroll	(597)	2,450	(5,469)	(3,616)	-
Increase (decrease) in compensated absences	7,023	(3,317)	3,694	7,400	-
Total Adjustments	<u>682,849</u>	<u>209,883</u>	<u>85,853</u>	<u>978,585</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>926,619</u>	<u>584,655</u>	<u>194,296</u>	<u>1,705,570</u>	<u>(712)</u>

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

1. Component Unit

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

The Center of Craig

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

2. Joint Venture

Craig/Moffat County Airport Joint Operations

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

NOTES TO THE FINANCIAL STATEMENTS

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

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

1. Government-wide Financial Statements

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

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

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

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

2. Fund Financial Statements

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

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

2. Fund Financial Statements (continued)

The City reports the following governmental funds:

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

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

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

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

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

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

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

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

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

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

1. Long-term Economic Focus and Accrual Basis

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

2. Current Financial Focus and Modified Accrual Basis

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

3. Financial Statement Presentation

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

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

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents 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.

2. Investments

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. As of December 31, 2016, the City had an allowance of \$25,291 in business-type activities.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Property Taxes

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

5. Interfund Receivables and Payables

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

6. Inventory

Inventories are recorded at average cost.

7. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure	20 - 50 years
Buildings and improvements	10 - 50 years
Furniture and fixtures	10 years
Vehicles	4 - 8 years
Other equipment	5 - 10 years
Computer equipment	5 years

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Compensated Absences

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

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

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

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

9. Deferred Inflows of Resources

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

10. Fund Balance

The City classifies governmental fund balances as follows:

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

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

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

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

10. Fund Balance (continued)

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

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

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

11. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

As required by Colorado Statutes and the Home Rule Charter, the City followed the required timetable noted below in preparing, approving, and enacting its budget for 2016.

1. For the 2016 budget year, prior to August 25, 2015, the County Assessor sent to the City an assessed valuation of all taxable property within the City's boundaries.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

2. The Mayor, or other qualified person appointed by the Council, submitted to the Council, on or before October 15, 2015, a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the City's operating requirements.
3. Prior to December 15, 2015, a public hearing was held for the budget, the Council certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Council adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the City may make the following changes:
a) it may transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2015 were collected in 2016 and taxes certified in 2016 will be collected in 2017. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

B. TABOR Amendment

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

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

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The City has reserved \$270,287, which is the approximate required reserve at December 31, 2016.

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

The City's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the City's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the City's demand deposits was \$510,413 at year end. Petty cash totaled \$2,570.

The City's investment policy permits investments in the following type of obligations:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Local Government Investment Pools
- Money Market Mutual Funds
- Securities specifically approved by the City Council

At December 31, 2016, the City had the following investments measured at net asset value:

Investments Measured at Net Asset Value	Total
Colotruster	\$ 9,540,392
Csafe	178,165

At December 31, 2016, the City had the following investments:

Investment Pool	S&P Rating	Amount
Colotruster	AAAm	\$ 9,540,392
CSIP	AAAm	63
Csafe	AAAm	178,165
Total		\$ 9,718,620

The Investment Pool represents investments in COLOTRUST, C-SAFE, and CSIP. The fair value of the pool is determined by the pool's share price. The City has no regulatory oversight for the pool. At December 31, 2016, the City's investments in COLOTRUST and C-SAFE were 98% and 2% of the City's investment portfolio, respectively. Investment in CSIP was less than 1% of the investment portfolio.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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

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

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

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

Deposits and Investments	
Deposits	\$ 510,413
Cash on hand	2,570
Investment pools	9,718,620
	<u>\$ 10,231,603</u>
 Financial Statement Captions	
Cash and cash equivalents:	
Governmental activities	\$ 4,874,975
Business-type activities	5,356,628
	<u>\$ 10,231,603</u>

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

III. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,078,762	\$ 231,000	\$ -	\$ 1,309,762
Total capital assets, not being depreciated	<u>1,078,762</u>	<u>231,000</u>	<u>-</u>	<u>1,309,762</u>
Capital assets, being depreciated:				
Infrastructure	41,922,029	475,629	-	42,397,658
Buildings and improvements	3,767,571	73,370	-	3,840,941
Vehicles and equipment	6,501,985	84,648	(23,018)	6,563,615
Total capital assets being depreciated	<u>52,191,585</u>	<u>633,647</u>	<u>(23,018)</u>	<u>52,802,214</u>
Less accumulated depreciation for:				
Infrastructure	(33,075,280)	(109,529)	-	(33,184,809)
Buildings and improvements	(1,838,272)	(631,673)	-	(2,469,945)
Vehicles and equipment	(5,682,087)	(406,525)	23,018	(6,065,594)
Total accumulated depreciation	<u>(40,595,639)</u>	<u>(1,147,727)</u>	<u>23,018</u>	<u>(41,720,348)</u>
Total capital assets, being depreciated, net	<u>11,595,946</u>	<u>(514,080)</u>	<u>-</u>	<u>11,081,866</u>
Governmental activities capital assets, net	<u>\$ 12,674,708</u>	<u>\$ (283,080)</u>	<u>\$ -</u>	<u>\$ 12,391,628</u>

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City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	1,719,009	\$ -	\$ -	1,719,009
Total capital assets, not being depreciated	<u>1,719,009</u>	<u>-</u>	<u>-</u>	<u>1,719,009</u>
Capital assets, being depreciated:				
Infrastructure and buildings	36,338,908	1,126,793	(33,332)	37,432,369
Vehicles and equipment	4,479,388	-	-	4,479,388
Total capital assets being depreciated	<u>40,818,296</u>	<u>1,126,793</u>	<u>(33,332)</u>	<u>41,911,757</u>
Less accumulated depreciation for:				
Infrastructure and buildings	(17,026,716)	(659,335)	33,332	(17,652,720)
Vehicles and equipment	(3,666,304)	(234,317)	-	(3,900,621)
Total accumulated depreciation	<u>(20,693,020)</u>	<u>(893,652)</u>	<u>33,332</u>	<u>(21,553,341)</u>
Total capital assets, being depreciated, net	<u>20,125,276</u>	<u>233,141</u>	<u>-</u>	<u>20,358,416</u>
Business-type activities capital assets, net	<u>\$ 21,844,285</u>	<u>\$ 233,141</u>	<u>\$ -</u>	<u>\$ 22,077,425</u>

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

Governmental activities:

General government	\$ 371,533
Public safety	62,862
Road and bridge	477,306
Parks and recreation	236,026
Total depreciation expense - governmental activities	<u>\$ 1,147,727</u>

Business-type activities:

Water	\$ 563,007
Wastewater	205,112
Sanitation	125,533
Total depreciation expense - business-type activities	<u>\$ 893,652</u>

C. Interfund Receivables, Payables, and Transfers

Business-type activities owed governmental activities \$283,129 at December 31, 2016 as a result of internal service fund activity of the enterprise funds being consolidated into the governmental activities.

There were no transfers for the year ended December 31, 2016.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Liabilities

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

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

The 2006 note includes a covenant requiring certain levels of fund equity and ratios of operating income to debt service. Management believes it is in compliance with the loan covenant.

2. Debt Service Requirements

Year	CWRPDA Note 2006
2017	\$ 421,979
2018	419,070
2019	417,325
2020	421,604
2021	420,149
2022-2026	2,095,783
2027	416,918
Total	4,612,828
Less: interest	(1,030,568)
Bonds outstanding	<u>\$ 3,582,260</u>

3. Accrued Compensated Absences

Earned but unused vacation and sick benefits amounted to \$385,035 in governmental activities and \$102,950 in business-type activities at December 31, 2016.

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Liabilities (continued)

4. Schedule of Changes in Long-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 405,324	\$ -	\$ (20,289)	\$ 385,035	\$ -
Total Governmental Activities Long-term Liabilities	<u>\$ 405,324</u>	<u>\$ -</u>	<u>\$ (20,289)</u>	<u>\$ 385,035</u>	<u>\$ -</u>
Business-type Activities:					
CWRPDA - Note payable 2006	\$ 3,856,552	\$ -	\$ (274,292)	\$ 3,582,260	\$ 285,264
Compensated absences	95,550	7,400	-	102,950	-
Total Business-type Activities Long-term Liabilities	<u>\$ 3,952,102</u>	<u>\$ 7,400</u>	<u>\$ (274,292)</u>	<u>\$ 3,685,210</u>	<u>\$ 285,264</u>

V. Other Information

A. Pension Plans

1. Deferred Compensation Plan – Section 457

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

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

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

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

City of Craig, Colorado
Notes to the Financial Statements
December 31, 2016
(Continued)

V. Other Information (continued)

A. Pension Plans (continued)

2. Deferred Compensation Plan - Section 401(a)

The City participates in a defined contribution retirement plan covering all full-time employees. The plan is administrated by ICMA Retirement Corporation and the City has no fiduciary responsibility for the plan. The City contributes 12% of the compensation, and the employees contribute 6%. Plan contributions for the year ended December 31, 2016 were \$629,179 for the City and \$314,588 for the employees. The plan vests at a rate of 20% per year and is fully vested after five years. As of December 31, 2016, the plan had 58 employees fully vested and 21 non-vested employees. City Council has the authority to establish and amend the benefit terms and contributing rates. Unvested City contributions for employees who leave employment before five years are used to reduce the City's current period contribution requirement. Forfeitures totaled \$10,003 and the City's pension expense was \$602,305 during the year ended December 31, 2016.

B. Commitments and Contingencies

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

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

C. Risk Management

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

D. Intergovernmental Agreement

On October 21, 2014, the City entered into an agreement with the Colorado River Water Conservation District ("CRWCD"). The agreement specifies the allocation of expenses for the operation, maintenance, repair and replacement of Elkhead Reservoir. Recreation facility and management expenses at Elkhead Reservoir shall be allocated 50% to the City and 50% to CRWCD. All other operation, maintenance, repair and replacement costs shall be allocated 51.75% to the City and 48.25% to CRWCD. The City received reimbursement of 2016 operating expenses of \$36,325.

REQUIRED SUPPLEMENTARY INFORMATION

City of Craig, Colorado
Schedule of Revenues
Budget and Actual
General Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts For 2015)

	<u>2016</u>		Final Budget Variance Positive (Negative)	<u>2015</u>
	Original and Final Budget	Actual		Actual
Revenues:				
Taxes:				
General property taxes	1,254,640	1,255,426	786	1,290,822
Highway user taxes	292,500	308,215	15,715	312,815
Specific ownership taxes	84,000	99,246	15,246	96,591
Sales tax	4,867,000	5,004,915	137,915	4,920,063
Franchise tax	295,000	294,736	(264)	297,741
Severance tax	203,000	182,146	(20,854)	520,512
Interest and penalties	-	6,217	6,217	5,883
Cigarette tax	25,000	21,593	(3,407)	21,759
Total Taxes	<u>7,021,140</u>	<u>7,172,494</u>	<u>151,354</u>	<u>7,466,186</u>
Licenses and Permits:				
Building permits	26,000	80,298	54,298	40,385
Miscellaneous	8,700	11,684	2,984	9,601
Total Licenses and Permits	<u>34,700</u>	<u>91,982</u>	<u>57,282</u>	<u>49,986</u>
Intergovernmental:				
Motor vehicle tax	45,000	44,528	(472)	45,387
State grants	727,650	309,614	(418,036)	149,199
Mineral lease	280,000	637,846	357,846	574,849
State lottery	85,000	98,038	13,038	86,163
Public safety grants	101,320	91,807	(9,513)	99,642
Total Intergovernmental	<u>1,238,970</u>	<u>1,181,833</u>	<u>(57,137)</u>	<u>955,240</u>
Charges for Services:				
Recreation program fees	97,650	95,009	(2,641)	87,846
Swimming pool fees	112,050	103,583	(8,467)	108,218
Concessions	9,000	1,171	(7,829)	82,004
Total Charges for Services	<u>218,700</u>	<u>199,763</u>	<u>(18,937)</u>	<u>278,068</u>
Fines and Forfeitures	<u>40,500</u>	<u>66,375</u>	<u>25,875</u>	<u>43,128</u>
Investment Earnings	<u>6,100</u>	<u>25,157</u>	<u>19,057</u>	<u>6,865</u>
Miscellaneous:				
Rents and royalties	20,000	22,834	2,834	22,689
Miscellaneous	35,000	48,591	13,591	70,600
Total Miscellaneous	<u>55,000</u>	<u>71,425</u>	<u>16,425</u>	<u>93,289</u>
Total Revenues	<u>8,615,110</u>	<u>8,809,029</u>	<u>193,919</u>	<u>8,892,762</u>

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

City of Craig, Colorado
Schedule of Expenditures
Budget and Actual
General Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts For 2015)

	<u>2016</u>		Final Budget Variance Positive (Negative)	<u>2015</u>
	Original and Final Budget	Actual		Actual
Expenditures:				
General Government:				
City council	398,835	362,459	36,376	295,522
Administration	405,435	376,588	28,847	364,407
Engineering	63,210	51,308	11,902	75,568
Finances	306,080	296,292	9,788	302,678
Clerk and personnel	216,990	216,976	14	197,842
Building maintenance	88,720	77,820	10,900	74,619
City attorney	99,880	99,826	54	72,736
Total General Government	<u>1,579,150</u>	<u>1,481,269</u>	<u>97,881</u>	<u>1,383,372</u>
Judicial:				
Municipal	65,580	59,245	6,335	63,136
Total Judicial	<u>65,580</u>	<u>59,245</u>	<u>6,335</u>	<u>63,136</u>
Public Safety:				
Police	3,470,525	3,355,491	115,034	3,383,912
Total Public Safety	<u>3,470,525</u>	<u>3,355,491</u>	<u>115,034</u>	<u>3,383,912</u>
Road and bridge	<u>2,260,660</u>	<u>2,012,658</u>	<u>248,002</u>	<u>2,276,520</u>
Community Development	<u>94,825</u>	<u>90,911</u>	<u>3,914</u>	<u>172,263</u>
Parks and Recreation				
General operations	1,498,265	853,087	645,178	886,147
Pool complex	374,125	320,615	53,510	328,995
Center of Craig	30,675	23,733	6,942	22,427
Recreation programs	212,960	212,050	910	192,648
Total Parks and Recreation	<u>2,116,025</u>	<u>1,409,485</u>	<u>706,540</u>	<u>1,430,217</u>
Capital Outlay	<u>777,750</u>	<u>490,544</u>	<u>287,206</u>	<u>61,625</u>
Total Expenditures	<u>10,364,515</u>	<u>8,899,603</u>	<u>1,464,912</u>	<u>8,771,045</u>

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

City of Craig, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
ACET Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts For 2015)

	2016		Final Budget Variance Positive (Negative)	2015
	Original and Final Budget	Actual		Actual
Revenues:				
Grants	17,425	18,674	1,249	19,924
Miscellaneous	-	11,640	11,640	2,750
Investment earnings	-	1,313	1,313	327
Total Revenues	17,425	31,627	14,202	23,001
Expenditures:				
Public safety	69,970	34,161	35,809	32,322
Total Expenditures	69,970	34,161	35,809	32,322
Excess (Deficiency) of Revenues Over Expenditures	(52,545)	(2,534)	50,011	(9,321)
Fund Balances - Beginning		217,113		226,434
Fund Balances - Ending		214,579		217,113

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

SUPPLEMENTARY INFORMATION

City of Craig, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Capital Projects Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts For 2015)

	2016		Final Budget Variance Positive (Negative)	2015
	Original and Final Budget	Actual		Actual
Revenues:				
Property taxes	147,670	148,465	795	152,591
Specific ownership taxes	6,500	9,398	2,898	11,366
Investment earnings	500	3,106	2,606	944
Miscellaneous	188,905	7,950	(180,955)	-
Total Revenues	343,575	168,919	(174,656)	164,901
Expenditures:				
Treasurer's fees	3,000	2,962	38	3,045
Capital outlay	308,905	142,691	166,214	104,952
Total Expenditures	311,905	145,653	166,252	107,997
Excess (Deficiency) of Revenues Over Expenditures	31,670	23,266	(8,404)	56,904
Fund Balances - Beginning		429,206		372,302
Fund Balances - Ending		452,472		429,206

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

City of Craig, Colorado
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Water Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts For 2015)

	2016		Final Budget Variance Positive (Negative)	2015
	Original and Final Budget	Actual		Actual
Revenues:				
Charges for services	3,075,510	3,094,544	19,034	2,897,854
Meter sales	1,000	2,515	1,515	2,750
Tap fees	-	13,660	13,660	-
Investment earnings	3,000	18,173	15,173	4,970
Intergovernmental	-	1,870	1,870	10,850
Miscellaneous	45,000	81,759	36,759	53,315
Total Revenues	<u>3,124,510</u>	<u>3,212,521</u>	<u>88,011</u>	<u>2,969,739</u>
Expenditures:				
Salaries	734,140	702,538	31,602	677,290
Employee benefits	375,780	353,523	22,257	321,780
Repairs and maintenance	1,188,760	708,814	479,946	593,493
Utilities	213,300	225,400	(12,100)	213,423
Chemicals	145,000	128,293	16,707	113,798
Insurance and bonds	64,350	55,198	9,152	62,355
Supplies	65,150	43,628	21,522	39,883
Other purchased services	222,750	154,646	68,104	109,049
Capital outlay	120,000	182,539	(62,539)	271,518
Interest expense	96,340	92,973	3,367	100,951
Lease fees	48,500	48,451	49	48,451
Debt principal	274,300	274,293	7	268,807
Total Expenditures	<u>3,548,370</u>	<u>2,970,296</u>	<u>578,074</u>	<u>2,820,798</u>
Change in Net Position - Budget Basis	<u>(423,860)</u>	<u>242,225</u>	<u>666,085</u>	<u>148,941</u>
Reconciliation to GAAP Basis:				
Depreciation		(563,008)		(567,388)
Debt principal		274,293		268,807
Capital outlay		182,539		271,518
Change in Net Position - GAAP Basis		<u>136,049</u>		<u>121,878</u>
Net Position - Beginning		<u>17,246,113</u>		<u>17,124,235</u>
Net Position - Ending		<u>17,382,162</u>		<u>17,246,113</u>

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

City of Craig, Colorado
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Wastewater Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts For 2015)

	2016		Final Budget Variance Positive (Negative)	2015
	Original and Final Budget	Actual		Actual
Revenues:				
Charges for services	1,641,100	1,650,673	9,573	1,470,523
Tap fees	-	7,650	7,650	2,390
Investment earnings	1,600	6,280	4,680	1,927
Miscellaneous	9,000	15,622	6,622	7,049
Total Revenues	<u>1,651,700</u>	<u>1,680,225</u>	<u>28,525</u>	<u>1,481,889</u>
Expenditures:				
Salaries	477,800	484,960	(7,160)	472,244
Employee benefits	228,410	226,706	1,704	211,295
Repairs and maintenance	180,500	127,815	52,685	248,832
Utilities	149,800	110,150	39,650	135,368
Chemicals	27,000	13,731	13,269	13,924
Insurance and bonds	29,910	25,842	4,068	28,667
Supplies	35,500	24,496	11,004	26,440
Other purchased services	74,500	72,711	1,789	65,495
Capital outlay	620,000	686,184	(66,184)	383,665
Interest expense	-	-	-	211
Lease fees	-	-	-	4,099
Bad debt expense	-	-	-	35,291
Debt principal	-	-	-	74,904
Total Expenditures	<u>1,823,420</u>	<u>1,772,595</u>	<u>50,825</u>	<u>1,700,435</u>
Change in Net Position - Budget Basis	<u>(171,720)</u>	<u>(92,370)</u>	<u>79,350</u>	<u>(218,546)</u>
Reconciliation to GAAP Basis:				
Depreciation		(205,112)		(261,324)
Debt principal		-		74,904
Capital outlay		686,184		383,665
Gain (loss) on disposal of asset		-		9,200
Change in Net Position - GAAP Basis		<u>388,702</u>		<u>(12,101)</u>
Net Position - Beginning		<u>4,494,840</u>		<u>4,506,941</u>
Net Position - Ending		<u>4,883,542</u>		<u>4,494,840</u>

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

City of Craig, Colorado
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Sanitation Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts For 2015)

	2016		Final Budget Variance Positive (Negative)	2015
	Original and Final Budget	Actual		Actual
Revenues:				
Charges for services	1,284,600	1,422,284	137,684	1,387,063
Miscellaneous revenue	-	2,835	2,835	12,723
Intergovernmental	-	7,726	7,726	-
Interest income	350	9,240	8,890	2,137
Total Revenues	1,284,950	1,442,085	157,135	1,401,923
Expenditures:				
Salaries	434,100	446,991	(12,891)	432,263
Employee benefits	228,510	219,882	8,628	208,422
Repairs and maintenance	39,500	45,109	(5,609)	31,532
Utilities	8,000	8,089	(89)	5,797
Landfill fees	325,000	328,637	(3,637)	309,569
Insurance and bonds	20,800	15,804	4,996	17,295
Supplies	397,950	102,380	295,570	122,115
Other purchased services	46,150	24,251	21,899	26,314
Total Expenditures	1,500,010	1,191,143	308,867	1,153,307
Change in Net Position - Budget Basis	(215,060)	250,942	466,002	248,616
Reconciliation to GAAP Basis:				
Depreciation		(125,533)		(154,559)
Change in Net Position - GAAP Basis		125,409		94,057
Net Position - Beginning		1,874,708		1,780,651
Net Position - Ending		2,000,117		1,874,708

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

City of Craig, Colorado
Comparative Balance Sheets
Internal Services - Medical Benefit Fund
December 31, 2016 and 2015

	2016	2015
Assets:		
Cash and cash equivalents	222,818	223,493
Total Assets	222,818	223,493
Fund Equity:		
Unreserved	222,818	223,493
Total Fund Equity	222,818	223,493
Total Fund Balances	222,818	223,493

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

City of Craig, Colorado
Schedule of Revenues, Expenses, and Changes in Fund Equity
Budget and Actual
Internal Services - Medical Benefit Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts For 2015)

	<u>2016</u>		Final Budget Variance Positive (Negative)	<u>2015</u>
	Original and Final Budget	Actual		Actual
Operating Revenues:				
Charges for services	2,080,300	2,065,717	(14,583)	2,024,145
Total Operating Revenues	<u>2,080,300</u>	<u>2,065,717</u>	<u>(14,583)</u>	<u>2,024,145</u>
Operating Expenses:				
Insurance premiums	2,012,800	1,994,832	17,968	1,867,640
Claims incurred	65,000	65,779	(779)	79,817
Administrative fees	2,500	5,817	(3,317)	-
Total Operating Expenses	<u>2,080,300</u>	<u>2,066,428</u>	<u>13,872</u>	<u>1,947,457</u>
Operating Income (Loss)	<u>-</u>	<u>(711)</u>	<u>(711)</u>	<u>76,688</u>
Non-operating Revenues (Expenses):				
Investment earnings	-	36	36	38
Total Non-operating Revenues	<u>-</u>	<u>36</u>	<u>36</u>	<u>38</u>
Net Income (Loss)	<u>-</u>	<u>(675)</u>	<u>(675)</u>	<u>76,726</u>
Fund Equity - Beginning		<u>223,493</u>		<u>146,767</u>
Fund Equity - Ending		<u>222,818</u>		<u>223,493</u>

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

City of Craig, Colorado
Statement of Cash Flows
Internal Services - Medical Benefit Fund
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Cash received from users	2,065,717	2,024,145
Cash paid on claims	(65,779)	(79,817)
Cash paid for premiums and administration	(2,000,649)	(1,867,640)
Net Cash Provided (Used) by Operating Activities	<u>(711)</u>	<u>76,688</u>
 Cash Flows From Investing Activities:		
Interest received	36	38
Net Cash Provided (Used) by Investing Activities	<u>36</u>	<u>38</u>
 Net Change in Cash and Cash Equivalents	(675)	76,726
Cash and Cash Equivalents - Beginning	<u>223,493</u>	<u>146,767</u>
 Cash and Cash Equivalents - Ending	<u>222,818</u>	<u>223,493</u>
 Reconciliation of Operating Income (Loss) to		
Net Cash Provided by Operating Activities:		
Operating income (loss)	(711)	76,688
Net Cash Provided by Operating Activities	<u>(711)</u>	<u>76,688</u>

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

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

LOCAL HIGHWAY FINANCE REPORT	City or County: CITY OF CRAIG
	YEAR ENDING : December 2016

This Information From The Records Of (example - City of _ or County of _):	Prepared By: Phone:
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I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	555,056
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,828,462
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	28,062
2. General fund appropriations	1,806,322	b. Snow and ice removal	4,463
3. Other local imposts (from page 2)	256,246	c. Other	
4. Miscellaneous local receipts (from page 2)	732	d. Total (a. through c.)	32,525
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)	2,416,043
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	-	a. Interest	
7. Total (1 through 6)	2,063,300	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	-
C. Receipts from State government (from page 2)	352,743	2. Notes:	
D. Receipts from Federal Government (from page 2)	-	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,416,043	b. Redemption	
		c. Total (a. + b.)	-
		3. Total (1.c + 2.c)	-
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,416,043

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
		2,416,043	2,416,043		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2016

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	147,602	a. Interest on investments	732
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	108,644	g. Other Misc. Receipts	
6. Total (1. through 5.)	108,644	h. Other	
c. Total (a. + b.)	256,246	i. Total (a. through h.)	732
	(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	308215	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	44528	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.)	44528	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	352743	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		478,724	478,724
(4). System Enhancement & Operation		76,332	76,332
(5). Total Construction (1) + (2) + (3) + (4)	0	555,056	555,056
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	555,056	555,056
			(Carry forward to page 1)

Notes and Comments: