
**CITY OF CRIPPLE CREEK,
COLORADO**
*FINANCIAL STATEMENTS
DECEMBER 31, 2016*



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Independent Auditors' Report

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

Report On The Financial Statements

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

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City as of December 31, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The comparative fund financial statements, the budgetary comparison schedule for the Water and Sewer Fund and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative fund financial statements, the budgetary comparison schedule for the Water and Sewer Fund and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report On Comparative Information

We have previously audited the City's 2015 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated June 29, 2016. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RubinBrown LLP

July 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Cripple Creek (City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the calendar year ended December 31, 2016. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$42,040,453 (total net position) for the calendar year reported. This represents a decrease of \$710,682 or 1.7% over 2015. Much of the decrease was caused by depreciation expense recorded.
- Total net position are comprised of the following:
 - (1) Capital assets, net of related debt, of \$35,276,473 include property, equipment and infrastructure, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$2,350,281 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$4,413,159 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$5,663,203 this year. This compares to the prior year ending fund balance of \$5,564,562 showing an increase of \$68,641 during the current year. Unassigned fund balance of \$3,410,521 for calendar year 2016 shows a \$24,473 decrease.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$3,410,521, or 45% of total General Fund annual expenditures.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received, or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by sales taxes and device fees and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, culture and recreation, interest and streets. The business-type activity includes the water and sewer system.

The government-wide financial statements are presented on pages 4 & 5 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported. All of the City's funds are classified as major.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 6 - 9 of this report.

The *Proprietary fund* is reported in the fund financial statements and generally report services for which the City charges customers a fee. The one City proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for water and sewer utilities.

The basic enterprise fund financial statements are presented on pages 10 - 12 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 13 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget presentations. Budgetary comparison statements are included as "required supplementary information" for the General Fund and the major special revenue fund. Budgetary comparison schedules for the Enterprise Fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget. Required supplementary information can be found on pages 44 – 48, and other additional material on page 49 of this report.

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

Financial Analysis of the City as a Whole

The City's net position at calendar year-end is \$42,040,453. Note that governmental activities encompass the City's General and Historic Preservation Funds. The business activities encompass the City's Enterprise Fund, which are primarily water collection/distribution and water/wastewater treatment. The following table provides a summary of the City's net position:

Summary of Net Position

	Governmental Activities	Business Activities	Total	% of Total
Assets:				
Current assets	\$6,070,192	\$1,049,080	\$7,119,272	16.2%
Long-term assets	2,651	128,139	130,790	0.3%
Capital assets	16,334,882	20,322,499	36,657,381	83.5%
Total Assets	22,407,725	21,499,718	43,907,443	100%
Deferred Outflows of Resources				
Deferred pension outflow (Note 7)	254,069	-	254,069	
Liabilities:				
Current liabilities	444,238	163,068	607,306	30.6%
Long-term liabilities	220,906	1,159,199	1,380,105	69.4%
Total Liabilities	665,144	1,322,267	1,987,411	100%
Deferred Inflows of Revenues				
Property tax revenue	122,715		122,715	
Deferred pension inflow (Note 7)	10,933		10,933	
Net Position:	21,863,002	20,177,451	42,040,453	
Net investment in capital assets	16,133,043	19,143,430	35,276,473	83.9%
Restricted	2,222,682	128,139	2,350,821	5.6%
Unrestricted	3,507,277	905,882	4,413,159	10.5%
Total Net Position	\$21,863,002	\$20,177,451	\$42,040,453	100%

Additional Information:

<i>Current Ratio</i>	13.7	6.4	11.7
2015 Net Position	\$22,443,954	\$20,307,181	\$42,751,135
2016 Net Position	\$21,863,002	\$20,177,451	\$42,040,453
Dollar Change	\$(580,952)	\$(129,730)	\$(710,682)
Percent Change	-2.6%	-0.6%	-1.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

City of Cripple Creek, Colorado

The City continues to maintain an adequate current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 13.7 to 1 and 6.4 to 1 for business-type activities. For the City overall, the current ratio is 11.7 to 1. Governmental activities decreased primarily due to the reduction in investments. Business-type activities increased because of the significant decrease in current long-term liabilities.

The City reported a decreased balance in net position for the governmental activity and the business-type activities. Net position decreased \$580,952, or -2.6% for governmental activities. Governmental activities net position were down primarily because expenditures exceeded revenue. The business-type activities decreased by \$129,730, or .6% for the year. The City's overall financial position decreased by \$710,682, or -1.7%.

Note that approximately 76.3% of the governmental activities' net position are tied up in capital. The City uses these capital assets to provide services to its citizens. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. 87.2% of the City's total net position are included in capital assets. The following three tables provide more detailed comparisons in the change of net position from 2015 to 2016, by both governmental activities and business-type activities, as well as total net position.

Summary of Change in Net Position for Governmental Activities 2016 Compared to 2015

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 6,070,192	\$ 5,827,644	\$ 242,548	4.2%
Long-term assets	2,651	160,592	(157,941)	
Capital assets	<u>16,334,882</u>	<u>17,124,308</u>	<u>(789,426)</u>	-4.6%
Total Assets	22,407,725	23,112,544	(704,819)	-3.0%
Deferred Outflows of Resources				
Deferred pension outflow (Note 7)	254,069	73,180	180,889	
Liabilities:				
Current liabilities	444,238	304,234	140,004	46.0%
Long-term liabilities	<u>220,906</u>	<u>314,966</u>	<u>(94,060)</u>	-29.9%
Total Liabilities	665,144	619,200	45,944	7.4%
Deferred Inflows of Revenues				
Property tax revenue	122,715	119,262	3,453	2.9%
Deferred pension inflow (Note 7)	10,933	3,308	7,625	
Net Position	21,863,002	22,443,954	(580,952)	-2.6%
Net investment in capital assets	16,133,043	16,790,338	(657,295)	-3.9%
Restricted	2,222,682	2,129,568	93,114	4.4%
Unrestricted	<u>3,507,277</u>	<u>3,524,048</u>	<u>(16,771)</u>	-0.5%
Total Net Position	\$ 21,863,002	\$ 22,443,954	\$ (580,952)	-2.6%

Summary of Statement of Net Position for Business-type Activities 2016 Compared to 2015

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 1,049,080	\$ 749,419	\$ 299,661	40.0%
Long-term assets	128,139	124,522	3,617	2.9%
Capital assets	<u>20,322,499</u>	<u>20,748,425</u>	<u>(425,926)</u>	-2.1%
Total Assets	21,499,718	21,622,366	(122,648)	-0.6%
Liabilities:				
Current liabilities	163,068	119,454	43,614	36.5%
Long-term liabilities	<u>1,159,199</u>	<u>1,195,731</u>	<u>(36,532)</u>	-3.1%
Total Liabilities	1,322,267	1,315,185	7,082	0.5%
Net Position:	20,177,451	20,307,181	(129,730)	-0.6%
Net investment in				
capital assets	19,143,430	19,530,925	(387,495)	-2.0%
Restricted	128,139	128,139	128,139	16.7%
Unrestricted	<u>905,882</u>	<u>776,256</u>	<u>129,626</u>	16.7%
Total Net Position	<u>\$ 20,177,451</u>	<u>\$ 20,307,181</u>	<u>\$ (129,730)</u>	-0.6%

Summary of Statement of Total Net Position - 2016 Compared to 2015

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 7,119,272	\$ 6,577,063	\$542,209	8.2%
Long-term assets	130,790	285,114	(154,324)	-54.1%
Capital assets	<u>36,657,381</u>	<u>37,872,733</u>	<u>(1,215,352)</u>	-3.2%
Total Assets	43,907,443	44,734,910	(827,467)	-1.8%
Deferred Outflows of Resources				
Deferred pension outflow (Note 7)	254,069	73,180	180,889	
Liabilities:				
Current liabilities	607,306	423,688	183,618	43.3%
Long-term liabilities	<u>1,380,105</u>	<u>1,510,697</u>	<u>(130,592)</u>	-8.6%
Total Liabilities	1,987,411	1,934,385	53,026	2.7%
Deferred Inflows of Revenues				
Property tax revenue	122,715	119,262	3,453	2.9%
Deferred pension inflow (Note 7)	10,933	3,308	7,625	
Net Position:	42,040,453	42,751,135	(710,682)	-1.7%
Net investment in				
capital assets	35,276,473	36,321,263	(1,044,790)	-2.9%
Restricted	2,350,821	2,129,568		
Unrestricted	<u>4,413,159</u>	<u>4,300,304</u>	<u>112,855</u>	2.6%
Total Net Position	<u>\$ 42,040,453</u>	<u>\$ 42,751,135</u>	<u>\$(710,682)</u>	-1.7%

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

	Governmental Activities	Business-Type Activities	Total	Percent of Total
Revenues:				
<i>Program Revenues:</i>				
Charges for Service	\$ 831,748	\$ 1,145,155	\$ 1,976,903	18.6%
Grants, contributions, etc.	503,064	469,467	972,531	9.2%
Total Program Revenues	1,334,812	1,614,622	2,949,434	27.8%
<i>General Revenues:</i>				
Property Taxes	119,824		119,824	1.1%
Sales Taxes	576,368		576,368	5.4%
Gaming Taxes	2,416,281		2,416,281	22.8%
Other Taxes	103,498		103,498	1.0%
Device Fees	3,719,163	396,580	4,115,743	38.8%
Investment Earnings	28,576	3,460	32,036	0.3%
Miscellaneous	231,503	60,840	292,343	2.8%
Transfers	9,500	(9,500)	-	0.0%
Total General Revenues	7,204,713	451,380	7,656,093	72.2%
Total Revenues	8,539,525	2,066,002	10,605,527	100.0%
Expenses:				
General Government	3,771,476		3,771,476	32.4%
Public Safety	3,446,901		3,446,901	29.6%
Streets	1,038,722		1,038,722	8.9%
Culture and Recreation	1,185,727		1,185,727	10.2%
Interest	5,182		5,182	0.0%
Water and Sewer		2,195,732	2,195,732	18.9%
Total Expenses	9,448,008	2,195,732	11,643,740	100.0%
Change in Net Position	(580,952)	(129,730)	(710,682)	
Beginning Net Position	22,443,954	20,307,181	42,751,135	
Ending Net Position	\$ 21,863,002	\$ 20,177,451	\$ 42,040,453	

GOVERNMENTAL REVENUES

The City is heavily reliant on gaming industry to generate revenues. 43.6% of governmental general revenues are device fees. Device fees, the state gaming tax distribution to the general fund, and the distribution of gaming tax through the historic preservation fund make up 71.8% of all governmental activities revenue. The City levies device fees quarterly. However, beginning in July 2009 casinos are allowed to pay the fees monthly. Each casino pays a fee for each gaming device (slot machine, table, etc.). A current schedule of device fees may be obtained from the City's finance office 689-2502.

Although the City received \$119,824 in property taxes and \$576,368 in sales taxes, the gaming taxes, which are received annually from the State of Colorado, based on market share, make up 28.3% of governmental general revenues. Therefore, when you combine device fee revenue (43.6%) and gaming taxes (28.3%), the governmental revenues directly attributable to gaming is 72%. The City of Cripple Creek is very reliant on the gaming industry for its revenues. Three other sources of governmental revenues experienced the following changes for 2016: property taxes were up \$7,382, sales tax collections were up \$42,134 or 7.9%. Investment earnings were up \$10,906 or 130%, due to higher interest rates/returns.

GOVERNMENTAL FUNCTIONAL EXPENSES

Eighty seven percent of total governmental expenditures are spent on general government, public safety and streets, which is one percent less than in 2015. The streets expenses include the depreciation of infrastructure.

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

Government Activities Total Cost of Service - 2016 Compared to 2015

	Total Cost 2016	Total Cost 2015	Dollar Change	Percent Change
General government	3,771,476	3,784,173	(12,697)	-0.3%
Public Safety	3,446,901	3,288,578	158,323	4.8%
Streets	1,038,722	1,009,230	29,492	2.9%
Interest	5,182	7,358	(2,176)	
Culture & Recreation	1,185,727	1,047,994	137,733	13.1%
Total	\$ 9,448,008	\$ 9,137,333	\$310,675	3.4%

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

BUSINESS-TYPE ACTIVITIES
Revenues vs. Costs

The operating revenues for the water and sewer fund were up \$272,029, or 29% from 2015, due to additional water sales to Newmont Mining. Operating expenses were up \$30,002 or 1.4% more than 2015. These business-type activities reported a \$927,087 operating loss compared to an operating loss of \$1,169,114 for the prior year, a decrease of \$242,027 or 21%. Although operating losses are common in this fund, the user rates are not established to recover total cost since a portion of the device fees are included in this fund to offset the operating losses. The total net position decreased in calendar 2016 by \$129,730 versus a decrease of \$815,677 in calendar 2015. Personnel service costs (labor costs) decreased \$38,633 or 6.2% over 2015. Depreciation costs decreased approximately \$1,738 over calendar 2015.

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds (General and Historic Preservation Funds) are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$5,633,203. Of this year-end total, \$3,410,521, or 61% is unassigned indicating availability for continuing City service requirements. Legally restricted fund balances (i.e. the reserved fund balances) relates to the Tabor (Tax Payer Bill of Rights) requirement to set aside a portion of fund balance for emergencies, funds donated for a specific purpose and funds restricted for Historic Preservation totaled \$2,222,682. The total ending fund balances of governmental funds shows an increase of \$93,114 or 4.3% compared to the prior year.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance decreased by \$52,363, or 1.6%. Property taxes represent only 1.5% of total general fund revenues. Sales taxes increased 7.9% in 2016. Device fee revenue increased \$21,124, or half a percent for the year. Gaming taxes received by the general fund increased \$83,202, or approximately 5.5%. The increase was caused by a state-wide increase in gaming taxes paid, which the City receives a portion of based on market share between the three towns. Investment earnings were up \$10,726 or 127%, due to higher interest rates/returns.

In the General Fund, the expenditures side shows an increase of \$148,965 or 2% over the prior year. The General Fund's ending fund balance is considered adequate, representing the equivalent of 49% of annual expenditures. The figure was 50% for 2015.

The Historic Preservation Fund increased its fund balance by \$121,004 or 6.6%. Revenues increased \$53,840, or 5% compared to 2015, primarily due to an increase in the historic preservation gaming tax distribution. Expenses increased \$36,228, or 4.2%.

Budgetary Highlights

The following table highlights the 2016 adopted budget vs. the actual experience that was incurred during the year.

Budgetary Highlights by Fund

	2016 Adopted Budget	2016 Actual	Variance - Actual to Budget
General Fund:			
Revenues	9,019,553	7,403,404	(1,616,149)
Expenditures	9,750,309	7,565,267	(2,185,042)
Historic Preservation Fund:			
Revenues	1,029,949	1,127,452	97,503
Expenditures	1,088,035	906,448	(181,587)
Enterprise Fund:			
Revenues	2,020,728	2,066,002	45,274
Expenditures	2,054,524	1,808,307	(246,217)

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2016, was \$16,334,882 and \$17,124,308 respectively. The total decrease in this net investment was 4.6% for governmental and a decrease of 2.1% for business-type activities. See Note 4 for additional information about changes in capital assets during the calendar year and outstanding at the end of the year.

The following table provides a summary of capital asset activity.

Capital Assets

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Non-depreciable assets:						
Land	\$8,035,941	\$7,639,241	\$973,015	\$973,015	\$9,008,956	\$8,612,256
Construction in progress			641,734			-
Water rights			1,658,254	1,658,254	1,658,254	1,658,254
Total non-depreciable	8,035,941	7,639,241	3,273,003	2,631,269	10,667,210	10,270,510
Depreciable assets:						
Land improvements			12,271,155	12,271,155	12,271,155	12,271,155
Buildings	14,725,433	14,725,433			14,725,433	14,725,433
Equipment	2,339,089	2,289,501	1,511,648	1,511,648	3,850,737	3,801,149
Infrastructure and plants	23,684,750	23,535,845	17,631,207	17,631,208	41,315,957	41,167,053
Total Depreciable assets	40,749,272	40,550,779	31,414,010	31,414,011	72,163,282	71,964,790
Less accumulated depreciation	32,450,331	31,065,712	14,364,514	13,296,855	46,814,845	44,362,567
Book value - depreciable assets	8,298,941	9,485,067	17,049,496	18,117,156	25,348,437	27,602,223
Percentage depreciated	80%	77%	46%	42%	65%	62%
Book value - all assets	\$16,334,882	\$17,124,308	\$20,322,499	\$20,748,425	\$36,657,381	\$37,872,733
Change in \$	(789,426)		(425,926)		(1,215,352)	
Change in %	-4.6%		-2.1%		-3.2%	

At December 31, 2016, the depreciable capital assets for governmental activities were 80% depreciated. This compares to 77% at December 31, 2015. With the City's business type activities, 46% of the asset values were depreciated at December 31, 2016 compared to 42% at December 31, 2015. Overall, the City percentage of assets depreciated in both governmental and business activity is 65%.

Long-term Debt

The governmental activities long-term debt consists of capital leases and compensated absences due to employees for earned, but untaken vacation.

At the end of the calendar year in the water and sewer fund, the City had total bonded principal debt outstanding of \$1,179,000, which represents a decrease of 3.2% from 2015. The combined amount for both principal and interest is \$1,880,308, down \$105,167, or 5.3% from 2015. These bonds are supported by pledged revenues generated primarily by the water and sewer fund. This fund also reports notes payable and compensated absences payable.

Outstanding Borrowing

	Governmental		Business-type		Totals		%
	Activities		Activities				Change
	2016	2015	2016	2015	2016	2015	
Revenue Bonds	\$ -	\$ -	\$722,800	\$749,700	\$722,800	\$749,700	-3.6%
Capital Leases	201,839	333,970	-	-	201,839	333,970	-39.6%
Notes			456,200	467,800	456,200	467,800	-2.5%
Compensated absences	149,031	141,410	24,913	20,914	173,944	162,324	7.2%
Total	\$350,870	\$475,380	\$1,203,913	\$1,238,414	\$1,554,783	\$1,713,794	-9.3%

See Note 5 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

The City experienced an increase in its total revenues in 2016 – increasing by \$878,620, or 9%. Three very important areas of revenue experienced the following in 2016:

- 1). Device Fees. Device Fees were up approximately \$45K, or 1.1% due to the sale of a casino.
- 2). Gaming Taxes. Gaming taxes were up \$83,202, or 5.5% in the General Fund and \$33,376, or 4.2% in the Historic Preservation Fund.
- 3). Sales Tax. Sales tax was up \$42,134, or 7.9%, due to improving overall economic conditions.

These three sources combined for \$203,712 in more revenue for 2016. In addition, higher water sales to the Newmont mine contributed the vast majority of the increase in revenues in 2016.

Summary of Revenues and Expenditures

Total Revenues - All Funds

	2016	2015	Dollar Change	Percent Change
General Fund	\$ 7,403,404	\$7,293,113	\$110,291	1.5%
Historic Preservation Fund	1,127,452	1,073,612	53,840	5.0%
Enterprise Fund	2,066,002	1,351,513	714,489	52.9%
Total	<u>10,596,858</u>	<u>9,718,238</u>	<u>878,620</u>	<u>9.0%</u>

Total Expenditures - All Funds

	2016	2015	Dollar Change	Percent Change
General Fund	7,565,267	7,416,302	148,965	2.0%
Historic Preservation Fund	906,448	870,220	36,228	4.2%
Enterprise Fund	1,808,307	1,281,255	527,052	41.1%
Total	<u>10,280,022</u>	<u>9,567,777</u>	<u>712,245</u>	<u>7.4%</u>

Excess (Deficit) Revenues to Expenditures

	2016	2015	Dollar Change	Percent Change
General Fund	(161,863)	(123,189)	(38,674)	31.4%
Historic Preservation Fund	221,004	203,392	17,612	8.7%
Enterprise Fund	257,695	70,258	187,437	-266.8%
Total	<u>\$ 316,836</u>	<u>\$150,461</u>	<u>\$166,375</u>	<u>-110.6%</u>

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

On the expense side of the equation, the City increased total expenditures by \$712,245, or 7.4%, from 2015 to 2016. The General Fund, continued to outspend revenues – essentially using fund balance dollars (reserves) to cover operating expenses

In summary, the City had increases in both revenue and expense in 2016, compared to 2015. Over the past few years, the City has turned to grant funding to complete needed infrastructure projects and operate its Transit system. The long-term solutions to these financial issues are for the number of devices in town to increase or the fee per device raised. The fee charged per device has not increased in twenty-five plus years, even though the cost of operating the City increases each year. Gaming taxes distributed to the City’s General and Historic Preservation Funds have had increases, in recent years due to better overall gaming conditions and increases in Cripple Creek’s state market share. Market share between the three gaming towns, based on Adjusted Gross Proceeds, is the basis for the tax distribution

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's finance director at 719-689-2502.

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF NET POSITION

December 31, 2016

Assets And Deferred Outflows Of Resources

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Current Assets			
Cash and cash equivalents (Note 2)	\$ 811,197	\$ 338,555	\$ 1,149,752
Investments (Note 2)	4,772,715	371,384	5,144,099
Receivables:			
Accounts (Note 3)	363,565	339,141	702,706
Property taxes	122,715	—	122,715
Capital Assets (Note 4)			
Nondepreciable capital assets	8,035,941	3,273,003	11,308,944
Depreciable capital assets, net	8,298,941	17,049,496	25,348,437
Long-Term Assets			
Restricted investments (Note 2)	—	128,139	128,139
Net pension asset (Note 7)	2,651	—	2,651
Total Assets	22,407,725	21,499,718	43,907,443
Deferred Outflows Of Resources			
Deferred pension outflow (Note 7)	254,069	—	254,069

Liabilities, Deferred Inflows Of Resources And Net Position

Current Liabilities			
Accounts payable	274,515	87,384	361,899
Accrued expenses	39,759	4,570	44,329
Accrued interest	—	14,184	14,184
Unearned revenues	—	12,147	12,147
Compensated absences payable (Note 5)	29,806	4,183	33,989
Capital leases payable (Note 5)	100,155	—	100,155
Notes payable (Note 5)	—	12,100	12,100
Revenue bonds payable (Note 5)	—	28,500	28,500
Long-Term Liabilities (Note 5)			
Capital leases payable	101,684	—	101,684
Compensated absences payable	119,225	20,730	139,955
Notes payable	—	444,100	444,100
Revenue bonds payable	—	694,369	694,369
Total Liabilities	665,144	1,322,267	1,987,411
Deferred Inflows Of Resources			
Property tax revenue	122,715	—	122,715
Deferred pension inflow (Note 7)	10,933	—	10,933
Net Position			
Net investment in capital assets (Note 9)	16,133,043	19,143,430	35,276,473
Restricted for			
Emergencies (Note 12)	208,500	—	208,500
Culture and recreation	63,610	—	63,610
Historic preservation	1,950,572	—	1,950,572
Debt service	—	128,139	128,139
Unrestricted	3,507,277	905,882	4,413,159
Total Net Position	\$ 21,863,002	\$ 20,177,451	\$ 42,040,453

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2016

Function/Program	Expenses	Program Revenues			Net Revenue (Expenses) And Changes In Net Position		
		Charges For Services And Sales	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General government	\$ 3,771,476	\$ 459,846	\$ 483,982	\$ 326,700	\$ (2,500,948)	\$ —	\$ (2,500,948)
Public safety	3,446,901	13,940	—	7,656	(3,425,305)	—	(3,425,305)
Streets	1,038,722	6,306	—	—	(1,032,416)	—	(1,032,416)
Culture and recreation	1,185,727	351,656	11,426	831	(821,814)	—	(821,814)
Interest	5,182	—	—	—	(5,182)	—	(5,182)
Total Governmental Activities	9,448,008	831,748	495,408	335,187	(7,785,665)	—	(7,785,665)
Business-Type Activities							
Water and sewer	2,195,732	1,145,155	—	469,467	—	(581,110)	(581,110)
Total - Primary Government	\$ 11,643,740	\$ 1,976,903	\$ 495,408	\$ 804,654	(7,785,665)	(581,110)	(8,366,775)
General Revenues							
Property taxes					119,824	—	119,824
Sales taxes					576,368	—	576,368
Gaming taxes					2,416,281	—	2,416,281
Other taxes					103,498	—	103,498
Device fees					3,719,163	396,580	4,115,743
Investment earnings					28,576	3,460	32,036
Miscellaneous					231,503	60,840	292,343
Transfers					9,500	(9,500)	—
Total General Revenues And Transfers					7,204,713	451,380	7,656,093
Changes in net position					(580,952)	(129,730)	(710,682)
Net Position, Beginning Of Year					22,443,954	20,307,181	42,751,135
Net Position, End Of Year					\$ 21,863,002	\$ 20,177,451	\$ 42,040,453

CITY OF CRIPPLE CREEK, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2016

	Assets		Total Governmental Funds
	General	Historic Preservation	
Cash and cash equivalents	\$ 564,690	\$ 246,507	\$ 811,197
Investments	3,070,737	1,701,978	4,772,715
Receivables:			
Accounts	348,007	15,558	363,565
Property taxes	122,715	—	122,715
Due from other funds	—	—	—
Total Assets	\$ 4,106,149	\$ 1,964,043	\$ 6,070,192

Liabilities, Deferred Inflows Of Resources And Fund Balance

Liabilities

Accounts payable	\$ 262,300	\$ 12,215	\$ 274,515
Accrued expenditures	38,503	1,256	39,759
Total Liabilities	300,803	13,471	314,274

Deferred Inflows Of Resources

Property tax revenue	122,715	—	122,715
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Fund Balance

Restricted (Note 9)	272,110	1,950,572	2,222,682
Unassigned	3,410,521	—	3,410,521
Total Fund Balance	3,682,631	1,950,572	5,633,203

**Total Liabilities, Deferred Inflows Of
Resources And Fund Balance**

	\$ 4,106,149	\$ 1,964,043	\$ 6,070,192
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CITY OF CRIPPLE CREEK, COLORADO

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

December 31, 2016

Total Governmental Fund Balances		\$ 5,633,203
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Nondepreciable capital assets		8,035,941
Depreciable capital assets	\$ 40,749,272	
Less: Accumulated depreciation	<u>(32,450,331)</u>	8,298,941
Pension plan accounts, such as deferred inflows/outflows and net pension liability, are not receivable or payable in the current period and, therefore, are not reported in the funds.		
Net pension asset		2,651
Deferred outflow of resources		254,069
Deferred inflow of resources		(10,933)
Capital leases payable are not due and payable in the current period and, therefore, are not reported in the funds.		(201,839)
Compensated absences are not reported in the funds statements until due, but are reported in the statement of net position when the liability is incurred.		
Compensated absences		<u>(149,031)</u>
Net Position Of Governmental Activities		<u>\$ 21,863,002</u>

CITY OF CRIPPLE CREEK, COLORADO

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended December 31, 2016**

	General	Historic Preservation	Total Governmental Funds
Revenues			
Property taxes	\$ 119,824	\$ —	\$ 119,824
Sales taxes	576,368	—	576,368
Device fees	3,719,163	—	3,719,163
Gaming taxes	1,589,063	827,218	2,416,281
Other taxes	50,435	—	50,435
Intergovernmental	415,097	—	415,097
Licenses and permits	67,208	—	67,208
Charges for service	262,109	—	262,109
Fines and forfeitures	13,299	—	13,299
Investment earnings	19,315	9,261	28,576
Rental income	18,360	—	18,360
Operating grants, contributions and interest	120,521	8,926	129,447
Capital grants and contributions	831	—	831
Ticket and retail sales	662	267,987	268,649
Miscellaneous	431,149	14,060	445,209
Total Revenues	7,403,404	1,127,452	8,530,856
Expenditures			
General government	3,242,085	432,871	3,674,956
Public safety	3,048,223	—	3,048,223
Streets	245,335	—	245,335
Culture and recreation	622,150	473,577	1,095,727
Capital outlay	270,161	—	270,161
Debt service:			
Principal retirements	132,131	—	132,131
Interest payments	5,182	—	5,182
Total Expenditures	7,565,267	906,448	8,471,715
Other financing sources (uses):			
Transfers in (out)	109,500	(100,000)	9,500
Net changes in fund balance	(52,363)	121,004	68,641
Fund Balance, Beginning Of Year	3,734,994	1,829,568	5,564,562
Fund Balance, End Of Year	\$ 3,682,631	\$ 1,950,572	\$ 5,633,203

CITY OF CRIPPLE CREEK, COLORADO

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016**

Net Change In Fund Balances - Total Governmental Funds	\$	68,641
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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. For 2015, depreciation expense was significantly greater than the amount the City spent in capital outlay.</p>		
Depreciation expense	\$ (1,384,619)	
Capital outlay	<u>268,493</u>	(1,116,126)
<p>The net effect of various miscellaneous transactions involving capital assets is to increase net position. The details of these differences are as follows:</p>		
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not current financial resources.		326,700
Pension amounts do not use current financial resources and, therefore, are not reported in the governmental funds.		15,323
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.		132,131
<p>Compensated absences reported in the government-wide statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Liability at December 31, 2016	(149,031)	
Liability at December 31, 2015	<u>141,410</u>	
Changes in compensated absences		<u>(7,621)</u>
Change In Net Position Of Governmental Activities	\$	<u><u>(580,952)</u></u>

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF NET POSITION - WATER AND SEWER FUND

December 31, 2016

(With Comparative Actual Amounts

As Of December 31, 2015)

Assets

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 338,555	\$ 189,631
Investments	371,384	472,033
Accounts receivable	339,141	87,910
Total Current Assets	1,049,080	749,574
Noncurrent Assets		
Restricted assets:		
Investments	128,139	124,522
Capital assets:		
Nondepreciable capital assets	3,273,003	2,631,269
Depreciable capital assets, net	17,049,496	18,117,156
Total Noncurrent Assets	20,450,638	20,872,947
Total Assets	21,499,718	21,622,521

Liabilities And Net Position

Current Liabilities		
Accounts payable	87,384	49,200
Accrued wages	4,570	2,973
Accrued interest	14,184	14,553
Due to other funds	—	155
Unearned revenues	12,147	10,045
Compensated absences payable	4,183	4,183
Notes payable	12,100	11,600
Revenue bonds payable	28,500	26,900
Total Current Liabilities	163,068	119,609
Long-Term Liabilities		
Compensated absences payable	20,730	16,731
Notes payable	444,100	456,200
Revenue bonds payable	694,369	722,800
Total Long-Term Liabilities	1,159,199	1,195,731
Total Liabilities	1,322,267	1,315,340
Net Position		
Net investment in capital assets	19,143,430	19,530,925
Restricted	128,139	124,522
Unrestricted	905,882	651,734
Total Net Position	\$ 20,177,451	\$ 20,307,181

CITY OF CRIPPLE CREEK, COLORADO

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

For The Year Ended December 31, 2016

(With Comparative Actual Amounts

For The Year Ended December 31, 2015)

	2016	2015
Operating Revenues		
Water fees	\$ 979,540	\$ 707,190
Sewer fees	157,615	152,043
Tap fees	8,000	7,500
Miscellaneous	60,840	67,233
Total Operating Revenues	1,205,995	933,966
Operating Expenses		
Professional services	76,369	108,132
Supplies	30,717	28,589
Personnel services	579,728	618,361
Maintenance and repairs	137,625	110,931
Utilities and telephone	172,274	171,473
Depreciation	1,067,659	1,069,397
Other	68,710	(3,803)
Total Operating Expenses	2,133,082	2,103,080
Operating Loss	(927,087)	(1,169,114)
Nonoperating Revenues (Expenses)		
Interest and fiscal charges	(62,650)	(64,110)
Interest earnings	3,460	1,155
Grants	469,467	43,632
Device fees (security for debt)	396,580	372,760
Transfers out	(9,500)	—
Total Nonoperating Revenues	797,357	353,437
Changes in net position	(129,730)	(815,677)
Net Position, Beginning Of Year	20,307,181	21,122,858
Net Position, End Of Year	\$ 20,177,451	\$ 20,307,181

CITY OF CRIPPLE CREEK, COLORADO

STATEMENT OF CASH FLOWS - WATER AND SEWER FUND

For The Year Ended December 31, 2016

(With Comparative Actual Amounts

For The Year Ended December 31, 2015)

	2016	2015
Cash Flows From Operating Activities		
Cash received from customers	\$ 956,866	\$ 921,177
Cash payments to employees for personnel services	(574,132)	(615,288)
Cash payments for goods and services	(447,666)	(937,880)
Net Cash Used In Operating Activities	(64,932)	(631,991)
Cash Flows From Noncapital Financing Activities		
Device fees	396,580	372,760
Grants	469,467	43,632
Transfer to General Fund	(9,500)	—
Net Cash Provided By Noncapital Financing Activities	856,547	416,392
Cash Flows From Capital And Related Financing Activities		
Principal paid on revenue bonds	(26,831)	(25,400)
Principal paid on notes	(11,600)	(11,200)
Interest paid on capital financing	(63,019)	(64,798)
Payments for capital acquisitions	(641,732)	(146,834)
Net Cash Used In Capital And Related Financing Activities	(743,182)	(248,232)
Cash Flows From Investing Activities		
Proceeds from sale of investments	100,648	351,868
Investment earnings	3,460	1,155
Purchase of investments	(3,617)	(3,024)
Net Cash Provided By Investing Activities	100,491	349,999
Net Increase (Decrease) In Cash And Cash Equivalents	148,924	(113,832)
Cash And Equivalents, Beginning Of Year	189,631	303,463
Cash And Equivalents, End Of Year	\$ 338,555	\$ 189,631
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (927,087)	\$ (1,169,114)
Adjustments		
Depreciation	1,067,659	1,069,397
(Increase) decrease in assets:		
Accounts receivable	(251,231)	(14,292)
Increase (decrease) in liabilities:		
Accounts payable	38,029	(522,558)
Accrued wages	1,597	162
Unearned revenue	2,102	1,503
Compensated absences payable	3,999	2,911
Net Cash Used In Operating Activities	\$ (64,932)	\$ (631,991)

CITY OF CRIPPLE CREEK, COLORADO

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

1. Summary Of Significant Accounting Policies

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

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

Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. Based upon these criteria, the City is the total reporting entity, and no component units are included.

Basis Of Presentation

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

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

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

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

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.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns.

Fund Accounting - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may, or must, be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

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

Historic Preservation Fund - This fund is used to rebuild and promote the City and the community through the preservation and protection of the City's historic environment and its National Historic Landmark District status.

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary fund is classified as a major enterprise fund, consisting of the following:

Water and Sewer Fund - This fund provides water and sewer services to City residents.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Measurement Focus

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

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

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

Basis Of Accounting

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

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

Revenues - Nonexchange Transactions - Nonexchange transactions, in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, gaming taxes, device fees, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Property taxes are assessed in one year for the subsequent year’s budget. Therefore, at December 31, the City reports property taxes receivable and an equal amount of deferred inflows of resources. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized on the governmental funds balance sheet.

Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

Expenses/Expenditures

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

Cash, Cash Equivalents And Investments

For the purpose of presentation on the statement of cash flows, cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. Investments are stated at fair value based on quoted market prices.

Receivables

All trade, notes and property tax receivables are reported net of an allowance for uncollectables, where applicable.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on the property as of January 1 of the following year. Taxes are payable in full on April 30, or in two installments on February 28 and June 15. Liens are attached to the assessed property if taxes become delinquent.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position, but does not report these assets in the City fund financial statements. Capital assets used by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise fund statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of \$5,000.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

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

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

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

Deferred Outflows/Inflows Of Resources

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

Compensated Absences

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

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

Accrued Liabilities And Long-Term Obligations

In 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. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Loans and capital leases are recognized as a liability in the governmental fund financial statements when due.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Pensions

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

Fund Equity

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

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

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

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

Operating Revenues And Expenses

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

Contributions Of Capital

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

Interfund Activity

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

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Estimates

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

Comparative Data

The basic financial statements include certain prior-year partial comparative information in total, but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Stewardship, Compliance And Accountability

Budgetary Information - The City adopts an annual operating budget for the General Fund, each special revenue fund and the enterprise fund. The budget resolution reflects the total of each department's appropriation in each fund.

The governmental fund budgets are adopted on a basis consistent with GAAP. The budget for the enterprise fund is adopted on a non-GAAP, modified accrual budgetary basis.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the individual fund level. Any change in total to a fund appropriation requires approval of the City Council.

The Finance Director may approve budget transfers between departments and/or functions. During the year, the Finance Director approved minor budget revisions within each department. All unexpended annual appropriations lapse at year end.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

2. Cash And Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) of 1989 requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

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, 2016, the City's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with PDPA. The City does not have a deposit policy for custodial credit risk beyond Colorado State Statute requirements.

At December 31, 2016, the City's cash on hand and deposits had the following book and bank balances:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty cash	\$ 112	\$ —
Insured deposits	1,342,000	1,342,000
Collateralized	1,496,695	1,857,249
Total Deposits	\$ 2,838,807	\$ 3,199,249

Restricted Investments

The Water and Sewer Fund (an enterprise fund) is required to establish a "Bond Reserve Account," related to the 1992 revenue bonds, restricted for the payment of the bonds and related interest. Annual payments of \$6,992 for a total of 10 years are to be contributed to the account until such time the account is fully funded in the amount of \$69,992. As of December 31, 2016, the Bond Reserve Account held a balance of \$74,151 to meet the requirement. The difference between the requirement and the actual amount is interest earned on the account. The City holds the investment in a Colorado Government Liquid Asset Trust (COLOTRUST or the Trust) account.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

The 1997 promissory note requires a reserve fund be established to pay for principal and interest if the City does not make the loan payments. The requirements of the reserve are approximately 1/12 of the annual principal and interest payments. As of December 31, 2016, the enterprise fund reserved \$53,988 to meet the requirement. The City holds the investment in a COLOTRUST account.

Investments

Colorado State Statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include the following:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

As of December 31, 2016, the City's investments had the following maturities:

Investment Type For City	Fair Value	Up To 120 Days	121 Days To 5 Years	Credit Rating
Certificates of deposit	\$ 748,000	\$ —	\$ 748,000	AA- to AA+
COLOTRUST	4,524,238	4,524,238	—	AAAm
Total Investments Controlled By The City	\$ 5,272,238	\$ 4,524,238	\$ 748,000	

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

The City invested \$4,524,238 in COLOTRUST. The Trust is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities Commission administers and enforces all state statutes governing public investment pools. The investment is an external investment pool that reports at the fair value per share of the pool's underlying portfolio. The unit of account is each share held, and the value of the position is the fair value of the pool's share price multiplied by the number of shares held. For pricing and redeeming shares, COLOTRUST maintains a stable net asset value (NAV) of \$1 per share using the fair value method. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables and payables. All COLOTRUST investments are reported at NAV. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, which are both rated AAAM by Standard & Poor's. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Financial statements and information about the pool for COLOTRUST may be obtained through its website at www.colotrust.com. COLOTRUST may, without the necessity of a formal meeting of their Board, temporarily suspend the right of redemption or postpone the date of payment for redeemed shares under certain specific conditions described in their trust indenture, and during any financial emergency when it is not reasonably practicable because of substantial losses which might be incurred.

In addition, the City held seven certificates of deposit with several different institutions as of December 31, 2016, with an aggregate value of \$748,000. The certificates of deposit have varying ending dates to create a "laddered" investment. As of December 31, 2016, the City's certificates of deposit were not exposed to custodial credit risk, as all certificates of deposit were insured by the FDIC and collateralized in accordance with PDPA.

Investments other than COLOTRUST are assigned a hierarchy level based on asset type. Evaluations are made utilizing sources, frequencies and reliability of observable and unobservable inputs, as well as industry standard considerations when applicable. All investments classified as Level 1 are valued using closing market prices, as quoted in active markets. Investments classified as Level 2 are evaluated based on various market and industry inputs, including institutional bond quotes, market prices and independent market data analysis. The City did not hold any Level 3 investments as of December 31, 2016.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

The City had investments at the following fair value levels as of December 31, 2016:

	Total Amount	Fair Value Level		
		Level 1	Level 2	Level 3
Investments By Fair Value Level				
Certificates of deposit	\$ 748,000	\$ 748,000	\$ —	\$ —
Investments Measured At NAV				
COLOTRUST	4,524,238			
Total Investments Controlled By The City	\$ 5,272,238			

Total Cash, Cash Equivalents And Investments

Total cash and cash equivalents	\$ 1,149,752
Total investments and restricted investments	<u>5,272,238</u>
Total Cash, Cash Equivalents And Investments	<u>\$ 6,421,990</u>

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

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

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

Concentration Risk - The City has approximately 62% of its total investments with COLOTRUST. However, GASB Statement No. 40 and the City's investment policy do not recognize investments in external investment pools as being an exposure to concentration risk.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

3. Receivables

Receivables at December 31, 2016 consisted of taxes, fees and billings for user charges and other grant reimbursements outstanding. Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated, not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectability. Because the City determined all receivables to be collectible, no allowance for doubtful accounts is considered necessary at December 31, 2016.

4. Capital Assets

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

	Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016
Government Activities				
Capital assets not being depreciated:				
Land	\$ 7,639,241	\$ 396,700	\$ —	\$ 8,035,941
Other Capital Assets				
Buildings	14,725,433	—	—	14,725,433
Equipment	2,289,501	49,588	—	2,339,089
Roads	14,057,798	27,628	—	14,085,426
Storm sewers	2,334,281	—	—	2,334,281
Sidewalks, curbs and gutters	1,440,448	—	—	1,440,448
Intersections	737,362	—	—	737,362
Street lights	1,092,679	—	—	1,092,679
Bridges	377,594	—	—	377,594
Vehicles	2,846,324	84,887	—	2,931,211
Parks	590,016	36,390	—	626,406
Street signs	59,343	—	—	59,343
Total Other Capital Assets	40,550,779	198,493	—	40,749,272
Total Cost	48,190,020	595,193	—	48,785,213
Accumulated Depreciation				
Buildings	8,535,218	592,188	—	9,127,406
Equipment	1,962,399	85,106	—	2,047,505
Roads	13,715,248	236,629	—	13,951,877
Storm sewers	1,200,490	66,694	—	1,267,184
Sidewalks, curbs and gutters	1,071,126	72,022	—	1,143,148
Intersections	724,055	10,012	—	734,067
Street lights	858,820	51,318	—	910,138
Bridges	196,351	15,104	—	211,455
Vehicles	2,170,628	250,779	—	2,421,407
Parks	572,036	4,767	—	576,803
Street signs	59,341	—	—	59,341
Total Accumulated Depreciation	31,065,712	1,384,619	—	32,450,331
Governmental Activities				
Capital Assets, Net	\$ 17,124,308	\$ (789,426)	\$ —	\$ 16,334,882

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Governmental activities depreciation expenses were allocated as follows:

	<u>2016</u>
General government	\$ 87,231
Public safety	414,001
Streets	793,387
Culture and recreation	<u>90,000</u>
Total Governmental Activities Depreciation	<u><u>\$ 1,384,619</u></u>

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

	<u>Balance</u> <u>December 31,</u> <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u> <u>2016</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 973,015	\$ —	\$ —	\$ 973,015
Construction in progress	—	641,734	—	641,734
Water rights	1,658,254	—	—	1,658,254
Total Capital Assets Not Being Depreciated	<u>2,631,269</u>	<u>641,734</u>	<u>—</u>	<u>3,273,003</u>
Other Capital Assets				
Land improvements	12,271,155	—	—	12,271,155
Water system	12,784,678	—	—	12,784,678
Sewer system	2,382,547	—	—	2,382,547
Sewer plant	2,463,982	—	—	2,463,982
Equipment	1,511,648	—	—	1,511,648
Total Other Capital Assets	<u>31,414,010</u>	<u>—</u>	<u>—</u>	<u>31,414,010</u>
Total Capital Asset Cost	<u>34,045,279</u>	<u>641,734</u>	<u>—</u>	<u>34,687,013</u>
Accumulated Depreciation				
Land improvements	1,805,283	293,400	—	2,098,683
Water system	5,968,312	326,325	—	6,294,637
Sewer system	1,244,009	60,471	—	1,304,480
Sewer plant	794,931	37,510	—	832,441
Equipment	3,484,319	349,954	—	3,834,273
Total Accumulated Depreciation	<u>13,296,854</u>	<u>1,067,660</u>	<u>—</u>	<u>14,364,514</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,748,425</u>	<u>\$ (425,926)</u>	<u>\$ —</u>	<u>\$ 20,322,499</u>

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

5. Long-Term Debt

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

Business-Type Activities - USDA Note Payable

In 1997, the City signed a 40-year promissory note for \$508,000 at a 4.75% interest rate with the Department of Agriculture (USDA) for water-related improvements, primarily water meters. An additional \$92,000 was borrowed in 1998, increasing the loan to \$600,000. The note requires payments totaling approximately \$34,000 through 2038. The principal and interest amounts remaining to be paid at December 31, 2016 were as follows:

1997 Series USDA Bond			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 12,100	\$ 21,741	\$ 33,841
2018	12,600	21,153	33,753
2019	13,300	20,537	33,837
2020	14,000	19,892	33,892
2021	14,600	19,213	33,813
2022 - 2026	84,300	84,716	169,016
2027 - 2031	106,500	62,208	168,708
2032 - 2036	134,900	33,729	168,629
2037 - 2038	63,900	3,884	67,784
Total	\$ 456,200	\$ 287,073	\$ 743,273

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

Business-Type Activities - Water And Sewer Bonds

In 1992, the City issued a 1992 USDA Water Revenue Series Bond in the amount of \$1,086,000 at a 5.50% interest rate, requiring semi-annual payments of approximately \$70,000, with the final payment due 2032. Annual debt service requirements to amortize water and sewer bonds outstanding as of December 31, 2016 follow:

1992 Series USDA Bond			
Year	Principal	Interest	Total
2017	\$ 28,500	\$ 42,674	\$ 71,174
2018	30,200	40,991	71,191
2019	31,900	39,208	71,108
2020	33,800	37,325	71,125
2021	35,700	35,329	71,029
2022 - 2026	211,700	142,534	354,234
2027 - 2031	282,900	72,153	355,053
2032	68,169	4,021	72,190
Total	\$ 722,869	\$ 414,235	\$ 1,137,104

All notes and bond payments are collateralized by pledged gaming device fee revenues and general water distribution revenues. Over the years, the City has issued revenue bonds with pledged revenues as collateral. The revenue bonds have been issued as General Obligation (G.O.) Bonds. The bonds were issued to finance various construction projections within the enterprise fund, with the pledged revenue coming from device fees.

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

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

<u>Fiscal Year</u>	<u>Applicable Revenues</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2016	\$ 1,606,035	\$ 2,133,082	\$ (527,047)	\$ 38,431	\$ 62,650	(5.2)

Capital Leases - Governmental Activities

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

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

In June 2014, the City entered into a three-year capital lease for the purchase of a fire brush truck for the Public Works Department in the amount of \$100,800, requiring annual principal and interest payments of \$34,065. Interest accrues at a rate of 1.39%.

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements *(Continued)*

The principal and interest amounts remaining to be paid at December 31, 2016 were as follows:

Year	Principal	Interest	Total
2017	\$ 100,115	\$ 3,241	\$ 103,356
2018	101,723	1,633	103,356
Total	\$ 201,838	\$ 4,874	\$ 206,712

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

Capital assets	\$ 661,705
Less: Accumulated depreciation	432,947
Net Capitalized Lease Property	\$ 228,758

Changes In Long-Term Debt

Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2016:

Governmental Activities	Beginning December 31, 2015	Additions To Principal	Reductions To Principal	Ending December 31, 2016	Due In One Year
Capital lease	\$ 333,970	\$ —	\$ 132,131	\$ 201,839	\$ 100,155
Compensated absences	141,410	7,620	—	149,031	29,806
Total Governmental Activities	\$ 475,380	\$ 7,620	\$ 132,131	\$ 350,870	\$ 129,961

Business-Type Activities	Beginning December 31, 2015	Additions To Principal	Reductions To Principal	Ending December 31, 2016	Due In One Year
Water revenue bonds - 1992 (FmHA)	\$ 749,700	\$ —	\$ 26,831	\$ 722,869	\$ 28,500
USDA notes-1997 (USDA)	467,800	—	11,600	456,200	12,100
Compensated absences	20,914	3,999	—	24,913	4,183
Total Business-Type Activities	\$ 1,238,414	\$ 3,999	\$ 38,431	\$ 1,203,982	\$ 44,783

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

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

6. Defined Contribution Pension Plan

General Employees Retirement

City employees are covered under a 401(a) defined contribution plan maintained and administered through Colorado County Officials and Employees Retirement Association (CCOERA). The plan is established and amended under Colorado State Statute. Under the terms of the defined contribution plan, participants are required to contribute 8% of annual compensation with a matching amount from the City. Vesting begins immediately upon participation with 100% vesting occurring after 5 years of credited service or age 62, whichever is earlier. Defined contribution plans are not required to have actuarial valuations performed. The contributions made by the City totaled \$237,621, and the employees contributed the same amount in matching funds. In addition, employees can contribute additional funds into CCOERA's 457 plan.

Police Department Employees Retirement

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

7. FPPA Statewide Cost-Sharing Defined Benefit Pension Plan

SWDBP Plan Description

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

Contributions

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Members of SWDBP and their employers are contributing at the rate of 8.5% and 8%, respectively, of base salary for a total contribution rate of 16.5% in 2015. In 2014, the members elected to increase the member contribution rate to SWDBP beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8.0%, resulting in a combined contribution rate of 20% in 2022.

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

The contribution rate for members and employers of affiliated Social Security employers is 4.25% and 4%, respectively, of base salary for a total contribution rate of 8.25% through 2015. Per the 2014 member election, members of the affiliate Social Security group will have their required contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of base salary. Employer contributions will remain at 4%, resulting in a combined contribution rate of 10% in 2022.

Employer contributions are recognized by SWDBP in the period in which the compensation becomes payable to the member, and the City is statutorily committed to pay the contributions to SWDBP. Employer contributions recognized by SWDBP from the City were \$56,735 for the year ended December 31, 2016.

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

At December 31, 2016, the City reported a net pension asset of \$2,651 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension asset was determined by an actuarial valuation as of January 1, 2016. The City's proportion of the net pension asset was based on City contributions to SWDBP for the calendar year 2015 relative to the total contributions of participating employers.

At December 31, 2016, the City's portion was 0.1504%, which was an increase of 0.0081% from its portion measured as of December 31, 2015.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

For the year ended December 31, 2016, the City recognized pension expense of \$41,411. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>
Deferred Outflows Of Resources	
Changes of assumptions	\$ 41,646
Net difference between projected and actual earnings on pension plan investments	132,502
Changes in proportion and differences between contributions and proportionate share of contributions	1,743
Differences between actual and expected experience	21,443
Contributions subsequent to measurement date	56,735
<hr/>	
Total Deferred Outflows Of Resources	\$ 254,069
<hr/>	
Deferred Inflows Of Resources	
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 8,252
Differences between expected and actual experience	2,681
<hr/>	
Total Deferred Inflows Of Resources	\$ 10,933
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The amount of \$56,735 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For The Year Ended December 31,	
2017	\$ 39,604
2018	39,604
2019	39,604
2020	37,072
2021	5,846
Thereafter	24,671
<hr/>	
Total	\$ 186,401
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CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

Actuarial Assumptions

The actuarial valuations for SWDBP were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2015. The valuations used the following actuarial assumption and other inputs:

	<u>Total Pension Liability</u>	<u>Actuarially Determined Contributions</u>
Valuation date	January 1, 2016	January 1, 2015
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level % Payroll, Open	Level % Payroll, Open
Remaining amortization period	30 Years	30 Years
Actuarial assumptions:		
Investment rate of return*	7.5%	7.5%
Projected salary increases*	4.0% - 14.0%	4.0% - 14.0%
Cost of living adjustments	0.0%	0.0%
* Includes inflation at:	2.5%	3.0%

For determining the total pension liability, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB, is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB, are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

For determining the actuarially determined contributions, the RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, with a 40% multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, is used in the projection of post-retirement benefits.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

At least every five years, FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the actuary, based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes, such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate Of Return</u>
Global equity	37.00%	6.5%
Equity long/short	10.00%	4.7%
Illiquid alternatives	20.00%	8.0%
Fixed income	16.00%	1.5%
Absolute return	11.00%	4.1%
Managed futures	4.00%	3.0%
Cash	2.00%	0.0%
Total	100.00%	

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements *(Continued)*

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

Discount Rate

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

For the purpose of the valuation, the expected rate of return on pension plan investments is 7.50%, the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the “state and local bonds” rate from Federal Reserve statistical release (H.15)) and the resulting single discount rate is 7.50%.

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability (asset)	\$ 371,418	\$ (2,651)	\$ (312,929)

Pension Plan Fiduciary Net Position

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

8. Other Post-Employment Benefit Plan

FPPA Statewide Death And Disability Plan

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

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

Contributions - Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado Statute. The State made a one-time contribution in 1997 of \$39,000,000 to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further state contributions are anticipated. Members hired on or after January 1, 1997 contribute a percentage of the payroll based on actuarial experience. For 2016, this represented 2.0% for 2016, 2.0% for 2015 and 2.0% for 2014. The City contributed \$18,439, \$18,273 and \$16,368 to the Plan during 2016, 2015 and 2014, respectively.

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

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

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

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (Continued)

9. Net Position And Fund Balance

The net investment in capital assets on the government-wide statement of net position as of December 31, 2016 was computed as follows:

	Governmental Activities	Business- Type Activities
Net investment in capital assets:		
Cost of capital assets	\$ 48,785,213	\$ 34,687,013
Less: Accumulated depreciation	32,450,331	14,364,514
Book value	16,334,882	20,322,499
Less: Capital-related debt	201,839	1,179,069
Net Investment In Capital Assets	\$ 16,133,043	\$ 19,143,430

The table below delineates the City's December 31, 2016 ending fund balances for the governmental funds:

Fund Balances	General Fund	Historic Preservation Fund	Total
Restricted:			
Emergencies	\$ 208,500	\$ —	\$ 208,500
Parks and recreation	63,610	—	63,610
Historic preservation	—	1,950,572	1,950,572
Unassigned	3,410,521	—	3,410,521
Total Fund Balance	\$ 3,682,631	\$ 1,950,572	\$ 5,633,203

10. Risk Management

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

11. Contingent Liabilities

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

As of December 31, 2016, there were a number of pending claims and lawsuits involving the City. The outcome of these matters is currently unknown; however, the City's legal counsel has reviewed all such litigation and claims and is of the opinion that any outstanding claims not covered by insurance would not materially affect the City's financial position.

The City has entered into an agreement with Centura Health to provide health care services at the City's medical facility. In the event that the clinic has expenses greater than revenues, the City will fund 50% of the shortfall, up to \$125,000. This agreement extends through December 31, 2017.

12. Tax, Spending And Debt Limitations

Colorado voters passed an Amendment to the State Constitution, Article X, Section 20 (the Taxpayer Bill of Rights, otherwise known as TABOR), which has several limitations, including revenue raising, spending abilities and other specific requirements of the state and local governments. The City, through the election process, has exempted certain revenues, not including property tax revenue, from TABOR. TABOR is complex and subject to judicial interpretation. The City recorded \$208,500 for emergency reserves in the General Fund, which it believes maintains compliance with TABOR.

13. Economic Dependency

The City derives a large percentage of its revenues from gaming tax and device fees. The financial position of the City would be significantly different without those revenues.

CITY OF CRIPPLE CREEK, COLORADO

Notes To Basic Financial Statements (*Continued*)

14. Interfund Transactions

The Historic Preservation Fund made a transfer to the General Fund of \$100,000, which will not be paid back. The \$100,000 was used for marketing.

The Water and Sewer Fund made a transfer to the General Fund of \$9,500, which will not be paid back. The \$9,500 was used for City Council compensation.

15. Related Party Transactions

The Mayor of the City is employed by the local electrical firm, District Supply. The City contracts with District Supply on an as-needed basis for electrical work. In 2016, the City had expenses of \$1,266 with District Supply.

16. Tax Abatement

The City negotiates tax abatement agreements on an individual basis. The City had a tax abatement agreement with one taxpayer as of December 31, 2016, which was entered into before the reporting period, and ended as of July 1, 2016:

Purpose	Abatement		
	Type	Percentage	Dollar Amount
Retail store redevelopment and operation	Sales tax	50%	\$ 7,092

Each agreement was negotiated individually with the recipient under City Ordinance No. 2011-002, *Enhanced Sales Tax Incentive Program*, allowing the City to abate sales taxes for a variety of economic development purposes, including business relocation, retention and expansion. The abatements may be granted to any business located within or promising to relocate to the City’s geographic area or expand preexisting businesses in the City’s geographic area. Localities may grant abatements of up to 50% or a set maximum value of annual sales taxes through a refund of the business’ accumulated sales tax for the period. The ordinance does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities.

Required Supplementary Information
(Unaudited)

CITY OF CRIPPLE CREEK, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property tax	\$ 121,106	\$ 121,106	\$ 119,824	\$ (1,282)
Sales tax	600,000	600,000	576,368	(23,632)
Device fees	3,699,820	3,699,820	3,719,163	19,343
Gaming taxes	1,528,450	1,528,450	1,589,063	60,613
Other taxes	75,500	75,500	50,435	(25,065)
Intergovernmental	421,103	421,103	415,097	(6,006)
Licenses and permits	55,750	55,750	67,208	11,458
Charges for service	276,850	276,850	262,109	(14,741)
Fines and forfeitures	15,000	15,000	13,299	(1,701)
Investment earnings	8,000	8,000	19,315	11,315
Rental income	22,860	22,860	18,360	(4,500)
Operating grants, contributions and interest	162,550	162,550	120,521	(42,029)
Capital grants and contributions	—	—	831	831
Ticket and retail sales	800	800	662	(138)
Miscellaneous	1,961,764	1,961,764	431,149	(1,530,615)
Total Revenues	8,949,553	8,949,553	7,403,404	(1,546,149)
Expenditures				
General government	3,566,224	3,566,224	3,242,085	324,139
Public safety	2,865,512	2,865,512	3,048,223	(182,711)
Streets	256,684	256,684	245,335	11,349
Culture and recreation	684,468	684,468	622,150	62,318
Capital outlay	1,970,399	1,970,399	270,161	1,700,238
Debt service:				
Principal retirements	137,500	137,500	132,131	5,369
Interest and fiscal charges	—	—	5,182	(5,182)
Total Expenditures	9,480,787	9,480,787	7,565,267	1,915,520
Other Financing Sources/Uses				
Transfers in	100,000	100,000	109,500	9,500
Net Changes In Fund Balance	\$ (431,234)	\$ (431,234)	(52,363)	\$ 378,871
Fund Balance, Beginning Of Year			<u>3,734,994</u>	
Fund Balance, End Of Year			<u>\$ 3,682,631</u>	

See the accompanying independent auditors' report and notes to required supplementary information.

CITY OF CRIPPLE CREEK, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - HISTORIC PRESERVATION FUND
For The Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Gaming taxes	\$ 807,749	\$ 807,749	\$ 827,218	\$ 19,469
Investment earnings	2,500	2,500	9,261	6,761
Operating grants, contributions and interest	7,800	7,800	8,926	1,126
Ticket and retail sales	205,650	205,650	267,987	62,337
Miscellaneous	6,250	6,250	14,060	7,810
Total Revenues	1,029,949	1,029,949	1,127,452	97,503
Expenditures				
General government	468,828	468,828	432,871	35,957
Culture and recreation	507,719	507,719	473,577	34,142
Total Expenditures	976,547	976,547	906,448	70,099
Other Financing Uses				
Transfer out	(100,000)	(100,000)	(100,000)	—
Net Changes In Fund Balance	\$ (46,598)	\$ (46,598)	121,004	\$ 167,602
Fund Balance, Beginning Of Year			<u>1,829,568</u>	
Fund Balance, End Of Year			<u>\$ 1,950,572</u>	

CITY OF CRIPPLE CREEK, COLORADO

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION ASSET
For The Year Ended December 31, 2015 (Measurement Date)
Employee Pension Plan
Year Two ⁽¹⁾**

	<u>2015</u>		<u>2014</u>
City's portion of the net pension asset (liability)	0.1504%		0.1423%
City's proportionate share of the net pension asset (liability)	\$ 2,651	\$	160,592
City's covered-employee payroll	\$ 729,600	\$	710,738
City's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	0.36%		22.60%
Plan fiduciary net position as a percentage of the total pension asset	100.1%		106.80%

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

CITY OF CRIPPLE CREEK, COLORADO

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
TO THE PENSION PLAN
For The Year Ended December 31, 2016
Employee Pension Plan
Year Two⁽¹⁾**

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

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

CITY OF CRIPPLE CREEK, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

1. Budgetary Information

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

2. Expenditures/Expenses In Excess Of Appropriation

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

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

Supplementary Information

CITY OF CRIPPLE CREEK

COMPARATIVE BALANCE SHEET - GENERAL FUND December 31, 2016 And 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 564,690	\$ 511,304
Investments	3,070,737	3,079,379
Receivables:		
Accounts	348,007	272,338
Property taxes	122,715	119,262
Due from other funds	—	155
Total Assets	\$ 4,106,149	\$ 3,982,438
Liabilities, Deferred Inflows Of Resources And Fund Balance		
Liabilities		
Accounts payable	\$ 262,300	\$ 102,798
Accrued expenditures	38,503	25,384
Total Liabilities	300,803	128,182
Deferred Inflows Of Resources		
Property tax revenue	122,715	119,262
Fund Balance		
Restricted	272,110	300,000
Unassigned	3,410,521	3,434,994
Total Fund Balance	3,682,631	3,734,994
Total Liabilities, Deferred Inflows Of Resources And Fund Balance	\$ 4,106,149	\$ 3,982,438

CITY OF CRIPPLE CREEK

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND For The Years Ended December 31, 2016 And 2015

	2016	2015
Revenues		
Property tax	\$ 119,824	\$ 112,442
Sales tax	576,368	534,234
Device fees	3,719,163	3,698,039
Gaming taxes	1,589,063	1,505,861
Other taxes	50,435	70,936
Intergovernmental	415,097	314,013
Licenses and permits	67,208	89,979
Charges for service	262,109	280,693
Fines and forfeitures	13,299	18,562
Investment earnings	19,315	8,409
Rental income	18,360	22,755
Operating grants, contributions and interest	120,521	100,174
Capital grants and contributions	831	115
Ticket and retail sales	662	838
Miscellaneous	431,149	536,063
Total Revenues	7,403,404	7,293,113
Expenditures		
General government	3,242,085	3,239,752
Public safety	3,048,223	2,933,792
Streets	245,335	234,160
Culture and recreation	622,150	521,240
Capital outlay	270,161	349,887
Debt service:		
Principal retirements	132,131	130,113
Interest and fiscal charges	5,182	7,358
Total Expenditures	7,565,267	7,416,302
Deficiency Of Revenues Under Expenditures	(161,863)	(123,189)
Other Financing Sources		
Transfers in	109,500	100,000
Proceeds from sale of asset	—	17,793
Other Financing Sources	109,500	117,793
Net Changes In Fund Balance	(52,363)	(5,396)
Fund Balance, Beginning Of Year	3,734,994	3,740,390
Fund Balance, End Of Year	\$ 3,682,631	\$ 3,734,994

CITY OF CRIPPLE CREEK

COMPARATIVE BALANCE SHEET - HISTORIC PRESERVATION FUND December 31, 2016 And 2015

	Assets	
	2016	2015
Cash and cash equivalents	\$ 246,507	\$ 44,587
Investments	1,701,978	1,793,656
Receivables:		
Accounts	15,558	6,963
Total Assets	\$ 1,964,043	\$ 1,845,206
Liabilities And Fund Balance		
Liabilities		
Accounts payable	\$ 12,215	\$ 14,270
Accrued expenditures	1,256	1,368
Total Liabilities	13,471	15,638
Fund Balance		
Restricted	1,950,572	1,829,568
Total Liabilities And Fund Balance	\$ 1,964,043	\$ 1,845,206

CITY OF CRIPPLE CREEK

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - HISTORIC PRESERVATION FUND For The Years Ended December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Gaming taxes	\$ 827,218	\$ 793,842
Investment earnings	9,261	4,123
Operating grants, contributions and interest	8,926	8,511
Ticket and retail sales	267,987	247,626
Miscellaneous	14,060	19,510
Total Revenues	1,127,452	1,073,612
Expenditures		
General government	432,871	431,390
Culture and recreation	473,577	438,830
Total Expenditures	906,448	870,220
Excess Of Revenues Over Expenditures	221,004	203,392
Other Financing Uses		
Transfers out	(100,000)	(100,000)
Net Changes In Fund Balance	121,004	103,392
Fund Balance, Beginning Of Year	1,829,568	1,726,176
Fund Balance, End Of Year	\$ 1,950,572	\$ 1,829,568

CITY OF CRIPPLE CREEK

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - WATER AND SEWER FUND

**For The Year Ended December 31, 2016
(With Comparative Actual Amounts
For The Year Ended December 31, 2015)**

		Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2015 Actual
Revenues						
Charges for service	\$	800,201	\$ 800,201	\$ 1,137,155	\$ 336,954	\$ 859,233
Device fees (security for debt)		409,980	409,980	396,580	(13,400)	372,760
Reimbursements		78,078	78,078	—	(78,078)	—
Tap fees		3,000	3,000	8,000	5,000	7,500
Grants		628,870	628,870	469,467	(159,403)	43,632
Other income		—	—	60,840	60,840	67,233
Investment earnings		600	600	3,460	2,860	1,155
Transfers in		—	—	(9,500)	(9,500)	—
Total Revenues		1,920,729	1,920,729	2,066,002	145,273	1,351,513
Expenditures						
Professional services		87,050	87,050	76,369	10,681	108,132
Supplies		32,100	32,100	30,717	1,383	28,589
Personnel services		620,087	620,087	579,728	40,359	618,361
Maintenance and repairs		197,250	197,250	137,625	59,625	110,931
Utilities and telephone		163,000	163,000	172,274	(9,274)	171,473
Other/miscellaneous		61,735	61,735	68,710	(6,975)	(3,803)
Capital outlay		1,009,491	1,009,491	641,734	367,757	146,862
Debt service		66,567	66,567	101,081	(34,514)	100,710
Total Expenditures		2,237,280	2,237,280	1,808,238	429,042	1,281,255
Change In Net Position	\$	(316,551)	\$ (316,551)	257,764	\$ 574,315	70,258
Reconciliation To GAAP Basis						
Add:						
Capital outlay				641,734		146,862
Principal retirement				38,431		36,600
Deduct:						
Depreciation				(1,067,659)		(1,069,397)
Change in Net Position				(129,730)		(815,677)
Net Position, Beginning Of Year				20,307,181		21,122,858
Net Position, End Of Year				\$ 20,177,451		\$ 20,307,181

Special Reports Section

CITY OF CRIPPLE CREEK

LOCAL HIGHWAY FINANCE REPORT

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

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Cripple Creek
	YEAR ENDING: December 2016
This Information From The Records Of City of Cripple Creek:	Prepared By: Paul Harris, Finance Director Phone: (719)689-2502

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	97,628
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	94,620
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	1,324
2. General fund appropriations		b. Snow and ice removal	64,582
3. Other local imposts (from page 2)	706,529	c. Other	49,826
4. Miscellaneous local receipts (from page 2)	13,299	d. Total (a. through c.)	115,732
5. Transfers from toll facilities		4. General administration & miscellaneous	192,894
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	290,398
a. Bonds - Original Issues		6. Total (1 through 5)	791,272
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)	719,828	b. Redemption	
B. Private Contributions	0	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	74,178	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	794,006	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)	791,272

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
	120,000	794,006	791,272	122,734	0

Notes and Comments:

CITY OF CRIPPLE CREEK

LOCAL HIGHWAY FINANCE REPORT

LOCAL HIGHWAY FINANCE REPORT	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	118,527	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	13,299
1. Sales Taxes	576,368	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	11,634	g. Other Misc. Receipts	
6. Total (1. through 5.)	588,002	h. Other	
c. Total (a. + b.)	706,529	i. Total (a. through h.)	13,299
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	53,063	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	6,306	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	0	e. U.S. Corps of Engineers	
e. Other (Specify)	14,809	f. Other Federal	
f. Total (a. through e.)	21,115	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	74,178	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		78,278	78,278
b. Engineering Costs		19,350	19,350
c. Construction:			
(1). New Facilities		0	0
(2). Capacity Improvements		0	0
(3). System Preservation		0	0
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	97,628	97,628
			(Carry forward to page 1)

Notes and Comments: