

**CITY OF CRAIG**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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CERTIFIED  
PUBLIC  
ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Craig, Colorado, (City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages *iii* through *ix* and 28, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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.

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

*Ryski + Adams, LLC*

June 27, 2011

**CITY OF CRAIG**  
**Management's Discussion and Analysis (MD&A)**  
**DECEMBER 31, 2010**

**INTRODUCTION**

Our discussion and analysis of the CITY OF CRAIG financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2010. It should be read in conjunction with the City's financial statements, which follow this section.

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

**FINANCIAL HIGHLIGHTS**

- ❑ The City is able to continue maintain adequate fund reserves.
- ❑ Total net assets were \$44,410,997 at December 31, 2010.
- ❑ Despite falling revenues, the City has been able to maintain the same level of services.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements.**

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Financial Analysis of the City as a Whole**

As noted earlier, net assets may serve over time as a useful indicator a government's financial position. In the case of the City of Craig, assets exceeded liabilities by \$44,410,997 at the close of the most recent fiscal year.

#### **Net Assets**

By far the largest portion of the City's net assets (77.7%) reflect its investment in capital assets (e.g., land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets in reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

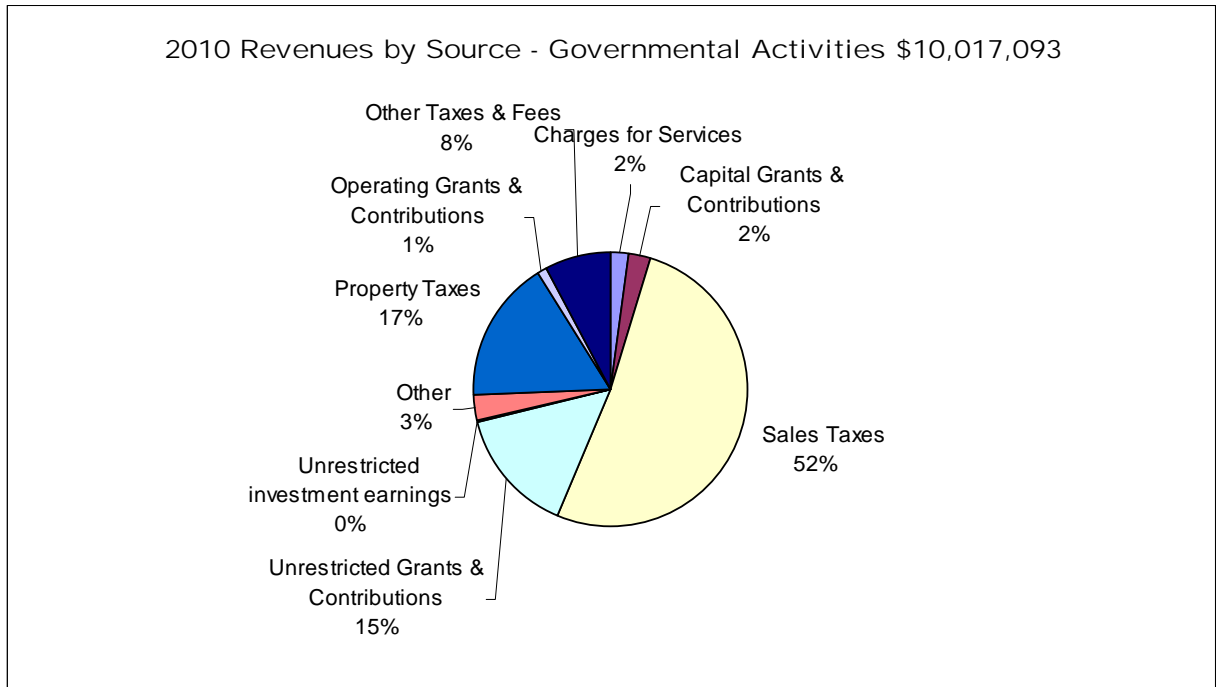
	Governmental Activities		Business-type Activities		Total		Total % Change
	2009	2010	2009	2010	2009	2010	
Current & other assets	9,320	10,600	3,357	3,236	12,677	13,836	9.15%
Capital assets	15,234	15,484	24,595	24,503	39,829	39,987	0.40%
<b>Total assets</b>	<b>24,554</b>	<b>26,084</b>	<b>27,952</b>	<b>27,739</b>	<b>52,506</b>	<b>53,823</b>	<b>2.51%</b>
Other liabilities	2,666	3,486	690	749	3,356	4,235	26.19%
Long-term liabilities	0	0	5,488	5,177	5,488	5,177	-5.67%
<b>Total Liabilities</b>	<b>2,666</b>	<b>3,486</b>	<b>6,178</b>	<b>5,926</b>	<b>8,844</b>	<b>9,412</b>	<b>6.42%</b>
<b>Net assets:</b>							
Invested in capital assets, net of related debt	15,234	15,484	18,807	19,014	34,041	34,498	1.34%
Restricted	296	278	0	0	296	278	-0.08%
Unrestricted	6,357	6,836	2,967	2,799	9,324	9,635	3.34%
<b>Total Net Assets</b>	<b>21,887</b>	<b>22,598</b>	<b>21,774</b>	<b>21,813</b>	<b>43,661</b>	<b>44,411</b>	<b>1.72%</b>

An additional portion of the City's net assets, only (.63%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$9,634,719 may be used to meet the City's ongoing obligations to its citizens and creditors.

**CHANGES IN NET ASSETS**

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

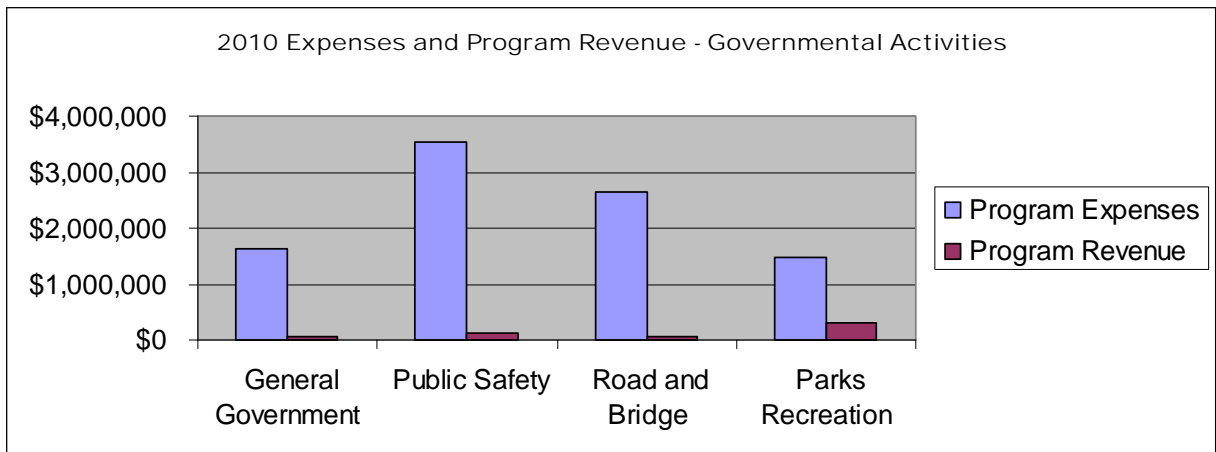
**Figure 2**



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



**Figure 3**



The City's governmental activities revenues only decreased by 2.8%. (See Figure 4.)

**Figure 4**  
**(in thousands)**

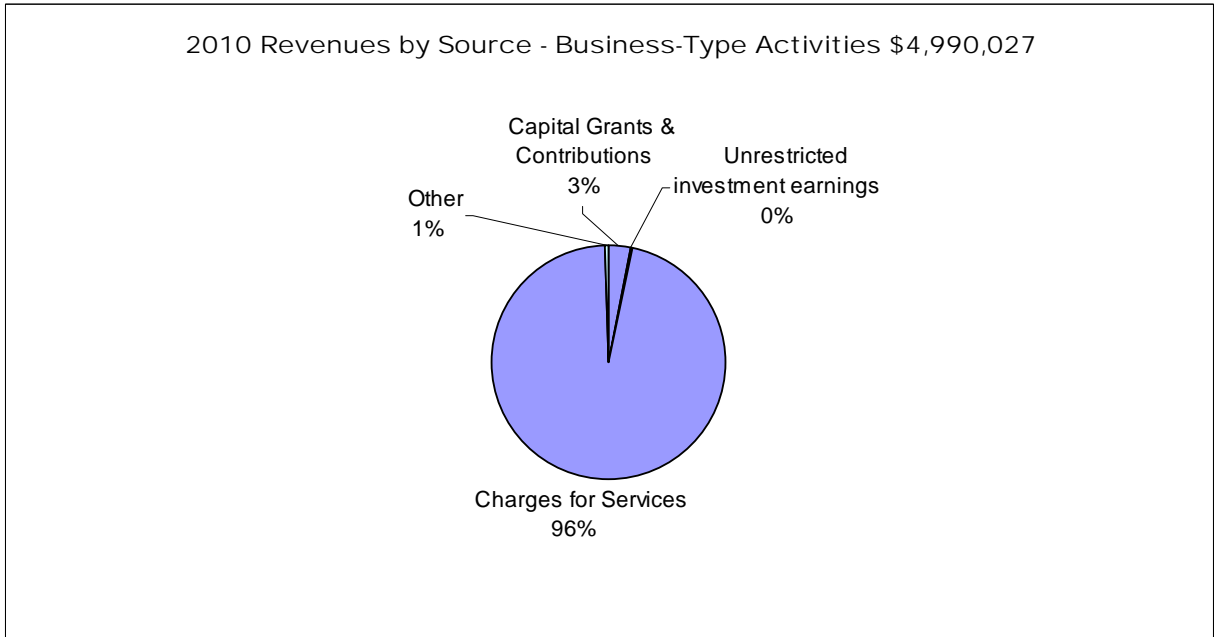
	Governmental Activities		Business-type Activities		Total		Total % Change
	2009	2010	2009	2010	2009	2010	
<b>Revenues</b>							
Program Revenues							
Charges for Services	210	225	4,830	4,851	5,040	5,076	0.71%
Operating Grants & Contributions	240	102	0	0	240	102	-57.50%
Capital Grants & Contributions	579	238	191	159	770	397	-48.44%
General Revenues							
Sales Taxes	4,764	5,198	0	0	4,764	5,198	9.11%
Property Taxes	1,385	1,692	0	0	1,385	1,692	22.17%
Other Taxes & Fees	737	777	0	0	737	777	5.43%
Unrestricted investment earnings	28	14	12	8	40	22	-45.00%
Other	2,494	1,771	-29	-27	2,465	1,744	-29.25%
<b>Total Revenues</b>	<b>10,437</b>	<b>10,017</b>	<b>5,004</b>	<b>4,991</b>	<b>15,441</b>	<b>15,008</b>	<b>-2.80%</b>
<b>Expenses</b>							
General Government	1,658	1,635	0	0	1,658	1,635	-1.39%
Public Safety	3,555	3,528	0	0	3,555	3,528	-0.76%
Road & Bridge	2,580	2,656	0	0	2,580	2,656	2.95%
Parks & Recreation	1,407	1,487	0	0	1,407	1,487	5.69%
Water	0	0	2,374	2,557	2,374	2,557	7.71%
Wastewater	0	0	1,254	1,268	1,254	1,268	1.12%
Solid Waste	0	0	1,262	1,126	1,262	1,126	-10.78%
<b>Total Expenses</b>	<b>9,200</b>	<b>9,306</b>	<b>4,890</b>	<b>4,951</b>	<b>14,090</b>	<b>14,257</b>	<b>1.19%</b>
Loss on Disposal of Capital Assets	4		8		12	0	
Increase in net assets	1,241	711	114	40	1,355	751	-44.58%
Net assets, Beginning	18,919	21,887	21,811	21,773	40,730	43,660	7.19%
<b>Net asset, Ending</b>	<b>20,160</b>	<b>22,598</b>	<b>21,925</b>	<b>21,813</b>	<b>42,085</b>	<b>44,411</b>	<b>5.53%</b>

The City's total revenues were \$15,007,120. Charges for services account for 33.8% of all revenues.

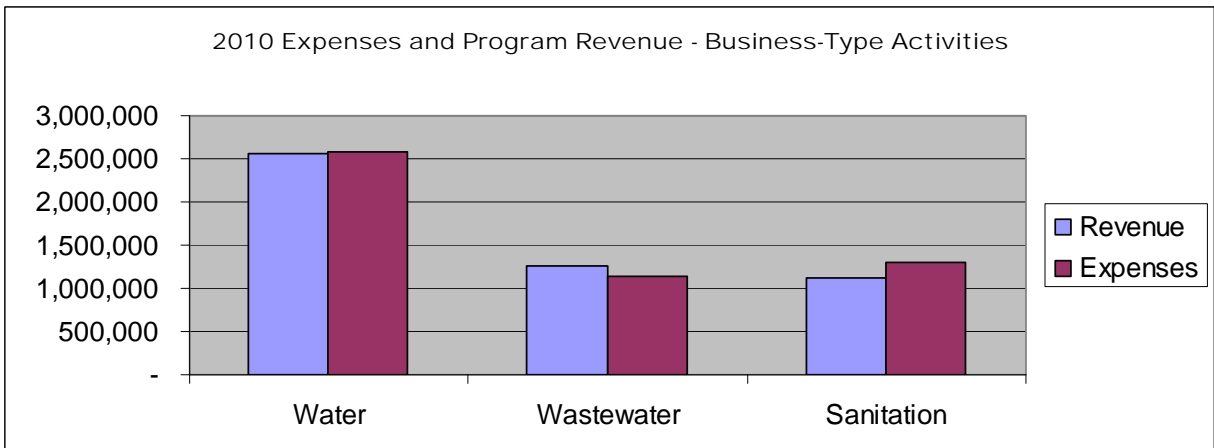
- **Governmental Activities.** Governmental activities increased the City's net assets by \$711,098, thereby accounting for only a slight increase in net assets.

**Business-type Activities.** Business-type activities increased the City's net assets by \$39,515, accounting for only a slight increase in net assets.

**Figure 5**



**Figure 6**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$3,751,630, while the total fund balance equaled \$5,634,994.

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

Net assets of the Water, Wastewater and Solid Waste Fund at the end of the year amount to \$15,994,017, \$4,366,449 and \$1,399,725, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's Business-type activities.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investments in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$39,986,103 (net of accumulated depreciation). The investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways and bridges.

**Figure 7**  
**Capital Assets**  
**(thousands)**

	Governmental		Business-type		Total		Total % Change
	Activities		Activities				
	2009	2010	2009	2010	2009	2010	
LAND	961	961	1,594	1,594	2,555	2,555	0.00%
BUILDINGS	2,996	3,471	33,414	33,529	36,410	37,000	1.62%
OTHER IMPROVEMENTS	40,264	40,695	2,104	2,116	42,368	42,811	1.05%
MACHINERY AND EQUIPMENT	5,458	5,663	3,520	4,103	8,978	9,766	8.78%
WORK IN PROGRESS	346	245	0	0	346	245	-29.19%
<b>TOTALS AT HISTORICAL COST</b>	<b>50,025</b>	<b>51,035</b>	<b>40,632</b>	<b>41,342</b>	<b>90,657</b>	<b>92,377</b>	<b>1.90%</b>
<b>TOTAL ACCUM. DEPRECIATION</b>	<b>34,791</b>	<b>35,551</b>	<b>16,177</b>	<b>16,839</b>	<b>50,968</b>	<b>52,390</b>	<b>2.79%</b>
<b>NET CAPITAL ASSETS</b>	<b>15,234</b>	<b>15,484</b>	<b>24,455</b>	<b>24,503</b>	<b>39,689</b>	<b>39,987</b>	<b>0.75%</b>

## BUDGETARY HIGHLIGHTS

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

### Long-Term Debt

The City has no outstanding General Obligation Bonds

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

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenue bonds	0	0	0	0	0	0
Note Payable Colorado Water	0	0	401,275	342,422	401,275	342,422
Note Payable Colorado Water	0	0	5,387,104	5,145,727	5,387,104	5,145,727
	0	0				
	0	0	5,788,379	5,488,149	5,788,379	5,488,149

**ECONOMIC FACTORS**

- The local economy continued to decline in 2010.
- The City and County sales tax collections decreased by about 8.8% or -\$404,306. But, this decrease was offset by \$838,264 in which the City received as a result of a state audit on a business.
- Building permits were almost non-existent.
- When budgeting for 2010 and 2011, the city took in consideration the slow down in the local economy thereby has been able to continue to provide the same level of services.

These and other factors were considered when the City prepared its 2011 budget.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

CITY OF CRAIG  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

	<u>Primary Government</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Current Assets</u>			
Cash and cash equivalents	\$ 118,980	\$ 655,160	\$ 774,140
Investments	7,411,173	1,671,823	9,082,996
Receivables:			
Accounts	1,393,889	480,098	1,873,987
Property taxes	1,729,110	0	1,729,110
Due from other funds	(52,792)	52,792	0
Inventory	0	376,964	376,964
Total current assets	<u>10,600,360</u>	<u>3,236,837</u>	<u>13,837,197</u>
<u>Long-Term Assets</u>			
<u>Capital assets</u>			
Non-depreciable capital assets	1,205,212	1,593,978	2,799,190
Depreciable capital assets, net	<u>14,278,265</u>	<u>22,908,648</u>	<u>37,186,913</u>
Total long-term assets	<u>15,483,477</u>	<u>24,502,626</u>	<u>39,986,103</u>
 Total assets	 <u>26,083,837</u>	 <u>27,739,463</u>	 <u>53,823,300</u>
<u>Liabilities and Net Assets</u>			
<u>Current liabilities</u>			
Accounts payable	109,730	200,274	310,004
Checks written in excess of cash balance	838,765	31,225	869,990
Claims payable	212,379	0	212,379
Accrued payroll	208,834	82,550	291,384
Accrued interest payable	0	56,360	56,360
Deposit	64,158	0	64,158
Unearned revenue	1,729,110	0	1,729,110
Notes payable – current	0	311,067	311,067
Compensated absences payable	322,847	67,922	390,769
 Long-term liabilities			
Notes payable – long term	<u>0</u>	<u>5,177,082</u>	<u>5,177,082</u>
 Total liabilities	 <u>3,485,823</u>	 <u>5,926,480</u>	 <u>9,412,303</u>
<u>Net Assets</u>			
Invested in capital assets net of related debt	15,483,477	19,014,477	34,497,954
Restricted	278,324	0	278,324
Unrestricted	<u>6,836,213</u>	<u>2,798,506</u>	<u>9,634,719</u>
 Total Net Assets	 <u>\$ 22,598,014</u>	 <u>\$ 21,812,983</u>	 <u>\$ 44,410,997</u>

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

**CITY OF CRAIG**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services, Sales and Fines</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Governmental Activities</u>							
General Government	\$ 1,634,689	\$ 26,939	\$ 0	\$ 42,470	\$ (1,565,280)	\$ 0	\$ (1,565,280)
Public safety	3,528,376	1,856	102,451	32,516	(3,391,553)	0	(3,391,553)
Road and bridge	2,656,088	5,540	0	50,681	(2,599,867)	0	(2,599,867)
Parks and recreation	<u>1,486,842</u>	<u>190,532</u>	<u>0</u>	<u>112,365</u>	<u>(1,183,945)</u>	<u>0</u>	<u>(1,183,945)</u>
Total governmental activities	<u>9,305,995</u>	<u>224,867</u>	<u>102,451</u>	<u>238,032</u>	<u>(8,740,645)</u>	<u>0</u>	<u>(8,740,645)</u>
<u>Business-Type Activities</u>							
Water	2,557,032	2,422,831	0	158,824	0	24,623	24,623
Wastewater	1,267,714	1,131,459	0	0	0	(136,255)	(136,255)
Sanitation	<u>1,125,766</u>	<u>1,296,413</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>170,647</u>	<u>170,647</u>
Total business-type activities	<u>4,950,512</u>	<u>4,850,703</u>	<u>0</u>	<u>158,824</u>	<u>0</u>	<u>59,015</u>	<u>59,015</u>
Total primary government	<u>\$ 14,256,507</u>	<u>\$ 5,075,570</u>	<u>\$ 102,451</u>	<u>\$ 396,856</u>	<u>(8,740,645)</u>	<u>59,015</u>	<u>(8,681,630)</u>
<u>General Revenues</u>							
Sales and use tax					5,197,586	0	5,197,586
Property taxes					1,692,342	0	1,692,342
Specific ownership tax					99,279	0	99,279
Franchise tax					304,493	0	304,493
Transportation tax					331,193	0	331,193
Other taxes					42,478	0	42,478
Investment earnings					13,728	7,442	21,170
Grants and contributions not restricted to specific programs					1,475,415	0	1,475,415
Miscellaneous					237,429	29,108	266,537
Gain on disposal of capital assets					0	1,750	1,750
Transfers					<u>57,800</u>	<u>(57,800)</u>	<u>0</u>
Total general revenues and transfers					<u>9,451,743</u>	<u>(19,500)</u>	<u>9,432,243</u>
Change in net assets					711,098	39,515	750,613
Net assets, beginning of year					<u>21,886,916</u>	<u>21,773,468</u>	<u>43,660,384</u>
Net assets, ending of year					<u>\$ 22,598,014</u>	<u>\$ 21,812,983</u>	<u>\$ 44,410,997</u>

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

CITY OF CRAIG  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2010

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 8,343	\$ 110,637	\$ 118,980
Investments	5,591,819	293,701	5,885,520
Receivables			
Accounts	1,203,162	11,551	1,214,713
Property taxes	<u>1,547,060</u>	<u>182,050</u>	<u>1,729,110</u>
Total Assets	<u>\$ 8,350,384</u>	<u>\$ 597,939</u>	<u>\$ 8,948,323</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts payable	\$ 95,295	\$ 14,435	\$ 109,730
Checks written in excess of cash balances	800,043	0	800,043
Accrued payroll	208,834	0	208,834
Deposits	64,158	0	64,158
Deferred Revenue	<u>1,547,060</u>	<u>182,050</u>	<u>1,729,110</u>
Total liabilities	<u>2,715,390</u>	<u>196,485</u>	<u>2,911,875</u>
<u>Fund Balances</u>			
Reserved for			
Tabor Amendment	278,324	0	278,324
Unreserved			
Designated for subsequent year's expenditures	1,605,040	18,800	1,623,840
Undesignated, reported in			
Special revenue funds	0	131,710	131,710
Capital projects fund	0	250,944	250,944
Undesignated	<u>3,751,630</u>	<u>0</u>	<u>3,751,630</u>
Total fund balances	<u>5,634,994</u>	<u>401,454</u>	<u>6,036,448</u>
Total Liabilities and Fund Balances	<u>\$ 8,350,384</u>	<u>\$ 597,939</u>	<u>\$ 8,948,323</u>

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



CITY OF CRAIG  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

Total Governmental Fund Balance		\$ 6,036,448
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$ 51,034,068	
Less accumulated depreciation	<u>(35,550,591)</u>	15,483,477
Liabilities, including compensated absences not due and payable in the current period, and therefore not reported in the funds.		
Compensated absences		(322,847)
Internal service fund is used by management for medical benefits. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets.		
		<u>1,400,936</u>
Net Assets of Governmental Activities		<u>\$ 22,598,014</u>

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

CITY OF CRAIG  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Taxes	\$ 7,477,825	\$ 189,546	\$ 7,667,371
Licenses and permits	70,311	0	70,311
Intergovernmental	1,714,544	101,354	1,815,898
Charges for services	198,539	26,328	224,867
Fines	64,026	0	64,026
Interest	9,345	924	10,269
Other	<u>95,579</u>	<u>7,513</u>	<u>103,092</u>
Total revenues	<u>9,630,169</u>	<u>325,665</u>	<u>9,955,834</u>
<u>Expenditures</u>			
<u>Current</u>			
General Government	1,193,576	33,043	1,226,619
Public Safety	3,167,633	159,930	3,327,563
Road and Bridge	1,864,870	0	1,864,870
Community development	248,838	0	248,838
Parks and recreation	1,308,655	0	1,308,655
Judicial	58,411	0	58,411
Capital outlay	<u>1,284,223</u>	<u>83,329</u>	<u>1,367,552</u>
Total expenditures	<u>9,126,206</u>	<u>276,302</u>	<u>9,402,508</u>
Excess of revenues over expenditures	<u>503,963</u>	<u>49,363</u>	<u>553,326</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	<u>57,800</u>	<u>0</u>	<u>57,800</u>
Total other financing sources (uses)	<u>57,800</u>	<u>0</u>	<u>57,800</u>
Net change in fund balances	561,763	49,363	611,126
Fund balances, beginning of year	<u>5,073,231</u>	<u>352,091</u>	<u>5,425,322</u>
Fund balances, end of year	<u>\$ 5,634,994</u>	<u>\$ 401,454</u>	<u>\$ 6,036,448</u>

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

CITY OF CRAIG  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

Net Change in Fund Balances – Governmental Funds \$ 611,126

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Depreciation expense	\$ (1,117,986)	
Capital outlay that was capitalized	<u>1,367,552</u>	249,566

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

Liability at 12/31/2010	(322,847)	
Liability at 12/31/2009	<u>346,388</u>	23,541

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

(173,135)

Change in Net Assets of Governmental Activities \$ 711,098

CITY OF CRAIG  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>	
<u>Assets</u>					
<u>Current assets</u>					
Cash and cash equivalents	\$ 619,030	\$ 0	\$ 36,130	\$ 655,160	\$ 0
Accounts receivable	195,972	116,069	168,057	480,098	179,176
Investments	220,294	911,977	539,552	1,671,823	1,525,653
Inventory	<u>354,555</u>	<u>22,409</u>	<u>0</u>	<u>376,964</u>	<u>0</u>
Total current assets	<u>1,389,851</u>	<u>1,050,455</u>	<u>743,739</u>	<u>3,184,045</u>	<u>1,704,829</u>
<u>Capital assets</u>					
<u>Non-depreciable</u>					
Land and improvements	1,476,156	117,822	0	1,593,978	0
<u>Depreciable</u>					
Buildings	26,720,745	6,675,669	132,740	33,529,154	0
Improvements	298,805	1,816,997	0	2,115,802	0
Furniture and equipment	<u>1,783,557</u>	<u>830,503</u>	<u>1,488,902</u>	<u>4,102,962</u>	<u>0</u>
Total capital assets	30,279,263	9,440,991	1,621,642	41,341,896	0
<u>Less accumulated depreciation</u>					
	<u>(10,281,273)</u>	<u>(5,662,717)</u>	<u>(895,280)</u>	<u>(16,839,270)</u>	<u>0</u>
Total capital assets	<u>19,997,990</u>	<u>3,778,274</u>	<u>726,362</u>	<u>24,502,626</u>	<u>0</u>
Total assets	<u>21,387,841</u>	<u>4,828,729</u>	<u>1,470,101</u>	<u>27,686,671</u>	<u>1,704,829</u>
<u>Liabilities and Fund Equity</u>					
<u>Current liabilities</u>					
Accounts payable	123,759	49,259	27,256	200,274	0
Checks written in excess of cash balance	0	31,225	0	31,225	38,722
Claims payable	0	0	0	0	212,379
Accrued payroll	36,531	22,604	23,415	82,550	0
Accrued interest payable	52,323	4,037	0	56,360	0
Accrued compensated absences	35,484	12,733	19,705	67,922	0
Notes payable – current	<u>246,863</u>	<u>64,204</u>	<u>0</u>	<u>311,067</u>	<u>0</u>
Total current liabilities	<u>494,960</u>	<u>184,062</u>	<u>70,376</u>	<u>749,398</u>	<u>251,101</u>
<u>Long-term liabilities</u>					
Notes payable, net of current portion	<u>4,898,864</u>	<u>278,218</u>	<u>0</u>	<u>5,177,082</u>	<u>0</u>
Total liabilities	<u>5,393,824</u>	<u>462,280</u>	<u>70,376</u>	<u>5,926,480</u>	<u>251,101</u>
<u>Fund equity</u>					
Invested in capital assets, net of related debt	14,852,263	3,435,852	726,362	19,014,477	0
Unrestricted	<u>1,141,754</u>	<u>930,597</u>	<u>673,363</u>	<u>2,745,714</u>	<u>1,453,728</u>
Total Fund Equity	<u>\$ 15,994,017</u>	<u>\$ 4,366,449</u>	<u>\$ 1,399,725</u>	21,760,191	<u>\$ 1,453,728</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>52,792</u>	
Net assets of business-type activities				<u>\$ 21,812,983</u>	

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

CITY OF CRAIG  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY  
DECEMBER 31, 2010

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>	
<u>Operating Revenues</u>					
Charges for services	\$ 2,422,831	\$ 1,131,459	\$ 1,296,413	\$ 4,850,703	\$ 1,141,420
Miscellaneous	<u>7,187</u>	<u>14,111</u>	<u>7,810</u>	<u>29,108</u>	<u>251,507</u>
Total operating revenues	<u>2,430,018</u>	<u>1,145,570</u>	<u>1,304,223</u>	<u>4,879,811</u>	<u>1,392,927</u>
<u>Operating Expenses</u>					
Salaries	713,368	458,355	433,195	1,604,918	0
Depreciation	549,565	268,725	90,549	908,839	0
Repairs and maintenance	339,577	104,062	12,936	456,575	0
Employee benefits	258,775	157,257	166,582	582,614	1,294,635
Utilities	217,889	139,205	5,808	362,902	0
Landfill fees	0	0	269,694	269,694	0
Chemicals	112,650	17,648	70	130,368	0
Insurance and bonds	51,803	32,382	14,842	99,027	339,799
Supplies	40,946	24,036	88,322	153,304	0
Information technology	794	90	90	974	0
Other purchased services	<u>64,783</u>	<u>28,002</u>	<u>26,988</u>	<u>119,773</u>	<u>0</u>
Total operating expenses	<u>2,350,150</u>	<u>1,229,762</u>	<u>1,109,076</u>	<u>4,688,988</u>	<u>1,634,434</u>
Net operating income (loss)	<u>79,868</u>	<u>(84,192)</u>	<u>195,147</u>	<u>190,823</u>	<u>(241,507)</u>
<u>Non-Operating Revenues (Expenses)</u>					
Interest income	1,178	2,029	4,235	7,442	3,459
Interest expense	(128,435)	(10,950)	0	(139,385)	0
Sale of assets	1,750	0	0	1,750	0
Intergovernmental	158,824	0	0	158,824	0
Lease fees	<u>(48,451)</u>	<u>(8,775)</u>	<u>0</u>	<u>(57,226)</u>	<u>0</u>
Total non-operating revenues	<u>(15,134)</u>	<u>(17,696)</u>	<u>4,235</u>	<u>(28,595)</u>	<u>3,459</u>
Operating transfers out	<u>(39,600)</u>	<u>(18,200)</u>	<u>0</u>	<u>(57,800)</u>	<u>0</u>
Changes in fund equity	25,134	(120,088)	199,382	104,428	(238,048)
Fund equity, beginning of year	<u>15,968,883</u>	<u>4,486,537</u>	<u>1,200,343</u>		<u>1,691,776</u>
Fund equity, end of year	<u>\$ 15,994,017</u>	<u>\$ 4,366,449</u>	<u>\$ 1,399,725</u>		<u>\$ 1,453,728</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(64,913)</u>	
Fund activities related to enterprise funds				<u>\$ 39,515</u>	

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

CITY OF CRAIG  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2010

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>	
<u>Cash Flows from Operating</u>					
<u>Activities</u>					
Cash received from customers	\$ 2,611,742	\$ 1,135,724	\$ 1,294,846	\$ 5,042,312	\$ 1,243,575
Cash paid to suppliers	(777,721)	(327,982)	(423,276)	(1,528,979)	(1,506,781)
Cash paid to employees	(906,175)	(610,762)	(590,484)	(2,107,421)	0
Net cash provided by (used for) operating activities	<u>927,846</u>	<u>196,980</u>	<u>281,086</u>	<u>1,405,912</u>	<u>(263,206)</u>
<u>Cash Flows from Capital and Related</u>					
<u>Financing Activities</u>					
Acquisition and construction of capital assets	(376,139)	(180,768)	(257,743)	(814,650)	0
Capital grants received	158,824	0	0	158,824	0
Principal paid on notes and bonds	(241,377)	(58,854)	0	(300,231)	0
Interest paid on notes and bonds	(182,801)	(11,850)	0	(194,651)	0
Lease fees	(48,451)	(8,775)	0	(57,226)	0
Net cash used in capital and related financing activities	<u>(689,944)</u>	<u>(260,247)</u>	<u>(257,743)</u>	<u>(1,207,934)</u>	<u>0</u>
<u>Cash Flows from Noncapital</u>					
<u>Financing Activities</u>					
Operating transfers out	(39,600)	(18,200)	0	(57,800)	0
<u>Cash Flows from Investing</u>					
<u>Activities</u>					
Purchase of investments	419,129	77,449	(1,295)	495,283	84,821
Interest received	1,178	2,029	4,235	7,442	3,459
Net cash provided by investing activities	<u>420,307</u>	<u>79,478</u>	<u>2,940</u>	<u>502,725</u>	<u>88,280</u>
Net increase (decrease) in cash and cash equivalents	618,609	(1,989)	26,283	642,903	(174,926)
Cash and cash equivalents, beginning of year	<u>421</u>	<u>1,989</u>	<u>9,847</u>	<u>12,257</u>	<u>174,926</u>
Cash and cash equivalents, end of year	<u>\$ 619,030</u>	<u>\$ 0</u>	<u>\$ 36,130</u>	<u>\$ 655,160</u>	<u>\$ 0</u>

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

CITY OF CRAIG  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (CONTINUED)  
DECEMBER 31, 2010

	<u>Enterprise Funds</u>			<u>Total</u>	<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>		
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Net operating income (loss)	\$ 79,868	\$ (84,192)	\$ 195,147	\$ 190,823	\$ (241,507)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities					
Depreciation	549,565	268,725	90,549	908,839	0
Changes in assets and liabilities					
(Increase) decrease in					
accounts receivable	181,724	(9,846)	(9,377)	162,501	(149,352)
Decrease in inventory	40,044	53	0	40,097	0
Increase in checks written in excess of cash balances	0	31,225	0	31,225	38,722
Increase (decrease) in					
accounts payable	10,677	(13,835)	(4,526)	(7,684)	88,931
Increase in accrued payroll	65,396	7,446	7,860	80,702	0
Increase in accrued vacation payable	<u>572</u>	<u>(2,596)</u>	<u>1,433</u>	<u>(591)</u>	<u>0</u>
Total adjustments	<u>847,978</u>	<u>281,172</u>	<u>85,939</u>	<u>1,215,089</u>	<u>(21,699)</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ 927,846</u>	<u>\$ 196,980</u>	<u>\$ 281,086</u>	<u>\$ 1,405,912</u>	<u>\$ (263,206)</u>

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Reporting Entity

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

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

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

The City reports one blended component unit.

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

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

Joint Ventures

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

Basis or Presentation

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



CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

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

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

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

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

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

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

Measurement Focus

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

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus (Continued)

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

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

Basis of Accounting

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

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

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

For the year ended December 31, 2010, 20% and 12% of the sales tax revenues were provided by two vendors.

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

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

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

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

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

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

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents, and Investments

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

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

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

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. At December 31, 2010, the City believes all receivable balances are collectible.

Inventory

Inventories are recorded at average cost.

Prepaid Items

Payments made to vendors for services that will benefit periods (e.g., insurance, rents) beyond December 31, 2010 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year which services are consumed.

Capital Assets

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

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

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

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

Compensated Absences

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

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that a portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

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

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

Estimates

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

Comparative Data

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 3 - CASH AND INVESTMENTS

Deposits and Investments

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

*Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. As of December 31, 2010, the City’s deposits were not exposed to credit risk, as all deposits were insured by the Federal Deposit Insurance Commission (FDIC) or collateralized in accordance with PDPA.

At December 31, 2010, the City’s cash deposits had the following book and bank balances:

	<u>Book</u>	<u>Bank</u>
Insured Deposits	\$ 771,570	\$ 129,289
Cash on hand	2,570	N/A
Sub-total - cash	774,140	<u>\$ 129,289</u>
Checks written in excess of cash balances	(869,990)	N/A
Total	<u>\$ (95,850)</u>	N/A

Effective July 21, 2010, the FDIC insurance limit permanently increased to \$250,000 per depositor.

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

COLOTRUST is rated AAA by Standard and Poor’s, Fitch and Moody’s. CSAFE is rated AAAM by Standard and Poor’s. Financial statements for COLOTRUST may be obtained at [www.colotrust.com](http://www.colotrust.com) and for CSAFE at [www.csafe.org](http://www.csafe.org).

Investment Pool

COLOTRUST	\$ 8,907,056
CSAFE	175,940
Total Investment Pools	<u>\$ 9,082,996</u>



CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

*Interest Rate Risk* – The policy limits investment maturities to five years. Management believes at December 31, 2010 it has no investments which subject the City to interest rate risk.

*Concentrations Risk* – The City has a policy that directs the diversification of investments assets held in cash and pooled investment to minimize the risk of loss resulting from over-concentration of assets in specific securities or institutions. The policy does not specify the specific limits. Management believes at December 31, 2010 it has no investments which subject the City to a concentration of credit risk.

Cash and Investment Reconciliation

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
	<u>Equivalents</u>		
Governmental funds	\$ 118,980	\$ 5,885,520	\$ 6,004,500
Proprietary funds	<u>655,160</u>	<u>3,197,476</u>	<u>3,852,636</u>
Total	<u>\$ 774,140</u>	<u>\$ 9,082,996</u>	<u>\$ 9,857,136</u>
Deposits			\$ 774,140
Investments			<u>9,082,996</u>
Total			<u>\$ 9,857,136</u>

NOTE 4 - RECEIVABLES

Receivables at December 31, 2010, consisted of taxes, interest, accounts, and intergovernmental receivables arising from grants.

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

NOTE 5 - PROPERTY TAXES

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

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 6 - CAPITAL ASSETS

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

	<u>Balance</u> <u>1/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2010</u>
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated</u>				
Land	\$ 960,646	\$ 0	\$ 0	\$ 960,646
Construction in progress	<u>346,494</u>	<u>168,544</u>	<u>(270,472)</u>	<u>244,566</u>
Total not being depreciated	<u>1,307,140</u>	<u>168,544</u>	<u>(270,472)</u>	<u>1,205,212</u>
<u>Capital assets being depreciated</u>				
Buildings	2,995,623	475,686	0	3,471,309
Improvements	40,263,758	430,987	0	40,694,745
Furniture and equipment	<u>5,458,207</u>	<u>562,807</u>	<u>(358,212)</u>	<u>5,662,802</u>
Total capital assets being depreciated	<u>48,717,588</u>	<u>1,469,480</u>	<u>(358,212)</u>	<u>49,828,856</u>
<u>Accumulated depreciation</u>				
Buildings	(1,206,351)	(89,531)	0	(1,295,882)
Improvements	(29,511,720)	(575,124)	0	(30,086,844)
Furniture and equipment	<u>(4,072,746)</u>	<u>(453,331)</u>	<u>358,212</u>	<u>(4,167,865)</u>
Total accumulated depreciation	<u>(34,790,817)</u>	<u>(1,117,986)</u>	<u>358,212</u>	<u>(35,550,591)</u>
Depreciable capital assets, net	<u>13,926,771</u>	<u>351,494</u>	<u>0</u>	<u>14,278,265</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,233,911</u>	<u>\$ 520,038</u>	<u>\$ (270,472)</u>	<u>\$ 15,483,477</u>

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Capital assets under business activities were as follows:

	<u>1/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/2010</u>
<u>Business-Type Activities:</u>				
Capital assets not being depreciated				
Land	\$ 1,593,978	\$ 0	\$ 0	\$ 1,593,978
Total capital assets not being depreciated	<u>1,593,978</u>	<u>0</u>	<u>0</u>	<u>1,593,978</u>
Capital assets being depreciated				
Buildings	33,401,705	394,248	(266,799)	33,529,154
Improvements	2,115,802	0	0	2,115,802
Furniture and equipment	<u>3,783,074</u>	<u>422,152</u>	<u>(102,264)</u>	<u>4,102,962</u>
Total capital assets being depreciated	<u>39,300,581</u>	<u>816,400</u>	<u>(369,063)</u>	<u>39,747,918</u>
Accumulated depreciation				
Buildings	(11,844,655)	(628,086)	266,799	(12,205,942)
Improvements	(1,464,997)	(96,968)	0	(1,561,965)
Furniture and equipment	<u>(2,989,842)</u>	<u>(183,785)</u>	<u>102,264</u>	<u>(3,071,363)</u>
Total accumulated depreciation	<u>(16,299,494)</u>	<u>(908,839)</u>	<u>369,063</u>	<u>(16,839,270)</u>
Depreciable assets net	<u>23,001,087</u>	<u>(92,439)</u>	<u>0</u>	<u>22,908,648</u>
Total Business-Type Activities	<u>\$ 24,595,065</u>	<u>\$ (92,439)</u>	<u>\$ 0</u>	<u>\$ 24,502,626</u>

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation by Function

Governmental Activities:

Administration	\$ 85,384
Support Services	
Road and bridge	757,118
Parks and recreation	159,623
Police	<u>115,861</u>
Total depreciation for governmental activities	<u>1,117,986</u>

Business-Type Activities:

Water	549,565
Wastewater	268,725
Sanitation	<u>90,549</u>
Total depreciation for business-type activities	<u>908,839</u>

Total Depreciation Expense \$ 2,026,825

NOTE 7 - LONG-TERM DEBT

During the year ended December 31, 2010, the following changes occurred in long-term liabilities:

	<u>1/1/2010</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/2010</u>	<u>Amount Due In One Year</u>
<u>Governmental Activities</u>					
Compensated absences	<u>\$ 346,388</u>	<u>\$ 315,569</u>	<u>\$ 339,110</u>	<u>\$ 322,847</u>	<u>\$ 322,487</u>
<u>Business Activities</u>					
Note payable Colorado Water	\$ 5,387,104	\$ 0	\$ 241,377	\$ 5,145,727	\$ 246,863
Note payable Colorado Water	401,276	0	58,854	342,422	64,204
Compensated absences	<u>68,513</u>	<u>71,256</u>	<u>71,847</u>	<u>67,922</u>	<u>0</u>
Total	<u>\$ 5,856,893</u>	<u>\$ 71,256</u>	<u>\$ 372,078</u>	<u>\$ 5,556,071</u>	<u>\$ 311,067</u>

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

Interest paid during the year totaled \$139,385.

Notes Payable

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

	<u>1995</u> <u>CWRPDA Note</u>
2011	\$ 82,668
2012	80,449
2013	83,406
2014	80,152
2015	<u>79,362</u>
Total due	406,037
Interest portion	<u>(63,615)</u>
Principal (present value of minimum lease payments)	<u>\$ 342,422</u>

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

	<u>2006</u> <u>CWRPDA Note</u>
2011	\$ 372,438
2012	372,909
2013	373,268
2014	373,517
2015	373,063
2016 – 2020	1,856,803
2021 – 2025	1,856,878
2026 – 2027	<u>791,318</u>
Total due	6,370,194
Interest portion	<u>(1,224,467)</u>
Principal (present value of minimum lease payments)	<u>\$ 5,145,727</u>

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 8 - RETIREMENT PLANS

Deferred Compensation Plan

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

The City participates in a defined contribution retirement plan covering all full-time employees. The plan is administrated by ICMA Retirement Corporation, and the City has no fiduciary responsibility for the plan. The City contributes 12% of the compensation, and the employees contribute 6%. Plan contributions for the year ended December 31, 2010, were \$679,121 for the City and \$339,561 for the employees. The plan vests at a rate of 20% per year and is fully vested after five years. Unvested City contributions for employees who leave employment before five years are used to reduce the City's current period contribution requirement. As of December 31, 2010, the plan had 60 employees fully vested and 28 non-vested employees.

NOTE 9 - FUND BALANCES

Reservations and Designations

The City has reserved monies for projects or planned capital expenditures for years ending after December 31, 2010. In addition, the net assets of the Medical Benefits Fund (the Internal Service Fund) are reserved for employee benefits.

As of December 31, 2010, the governmental fund balances were reserved and designated as follows:

Reserves	
General fund	
Tabor amendment	\$ <u>278,324</u>
Total reserved fund balances	\$ <u><u>278,324</u></u>
Designations	
General fund	
Intended to be used for subsequent year's expenditures	\$ 1,605,040
The Center of Craig Intended to be used for subsequent years' expenditures	<u>18,800</u>
Total Designated Fund Balances	\$ <u><u>1,623,840</u></u>

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance and reinsurance for the risks of loss, including worker's compensation and employee health and accident insurance. There were no significant reductions in insurance coverage from the prior year, and no settlements exceeding the City's insurance coverage during the past three years.

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 10 - RISK MANAGEMENT (CONTINUED)

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

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

The following represent the changes in approximate aggregate liabilities for the city for the year ended December 31, 2010.

Liability balance January 1, 2010	\$	123,448
Incurred claims, including IBNR		1,294,635
Claims paid		<u>(1,205,704)</u>
 Liability Balance December 31, 2010	 \$	 <u>212,379</u>

NOTE 11 - INTERFUND TRANSFERS

Interfund transfers, at December 13, 2010, consisted of Water and Waste Water Funds transfers to the General Fund as compensation for lost tax revenues related to enterprise fund transactions.

	Transfers In	Transfers Out
Major		
General Fund	\$ 57,800	\$ 0
Water Fund	0	39,600
Waste Water Fund	<u>0</u>	<u>18,200</u>
 Totals	 <u>\$ 57,800</u>	 <u>\$ 57,800</u>

NOTE 12 - CONTINGENCIES

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

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

CITY OF CRAIG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 13 - TABOR

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

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

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



**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF CRAIG  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010

(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	2010			Favorable (Unfavorable) Variance	(Memo only) 2009 Actual
	Original Budget	Final Budget	Actual		
<u>Revenues</u>					
Taxes	\$ 6,923,330	\$ 6,923,330	\$ 7,477,825	\$ 554,495	\$ 6,727,575
Licenses and permits	73,200	73,200	70,311	(2,889)	108,592
Intergovernmental	1,015,030	1,015,030	1,714,544	699,514	2,837,032
Charges for services	186,570	186,570	198,539	11,969	202,484
Fines and forfeits	56,600	56,600	64,026	7,426	69,148
Interest	37,000	37,000	9,345	(27,655)	19,523
Other	45,000	45,000	95,579	50,579	55,389
Total revenues	<u>8,336,730</u>	<u>8,336,730</u>	<u>9,630,169</u>	<u>1,293,439</u>	<u>10,019,743</u>
<u>Expenditures</u>					
Current					
General government	1,323,060	1,326,060	1,193,576	132,484	1,253,533
Public safety	3,230,460	3,237,160	3,167,633	69,527	3,231,836
Road and bridge	2,236,660	2,236,660	1,864,870	371,790	1,896,346
Community development	325,900	326,500	248,838	77,662	292,487
Parks and recreation	1,400,480	1,400,480	1,308,655	91,825	1,300,513
Judicial	60,760	60,760	58,411	2,349	60,337
Capital outlay	1,565,270	2,239,770	1,284,223	955,547	1,894,058
Total expenditures	<u>10,142,590</u>	<u>10,827,390</u>	<u>9,126,206</u>	<u>1,701,184</u>	<u>9,929,110</u>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over (Under) Expenditures</u>	<u>(1,805,860)</u>	<u>(2,490,660)</u>	<u>503,963</u>	<u>2,994,623</u>	<u>90,633</u>
Other financing sources (uses)					
Transfer in	57,800	57,800	57,800	0	57,800
Transfer out	0	0	0	0	(22,000)
Total other financing sources (uses)	<u>57,800</u>	<u>57,800</u>	<u>57,800</u>	<u>0</u>	<u>35,800</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>\$ (1,748,060)</u>	<u>\$ (2,432,860)</u>	561,763	<u>\$ 2,994,623</u>	126,433
Fund Balance, beginning of year			<u>5,073,231</u>		<u>4,946,798</u>
Fund Balance, End of Year			<u>\$ 5,634,994</u>		<u>\$ 5,073,231</u>

See the accompanying independent auditor's report

**SUPPLEMENTARY INFORMATION**

CITY OF CRAIG  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash	\$ 8,343	\$ 8,583
Investments	5,591,819	4,363,251
Receivables		
Other	1,203,162	1,173,395
Property taxes	<u>1,547,060</u>	<u>1,524,964</u>
Total Assets	<u>\$ 8,350,384</u>	<u>\$ 7,070,193</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Accounts payable	\$ 95,295	\$ 158,977
Checks written in excess of cash balances	800,043	105,705
Accrued payroll	208,834	141,101
Deferred revenue	1,547,060	1,524,964
Deposits	<u>64,158</u>	<u>66,215</u>
Total liabilities	<u>2,715,390</u>	<u>1,996,962</u>
<u>Fund Balances</u>		
Reserved for emergencies	278,324	295,995
Unreserved		
Designated for subsequent year's expenditures	1,605,040	1,720,460
Undesignated	<u>3,751,630</u>	<u>3,056,776</u>
Total fund balances	<u>5,634,994</u>	<u>5,073,231</u>
Total Liabilities and Fund Balance	<u>\$ 8,350,384</u>	<u>\$ 7,070,193</u>

See the accompanying independent auditor's report

CITY OF CRAIG  
GENERAL FUND  
SCHEDULE OF REVENUES – BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	2010				2009
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<u>Revenues</u>					
Taxes					
General property taxes	\$ 1,525,950	\$ 1,525,950	\$ 1,513,249	\$ (12,701)	\$ 1,238,158
Highway user taxes	314,880	314,880	331,193	16,313	288,449
Specific ownership taxes	90,000	90,000	88,826	(1,174)	94,712
Sales tax	4,660,000	4,660,000	5,197,586	537,586	4,763,692
Franchise taxes	300,000	300,000	304,493	4,493	304,694
Interest and penalties	2,500	2,500	8,683	6,183	5,585
Cigarette tax	<u>30,000</u>	<u>30,000</u>	<u>33,795</u>	<u>3,795</u>	<u>32,285</u>
Total taxes	<u>6,923,330</u>	<u>6,923,330</u>	<u>7,477,825</u>	<u>554,495</u>	<u>6,727,575</u>
Licenses and permits					
Building permits	50,000	50,000	62,068	12,068	90,889
Miscellaneous	<u>23,200</u>	<u>23,200</u>	<u>8,243</u>	<u>(14,957)</u>	<u>17,703</u>
Total licenses and permits	<u>73,200</u>	<u>73,200</u>	<u>70,311</u>	<u>(2,889)</u>	<u>108,592</u>
Intergovernmental					
Motor vehicle tax	45,000	45,000	56,517	11,517	49,375
State shared	791,330	791,330	1,518,520	727,190	2,579,366
State lottery	90,000	90,000	82,000	(8,000)	87,236
Federal shared	<u>88,700</u>	<u>88,700</u>	<u>57,507</u>	<u>(31,193)</u>	<u>121,055</u>
Total intergovernmental	<u>1,015,030</u>	<u>1,015,030</u>	<u>1,714,544</u>	<u>699,514</u>	<u>2,837,032</u>
Charges for Services					
Recreation program fees	106,800	106,800	86,679	(20,121)	87,124
Swimming pool fees	75,270	75,270	102,407	27,137	99,160
Concessions	<u>4,500</u>	<u>4,500</u>	<u>9,453</u>	<u>4,953</u>	<u>16,200</u>
Total charges for services	<u>186,570</u>	<u>186,570</u>	<u>198,539</u>	<u>11,969</u>	<u>202,484</u>
Fines, Forfeits and Other					
Fines	56,600	56,600	64,026	7,426	69,148
Rents and royalties	0	0	7,284	7,284	4,800
Other	45,000	45,000	88,295	43,295	50,589
Interest income	<u>37,000</u>	<u>37,000</u>	<u>9,345</u>	<u>(27,655)</u>	<u>19,523</u>
Total fines, forfeits and other	<u>138,600</u>	<u>138,600</u>	<u>168,950</u>	<u>30,350</u>	<u>144,060</u>
Total Revenues	<u>\$ 8,336,730</u>	<u>\$ 8,336,730</u>	<u>\$ 9,630,169</u>	<u>\$ 1,293,439</u>	<u>\$10,019,743</u>

See the accompanying independent auditor's report

CITY OF CRAIG  
GENERAL FUND  
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	<u>2010</u>				(Memo only) 2009 Actual
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>	
<u>Expenditures</u>					
General Government					
City council	\$ 135,960	\$ 135,960	\$ 128,241	\$ 7,719	\$ 151,914
Administration	376,700	376,700	335,665	41,035	335,558
Engineering	123,360	123,360	102,321	21,039	104,931
Finances	275,130	278,130	260,019	18,111	266,502
Clerk and personnel	200,520	200,520	189,724	10,796	197,602
Building maintenance	94,300	94,300	76,376	17,924	91,049
City attorney	<u>117,090</u>	<u>117,090</u>	<u>101,230</u>	<u>15,860</u>	<u>105,977</u>
Total general government	<u>1,323,060</u>	<u>1,326,060</u>	<u>1,193,576</u>	<u>132,484</u>	<u>1,253,533</u>
Judicial					
Municipal	<u>60,760</u>	<u>60,760</u>	<u>58,411</u>	<u>2,349</u>	<u>60,337</u>
Public safety					
Police	<u>3,230,460</u>	<u>3,237,160</u>	<u>3,167,633</u>	<u>69,527</u>	<u>3,231,836</u>
Road and bridge	<u>2,236,660</u>	<u>2,236,660</u>	<u>1,864,870</u>	<u>371,790</u>	<u>1,896,346</u>
Community development	<u>325,900</u>	<u>326,500</u>	<u>248,838</u>	<u>77,662</u>	<u>292,487</u>
Parks and recreation					
General operations	816,760	816,760	785,284	31,476	770,445
Pool complex	365,860	365,860	302,138	63,722	315,048
Recreation programs	<u>217,860</u>	<u>217,860</u>	<u>221,233</u>	<u>(3,373)</u>	<u>215,020</u>
Total parks and recreation	<u>1,400,480</u>	<u>1,400,480</u>	<u>1,308,655</u>	<u>91,825</u>	<u>1,300,513</u>
Capital outlay	<u>1,565,270</u>	<u>2,239,770</u>	<u>1,284,223</u>	<u>955,547</u>	<u>1,894,058</u>
Total Expenditures	<u>\$ 10,142,590</u>	<u>\$ 10,827,390</u>	<u>\$ 9,126,206</u>	<u>\$ 1,701,184</u>	<u>\$ 9,929,110</u>

See the accompanying independent auditor's report

CITY OF CRAIG  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2010

	<u>The Center of Craig</u>	<u>Capital Projects Fund</u>	<u>ACET Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 13,306	\$ 46,928	\$ 50,403	\$ 110,637
Investments	40,000	203,701	50,000	293,701
Accounts receivable	0	4,067	7,484	11,551
Property tax receivable	<u>0</u>	<u>182,050</u>	<u>0</u>	<u>182,050</u>
Total Assets	<u>\$ 53,306</u>	<u>\$ 436,746</u>	<u>\$ 107,887</u>	<u>\$ 597,939</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 4,954	\$ 3,752	\$ 5,729	\$ 14,435
Deferred revenue	<u>0</u>	<u>182,050</u>	<u>0</u>	<u>182,050</u>
Total liabilities	<u>4,954</u>	<u>185,802</u>	<u>5,729</u>	<u>196,485</u>
<u>Fund Balances</u>				
<u>Designated</u>				
For subsequent year's expenditures	18,800	0	0	18,800
Unreserved, undesignated	<u>29,552</u>	<u>250,944</u>	<u>102,158</u>	<u>382,654</u>
Total fund balances	<u>48,352</u>	<u>250,944</u>	<u>102,158</u>	<u>401,454</u>
Total Liabilities and Fund Balances	<u>\$ 53,306</u>	<u>\$ 436,746</u>	<u>\$ 107,887</u>	<u>\$ 597,939</u>

See the accompanying independent auditor's report

CITY OF CRAIG  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>The Center of Craig</u>	<u>Capital Projects Fund</u>	<u>ACET Fund</u>	<u>Total</u>
<u>Revenues</u>				
Charges for services	\$ 26,328	\$ 0	\$ 0	\$ 26,328
Intergovernmental	0	0	101,354	101,354
Taxes	0	189,546	0	189,546
Interest	0	924	0	924
Miscellaneous	<u>0</u>	<u>0</u>	<u>7,513</u>	<u>7,513</u>
Total revenues	<u>26,328</u>	<u>190,470</u>	<u>108,867</u>	<u>325,665</u>
<u>Expenditures</u>				
General government	29,472	3,571	0	33,043
Public safety	<u>0</u>	<u>172,390</u>	<u>70,869</u>	<u>243,259</u>
Total expenditures	<u>29,472</u>	<u>175,961</u>	<u>70,869</u>	<u>276,302</u>
<u>Excess (Deficiency) of Revenues Over (Under)</u>				
<u>Expenditures</u>	(3,144)	14,509	37,998	49,363
Fund balance, beginning of year	<u>51,496</u>	<u>236,435</u>	<u>64,160</u>	<u>352,091</u>
Fund balance, end of year	<u>\$ 48,352</u>	<u>\$ 250,944</u>	<u>\$ 102,158</u>	<u>\$ 401,454</u>

See the accompanying independent auditor's report



CITY OF CRAIG  
CENTER OF CRAIG  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES,  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	<u>2010</u>			(Memo only)
	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>	<u>2009 Actual</u>
<u>Revenues</u>				
User fees	\$ 9,000	\$ 8,328	\$ (672)	\$ 7,748
Rents	<u>13,630</u>	<u>18,000</u>	<u>4,370</u>	<u>0</u>
Total revenues	<u>22,630</u>	<u>26,328</u>	<u>3,698</u>	<u>7,748</u>
<u>Expenditures</u>				
Supplies	11,100	4,813	6,287	4,214
Operating expenses	<u>28,700</u>	<u>24,659</u>	<u>4,041</u>	<u>19,106</u>
Total expenditures	<u>39,800</u>	<u>29,472</u>	<u>10,328</u>	<u>23,320</u>
<u>Excess (Deficiency) of Revenues Over (Under)</u>				
<u>Expenditures</u>	(17,170)	(3,144)	14,026	(15,572)
<u>Other Financing Sources</u>				
Operating transfers in	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,000</u>
<u>Excess (Deficiency) of Revenues and Other</u>				
<u>Financing Sources Over (Under)</u>				
<u>Expenditures</u>	<u>\$ (17,170)</u>	(3,144)	<u>\$ 14,026</u>	6,428
Fund balances, beginning of year		<u>51,496</u>		<u>45,068</u>
Fund balance, end of year		<u>\$ 48,352</u>		<u>\$ 51,496</u>

See the accompanying independent auditor's report

CITY OF CRAIG  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES,  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	<u>2010</u>				(Memo only)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>2009</u>
	<u>Budget</u>	<u>Budget</u>		<u>Variance</u>	<u>Actual</u>
<u>Revenues</u>					
Taxes	\$ 186,060	\$ 186,060	\$ 189,546	\$ 3,486	\$ 157,502
Interest	<u>6,000</u>	<u>6,000</u>	<u>924</u>	<u>(5,076)</u>	<u>1,773</u>
Total revenues	<u>192,060</u>	<u>192,060</u>	<u>190,470</u>	<u>(1,590)</u>	<u>159,275</u>
<u>Expenditures</u>					
County treasurer's fees	2,500	2,500	3,571	(1,071)	2,919
Public safety	<u>150,000</u>	<u>175,000</u>	<u>172,390</u>	<u>2,610</u>	<u>186,567</u>
Total expenditures	<u>152,500</u>	<u>177,500</u>	<u>175,961</u>	<u>1,539</u>	<u>189,486</u>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over (Under) Expenditures</u>	<u>\$ 39,560</u>	<u>\$ 14,560</u>	14,509	<u>\$ (51)</u>	(30,211)
Fund balances, beginning of year			<u>236,435</u>		<u>266,646</u>
Fund balance, end of year			<u>\$ 250,944</u>		<u>\$ 236,435</u>

See the accompanying independent auditor's report

CITY OF CRAIG  
ACET FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES,  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	<u>2010</u>				(Memo only)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>2009</u>
	<u>Budget</u>	<u>Budget</u>		<u>Variance</u>	<u>Actual</u>
<u>Revenues</u>					
Intergovernmental	\$ 94,020	\$ 94,020	\$ 101,354	\$ 7,334	\$ 180,972
Miscellaneous	<u>0</u>	<u>0</u>	<u>7,513</u>	<u>7,513</u>	<u>3,942</u>
Total revenues	<u>94,020</u>	<u>94,020</u>	<u>108,867</u>	<u>14,847</u>	<u>184,914</u>
<u>Expenditures</u>					
Public safety	<u>(89,020)</u>	<u>89,020</u>	<u>70,869</u>	<u>18,151</u>	<u>177,121</u>
<u>Excess of Revenues Over</u>					
<u>Expenditures</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	37,998	<u>\$ 32,998</u>	7,793
Fund balances, beginning of year			<u>64,160</u>		<u>56,367</u>
Fund balance, end of year			<u>\$ 102,158</u>		<u>\$ 64,160</u>

See the accompanying independent auditor's report

CITY OF CRAIG  
WATER FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	2010				(Memo only) 2009 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<u>Revenues</u>					
Charges for services	\$ 2,274,760	\$ 2,274,760	\$ 2,373,110	\$ 98,350	\$ 2,217,924
Meter sales	7,000	7,000	6,171	(829)	13,504
Capital contributions	40,000	40,000	43,550	3,550	43,550
Interest income	10,000	10,000	1,178	(8,822)	3,778
Grant	131,500	131,500	158,824	27,324	191,176
Rents	9,600	9,600	0	(9,600)	4,800
Gain on sale of equipment	0	0	1,750	1,750	8,000
Miscellaneous	1,000	1,000	7,187	6,187	6,622
<b>Total revenues</b>	<u>2,473,860</u>	<u>2,473,860</u>	<u>2,591,770</u>	<u>117,910</u>	<u>2,489,354</u>
<u>Expenses</u>					
Salaries	763,480	763,480	713,368	50,112	677,749
Repairs and maintenance	374,500	374,500	339,577	34,923	229,107
Employee benefits	285,410	285,410	258,775	26,635	307,171
Utilities	162,300	162,300	217,889	(55,589)	202,059
Chemicals	114,000	114,000	112,650	1,350	123,063
Insurance and bonds	45,300	45,300	51,803	(6,503)	46,467
Supplies	82,100	107,100	40,946	66,154	36,716
Other purchased services	59,700	59,700	64,783	(5,083)	74,891
Information technology	2,500	2,500	794	1,706	2,201
Capital outlay	225,000	555,000	376,139	178,861	539,556
Interest	48,500	48,500	128,435	(79,935)	135,270
Lease fees	130,480	130,480	48,451	82,029	46,454
Debt principal	241,380	241,380	241,377	3	235,892
Operating transfers out	40,000	40,000	39,600	400	39,600
<b>Total expenses</b>	<u>2,574,650</u>	<u>2,929,650</u>	<u>2,634,587</u>	<u>295,063</u>	<u>2,696,196</u>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over (Under) Expenditures</u>	<u>\$ (100,790)</u>	<u>\$ (455,790)</u>	(42,817)	<u>\$ 412,973</u>	<u>\$ (206,842)</u>
Fund equity, beginning of year			15,968,883		
Depreciation			(549,565)		
Debt principal			241,377		
Capital outlay			<u>376,139</u>		
<b>Fund equity, end of year</b>			<u>\$ 15,994,017</u>		

See the accompanying independent auditor's report

CITY OF CRAIG  
WASTEWATER FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	<u>2010</u>			Favorable (Unfavorable) Variance	(Memo only) 2009 Actual
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		
<u>Revenues</u>					
Charges for services	\$ 1,122,950	\$ 1,122,950	\$ 1,131,459	\$ 8,509	\$ 1,072,402
Miscellaneous income	0	0	14,111	14,111	901
Interest income	<u>6,500</u>	<u>6,500</u>	<u>2,029</u>	<u>(4,471)</u>	<u>4,493</u>
Total revenues	<u>1,129,450</u>	<u>1,129,450</u>	<u>1,147,599</u>	<u>18,149</u>	<u>1,077,796</u>
<u>Expenses</u>					
Salaries	505,170	505,170	458,355	46,815	458,190
Repairs and maintenance	109,750	141,750	104,062	37,688	150,660
Employee benefits	170,700	170,700	157,257	13,443	183,415
Utilities	110,000	110,000	139,205	(29,205)	122,254
Chemicals	23,000	25,800	17,648	8,152	9,142
Insurance and bonds	30,800	30,800	32,382	(1,582)	24,305
Supplies	27,900	27,900	24,036	3,864	26,944
Other purchased services	18,600	18,600	28,002	(9,402)	24,951
Information technology	2,500	2,500	90	2,410	1,319
Capital outlay	114,000	179,000	180,768	(1,768)	85,348
Interest	11,850	11,850	10,950	900	12,896
Lease fees	8,780	8,780	8,775	5	8,775
Debt principal	58,860	58,860	58,854	6	58,854
Operating transfers out	<u>19,000</u>	<u>19,000</u>	<u>18,200</u>	<u>800</u>	<u>18,200</u>
Total expenses	<u>1,210,910</u>	<u>1,310,710</u>	<u>1,238,584</u>	<u>72,126</u>	<u>1,185,253</u>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over (Under) Expenditures</u>	<u>\$ (81,460)</u>	<u>\$ (181,260)</u>	(90,985)	<u>\$ 90,275</u>	<u>\$ (107,457)</u>
Fund equity, beginning of year			4,486,537		
Debt principal			58,854		
Depreciation			(268,725)		
Capital outlay			<u>180,768</u>		
Fund equity, end of year			<u>\$ 4,366,449</u>		

See the accompanying independent auditor's report

CITY OF CRAIG  
SANITATION FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	<u>2010</u>			Favorable (Unfavorable) Variance	(Memo only) 2009 Actual
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		
<u>Revenues</u>					
Charges for services	\$ 1,281,860	\$ 1,281,860	\$ 1,296,413	\$ 14,553	\$ 1,499,746
Intergovernmental revenues	0	0	7,810	7,810	0
Interest income	<u>5,000</u>	<u>5,000</u>	<u>4,235</u>	<u>(765)</u>	<u>3,690</u>
Total revenues	<u>1,286,860</u>	<u>1,286,860</u>	<u>1,308,458</u>	<u>21,598</u>	<u>1,503,436</u>
<u>Expenses</u>					
Salaries	418,450	418,450	433,195	(14,745)	424,125
Repairs and maintenance	39,000	39,000	12,936	26,064	25,920
Employee benefits	174,400	174,400	166,582	7,818	200,737
Utilities	9,700	9,700	5,808	3,892	7,170
Chemicals	450	450	70	380	237
Insurance and bonds	18,900	18,900	14,842	4,058	17,489
Supplies	172,950	172,950	88,322	84,628	95,504
Landfill fees	380,000	380,000	269,694	110,306	372,840
Other purchased services	40,150	40,150	26,988	13,162	18,435
Information technology	700	700	90	610	494
Capital outlay	<u>316,000</u>	<u>316,000</u>	<u>257,743</u>	<u>58,257</u>	<u>104,440</u>
Total expenses	<u>1,570,700</u>	<u>1,570,700</u>	<u>1,276,270</u>	<u>294,430</u>	<u>1,267,391</u>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over (Under) Expenditures</u>	<u>\$ (283,840)</u>	<u>\$ (283,840)</u>	32,188	<u>\$ 316,028</u>	<u>\$ 236,045</u>
Fund equity, beginning of year			1,200,343		
Depreciation			(90,549)		
Capital outlay			<u>257,743</u>		
Fund equity, end of year			<u>\$ 1,399,725</u>		

See the accompanying independent auditor's report

CITY OF CRAIG  
INTERNAL SERVICES – MEDICAL BENEFIT FUND  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2010 AND 2008

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash	\$ 0	\$ 174,926
Investments	1,525,653	1,610,474
Receivables	<u>179,176</u>	<u>29,824</u>
Total Assets	<u>\$ 1,704,829</u>	<u>\$ 1,815,224</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Checks written in excess of cash balance	\$ 38,722	\$ 0
Claims payable	<u>212,379</u>	<u>123,448</u>
Total liabilities	<u>251,101</u>	<u>123,448</u>
<u>Fund Equity</u>		
Unreserved	<u>1,453,728</u>	<u>1,691,776</u>
Total Liabilities and Fund Equity	<u>\$ 1,704,829</u>	<u>\$ 1,815,224</u>

See the accompanying independent auditor's report

CITY OF CRAIG  
INTERNAL SERVICE FUND – MEDICAL BENEFIT FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	<u>2010</u>		Favorable (Unfavorable) Variance	(Memo only) 2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<u>Operating Revenues</u>				
Charges for services	\$ 1,130,000	\$ 1,141,420	\$ 11,420	\$ 1,550,090
Other	<u>100,000</u>	<u>251,507</u>	<u>151,507</u>	<u>101,034</u>
Total operating revenues	<u>1,230,000</u>	<u>1,392,927</u>	<u>162,927</u>	<u>1,651,124</u>
<u>Operating Expenses</u>				
Insurance premiums	270,000	301,299	(31,299)	276,114
Claims paid	1,453,000	1,294,635	158,365	904,166
Administrative fees	<u>38,000</u>	<u>38,500</u>	<u>(500)</u>	<u>37,417</u>
Total operating expenses	<u>1,761,000</u>	<u>1,634,434</u>	<u>126,566</u>	<u>1,217,697</u>
<u>Operating income (loss)</u>	(531,000)	(241,507)	289,493	433,427
Non-operating income				
Interest income	<u>20,000</u>	<u>3,459</u>	<u>(16,541)</u>	<u>6,894</u>
Net income (loss)	<u>\$ (511,000)</u>	(238,048)	<u>\$ 272,952</u>	440,321
Fund equity, beginning		<u>1,691,776</u>		<u>1,251,455</u>
Fund equity, end of year		<u>\$ 1,453,728</u>		<u>\$ 1,691,776</u>

See the accompanying independent auditor's report



CITY OF CRAIG  
INTERNAL SERVICES – MEDICAL BENEFIT FUND  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Cash Flows from Operating Activities</u>		
Cash received from users	\$ 992,068	\$ 1,542,366
Cash received from reimbursements	251,507	101,034
Cash paid on claims	(250,868)	(904,166)
Cash paid on insurance and other	<u>(1,255,913)</u>	<u>(290,930)</u>
Net cash provided by (used in) operating activities	<u>(263,206)</u>	<u>448,304</u>
<u>Cash flows from investing activities</u>		
Sale (purchase) of investments	84,821	(356,329)
Interest received	<u>3,459</u>	<u>6,894</u>
Net cash provided by (used in) investing activities	<u>88,280</u>	<u>(349,435)</u>
Net increase (decrease) in cash and cash equivalents	(174,926)	98,869
Cash and cash equivalents, beginning of year	<u>174,926</u>	<u>76,057</u>
Cash and cash equivalents, end of year	<u>\$ 0</u>	<u>\$ 174,926</u>
Reconciliation of changes in net assets to net cash provided by (used in) operating activities:		
Operating Income	<u>\$ (241,507)</u>	<u>\$ 433,427</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Changes in assets and liabilities		
Decrease in accounts receivable	(149,352)	(7,724)
Increase in checks written in excess of cash balances	38,722	0
Increase in claims payable	<u>88,931</u>	<u>22,601</u>
Total adjustments	<u>(21,699)</u>	<u>14,877</u>
Net cash provided by (used in) operating activities	<u>\$ (263,206)</u>	<u>\$ 448,304</u>

See the accompanying independent auditor's report

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: <b>CITY OF CRAIG</b>
		YEAR ENDING : December 2010
This Information From The Records Of City of Craig	Prepared By: Phone: 970-826-2007	Bruce M. Nelson

**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				

<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES</b>	<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES</b>
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ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	608,064
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,842,278
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	23,221
2. General fund appropriations	1,760,985	b. Snow and ice removal	5,109
3. Other local imposts (from page 2)	277,349	c. Other	0
4. Miscellaneous local receipts (from page 2)	1,947	d. Total (a. through c.)	28,330
5. Transfers from toll facilities	0	4. General administration & miscellaneous	0
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	0
a. Bonds - Original Issues	0	6. Total (1 through 5)	2,478,672
b. Bonds - Refunding Issues	0	<b>B. Debt service on local obligations:</b>	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	2,040,281	b. Redemption	0
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	438,391	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	0
<b>E. Total receipts (A.7 + B + C + D)</b>	2,478,672	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	0
		<b>D. Payments to toll facilities</b>	0
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	2,478,672

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

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	2,478,672	2,478,672	0	0

**Notes and Comments:**

<b>LOCAL HIGHWAY FINANCE REPORT</b>		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2010	
<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	178,071	a. Interest on investments	1,947
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	0	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	99,278	g. Other Misc. Receipts	0
6. Total (1. through 5.)	99,278	h. Other	0
c. Total (a. + b.)	277,349	i. Total (a. through h.)	1,947
	(Carry forward to page 1)		(Carry forward to page 1)
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	331,193	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	56,517	d. Federal Transit Admin	0
d. Other (Specify) - DOLA Grant	50,681	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	107,198	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	438,391	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs		0	0
b. Engineering Costs		0	2,931
c. Construction:			
(1). New Facilities		0	106,137
(2). Capacity Improvements		0	0
(3). System Preservation		0	498,996
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)		0	605,133
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		0	608,064
			(Carry forward to page 1)
<b>Notes and Comments:</b>			