

CITY OF CORTEZ, COLORADO
FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended
December 31, 2012



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By Justin L. Smith at 7:53 am, Aug 29, 2013

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INTRODUCTORY SECTION

CITY OF CORTEZ, COLORADO

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

Dan Porter, Mayor
Matt Keefauver, Mayor Pro-tem
Bob Archibeque
Tom Butler
Ty Keel
Shawna MacLaughlin
Karen Sheek

TOWN STAFF

Shane Hale – City Manager
Roy Lane – Chief of Police
Mike Green – City Attorney
Linda Smith – City Clerk
Kathi Moss – Director of Finance
Dean Palmquist – Director of Parks and Recreation
Kirsten Sackett – Director of Planning and Building
Jack Nickerson – Director of Public Works

FINANCIAL SECTION

CITY OF CORTEZ
Management's Discussion and Analysis
Year Ended December 31, 2012

As management of the City of Cortez, we offer readers of the City of Cortez financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the City of Cortez.

A. NET POSITION FINANCIAL HIGHLIGHTS

- City of Cortez is in healthy financial condition.
- Cortez's assets exceeded its liabilities by \$49,284,781 (i.e., net position at the end of 2012).
- Governmental funds reported combined ending fund balance of \$10,457,255. This is an increase of \$1,673,938 itemized by fund as follows:

General Fund	\$836,533
Lodgers Tax Fund	\$5,204
Conservation Trust Fund	(\$ 10,057)
Equipment Fund	\$88,307
Street Improvement Fund	\$758,189
Emergency Reserve Fund	\$1,783
- Overall general fund revenues came in \$218,919 over budget. Sales tax increased 6.99 % in comparison to 2011. Capital projects funded from the General Fund included \$243,708 for the Golf Course Maintenance Building and \$28,866 for the construction of a tower hut for the radio tower at the police department.
- Investment interest was up 18.3% in comparison to 2011.
- At December 31, 2012, the City's General Fund policy was to have an unreserved fund balance equal to at least 20% of the general fund operating appropriations. The fund balance is approximately 3.848 million dollars above this requirement.
- The total long-term liabilities decreased by \$639,904 during the 2012 fiscal year. There is no debt within the governmental funds.
- The City received \$1,045,969 grant revenue during 2012. Approximately \$206,717 of the grant funding assisted local non-profits who provide critical programs for juveniles and adult education, substance abuse treatment, and housing needs. The remaining grant amounts were used to subsidize airport improvements, provide fiber to the businesses, and assist the police department.

CITY OF CORTEZ
Management's Discussion and Analysis
Year Ended December 31, 2012

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Cortez's basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private sector business.

The statement of net position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions 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 include general government, public safety, public works, and culture and recreation. The business type activities include water, recreation center, refuse, dispatch, shop, technology, and debt service interest.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requisites. The City funds can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a governments near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

CITY OF CORTEZ
Management's Discussion and Analysis
Year Ended December 31, 2012

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental funds are separated into the following major funds: general fund and street improvement fund. Minor funds included in governmental funds are: lodgers tax fund, conservation trust fund, equipment fund, emergency reserve fund, and the Mesa Verde Country Visitor Info Bureau which is a blended component unit of the City of Cortez. A blended component unit is one that is so intertwined with the City that it functions, for all practical purposes, as an integral part of the City.

An annual appropriated budget is adopted for all governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government wide financial statements, only in more detail. The enterprise funds are used to account for water, refuse, airport, police dispatch, recreation center, fiber to business, and hydro-electric plant. Major proprietary funds are: water refuse, airport, and the recreation center. Nonmajor proprietary funds are: police dispatch, fiber to business, and hydroelectric plant. The proprietary fund financial statements provide for separate information.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

Capital Assets. Beginning with the 2003 financial statements the City of Cortez complied with capital assets reporting requirements as specified in Governmental Accounting Standards Board Statement 34 (GASB34). One of the requirements is to report capital assets in the government-wide financial statements.

The government-wide financial statements include information about capital assets and infrastructure and their related expenses.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the close of 2012 total net position was \$49,284,781. By far the largest portion of net position is the investment in capital assets (net of related debt) of \$34,500,599 (70% of net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources need to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

CITY OF CORTEZ
Management's Discussion and Analysis
Year Ended December 31, 2012

The following table summarizes the City's governmental and business type statement of net position for 2012 and 2011.

CONDENSED STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
ASSETS						
Current and Other Assets	\$ 11,637,286	\$ 9,631,002	\$ 5,456,370	\$ 7,182,582	\$ 17,093,656	\$ 16,813,584
Capital Assets Net	15,420,192	15,718,068	29,215,269	29,580,580	44,635,461	45,298,648
Total Assets	<u>27,057,478</u>	<u>25,349,070</u>	<u>34,671,639</u>	<u>36,763,162</u>	<u>61,729,117</u>	<u>62,112,232</u>
LIABILITIES						
Current Liabilities	719,755	807,850	1,524,653	3,196,555	2,244,408	4,004,405
Noncurrent Liabilities	326,181	-	9,598,992	10,502,183	9,925,173	10,502,183
Total Liabilities	<u>1,045,936</u>	<u>807,850</u>	<u>11,123,645</u>	<u>13,698,738</u>	<u>12,169,581</u>	<u>14,506,588</u>
DEFERRED INFLOW OF FINANCIAL RESOURCES						
	<u>274,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,753</u>	<u>-</u>
NET POSITION						
Net Investment in						
Capital Assets	15,420,192	15,718,068	19,080,407	18,968,540	34,500,599	34,686,608
Restricted	364,451	362,668	69,405	-	433,856	362,668
Unrestricted	<u>9,952,146</u>	<u>8,460,484</u>	<u>4,398,180</u>	<u>4,095,884</u>	<u>14,350,326</u>	<u>12,556,368</u>
Total Net Position	<u>\$ 25,736,789</u>	<u>\$ 24,541,220</u>	<u>\$ 23,547,992</u>	<u>\$ 23,064,424</u>	<u>\$ 49,284,781</u>	<u>\$ 47,605,644</u>

A portion of net position in governmental activities, \$364,451 (1.41%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,952,146 (39% of net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net position – Governmental type activities increased the City's net position by \$1.4 million. The general fund's revenues were in excess of expenditures by \$917,590 and the street improvement fund's revenues were in excess of expenditures by \$758,189. Non-major funds accounted for an additional increase of \$79,216. Business type activities increased the City's net position by \$654,337. This increase consisted of increases in the activities of the airport \$113,855, the recreation center \$469,397, the water fund \$283,907, and the solid waste collection fund \$28,873. Other enterprise funds including the police dispatch fund, the hydro plant fund, and the city community network fund showed a combined decrease to their activities in the amount of \$161,147. Prior period adjustments were made to the recreation center fund and the hydro plant fund in the amount of \$57,769.

CITY OF CORTEZ
Management's Discussion and Analysis
Year Ended December 31, 2012

Changes in Net Position
December 31, 2012

CONDENSED STATEMENT OF ACTIVITIES

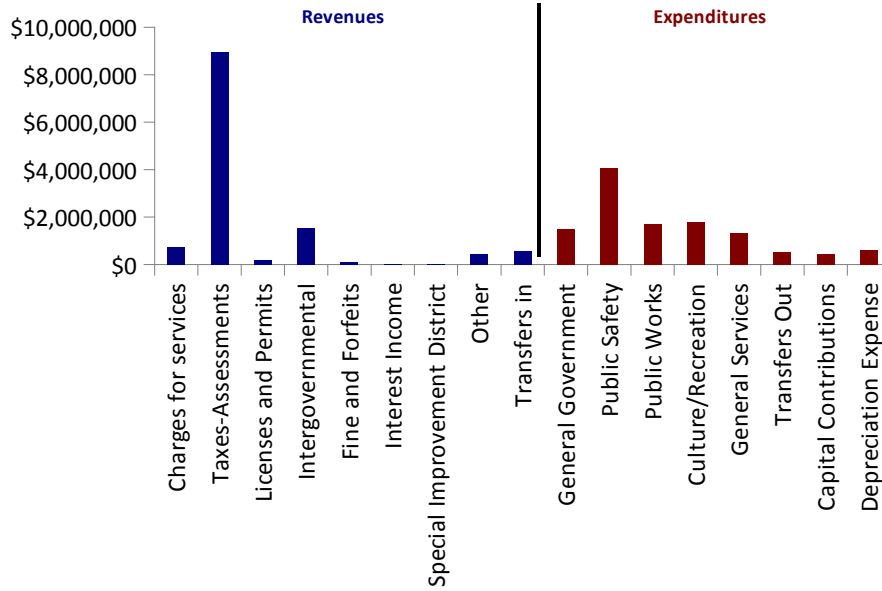
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
PROGRAM REVENUES						
Charges for Services	\$ 1,030,581	\$ 2,146,322	\$ 4,899,987	\$ 3,730,717	\$ 5,930,568	\$ 5,877,039
Operating Grants & Contributions	<u>1,918,506</u>	<u>3,141,052</u>	<u>562,584</u>	<u>453,164</u>	<u>2,481,090</u>	<u>3,594,216</u>
Total Program Revenues	<u>2,949,087</u>	<u>5,287,374</u>	<u>5,462,571</u>	<u>4,183,881</u>	<u>8,411,658</u>	<u>9,471,255</u>
GENERAL REVENUES						
Taxes	8,974,932	8,448,914	1,257,278	1,175,018	10,232,210	9,623,932
Intergovernmental	-	83,755	-	-	-	-
Special Improvement District	-	24,329	-	-	-	-
Interest Income	32,699	39,910	9,502	9,687	42,201	49,597
Other	78,614	170,691	-	883,836	78,614	1,054,527
Transfers in (out)	<u>146,423</u>	<u>(779,257)</u>	<u>(146,423)</u>	<u>779,257</u>	<u>-</u>	<u>-</u>
Total General Revenues	<u>9,232,668</u>	<u>7,988,342</u>	<u>1,120,357</u>	<u>2,847,798</u>	<u>10,353,025</u>	<u>10,728,056</u>
Total Revenues	<u>12,181,755</u>	<u>13,275,716</u>	<u>6,582,928</u>	<u>7,031,679</u>	<u>18,764,683</u>	<u>20,199,311</u>
PROGRAM EXPENSES						
General Government	1,857,624	6,339,068	-	-	1,857,624	6,339,068
General Service	1,407,477	-	-	-	1,407,477	-
Public Safety	4,278,228	3,099,140	-	-	4,278,228	3,099,140
Public Works	1,595,046	1,063,726	-	-	1,595,046	1,063,726
Culture, Parks and Recreation	1,663,976	1,139,468	-	-	1,663,976	1,139,468
Capital Outlay	-	535,120	-	-	-	535,120
Water Utility	-	-	1,832,270	1,702,947	1,832,270	1,702,947
Hydro Plant	-	-	99,877	76,184	99,877	76,184
Airport	-	-	609,326	325,992	609,326	325,992
Solid Waste	-	-	861,987	783,200	861,987	783,200
Police Dispatch	-	-	698,411	564,844	698,411	564,844
Recreation Center	-	-	1,302,146	1,334,125	1,302,146	1,334,125
Shop	-	-	-	697,815	-	697,815
Computer	-	-	-	283,527	-	283,527
Community Network	-	-	<u>444,026</u>	<u>174,838</u>	<u>444,026</u>	<u>174,838</u>
Total Program Expenses	<u>10,802,351</u>	<u>12,176,522</u>	<u>5,848,043</u>	<u>5,943,472</u>	<u>16,650,394</u>	<u>13,879,469</u>
Change in Net Position	1,379,404	1,099,194	734,885	1,088,207	2,114,289	2,187,401
Net Position, Beginning	<u>24,541,220</u>	<u>23,442,026</u>	<u>23,064,424</u>	<u>21,976,217</u>	<u>47,605,644</u>	<u>45,418,243</u>
Prior Period Adjustment	<u>(183,835)</u>	<u>-</u>	<u>(251,317)</u>	<u>-</u>	<u>(435,152)</u>	<u>-</u>
Net Position, Beginning (As Restated)	<u>24,357,385</u>	<u>23,442,026</u>	<u>22,813,107</u>	<u>21,976,217</u>	<u>47,170,492</u>	<u>45,418,243</u>
Net Position, Ending	<u>\$ 25,736,789</u>	<u>\$ 24,541,220</u>	<u>\$ 23,547,992</u>	<u>\$ 23,064,424</u>	<u>\$ 49,284,781</u>	<u>\$ 47,605,644</u>

CITY OF CORTEZ
Management's Discussion and Analysis
Year Ended December 31, 2012

Governmental Activities.

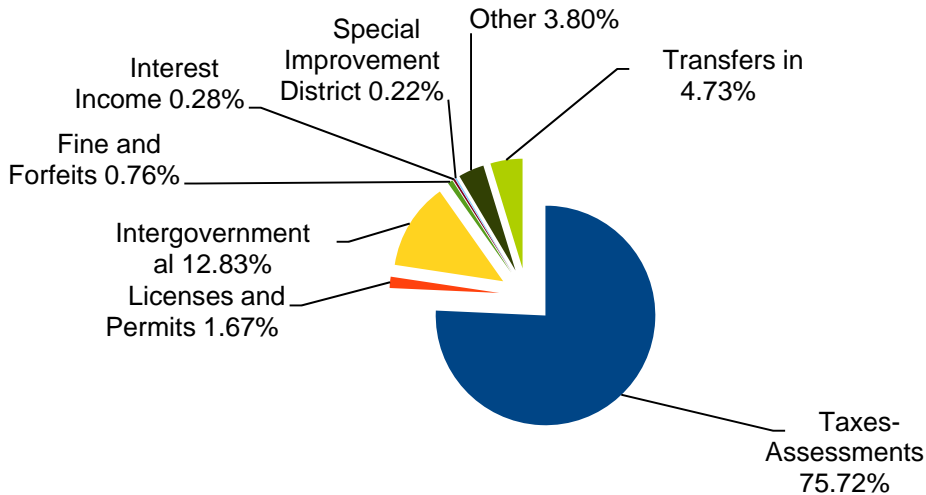
Governmental activities increased Cortez's net position by \$1,195,569, thereby accounting for 71.2% of total increase in assets.

2012 Expense and Program Revenues – Governmental Activities



CITY OF CORTEZ
Management's Discussion and Analysis
Year Ended December 31, 2012

Revenues by Source - Governmental Activities



Business Activities

Business-type activities for the year resulted in an increase of net position of \$734,885. Charges for services accounted for 74.05% of total revenues. Actual expenditures were \$5,848,043.

D. FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds – The focus of government funds is to provide information on near term inflows, outflows and balances of spendable resources. 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.

As of the end of 2012, the City's governmental funds reported combined ending fund balances of \$10,457,255 an increase of \$1,673,938 in comparison with the prior year. The increase in fund balance was primarily in the general fund and street improvement fund. In both funds revenues received was more than expenditures. The street improvement fund increase was due to major capital projects being deferred to 2013. Of the combined ending fund balances for all governmental funds 95.17% of this total amount, \$9,952,146, constitute unrestricted funds, which is available for appropriation at the City's discretion. The remainder of the funds is reserved to indicate that it is not available for new spending because it is already committed to meet a state constitution mandated emergency reserve of \$364,451.

CITY OF CORTEZ
Management's Discussion and Analysis
Year Ended December 31, 2012

The City has seven governmental funds. They are General, Lodgers Tax, Conservation Trust, Equipment, Street Improvement, Emergency Reserve, and Grant Fund.

The general fund is the primary operating fund for the City of Cortez. At the end of 2012, \$5,572,287 of the fund balance was unreserved. This represents 99.4% of the total fund balance.

The Lodger's Tax fund accounts for lodger's tax revenues to promote tourism and commerce in the area. Primarily, lodger's tax finances this fund. At the end of 2012, the Lodgers Tax fund unreserved balance was \$43,286 which was \$5,204 more than the previous year. The contributing factor to this was an increase in lodger's tax for 2012. Lodger's tax revenue covered the contract with Mesa Verde Country V.I.B. and the mandatory 20% transfer to the General Fund for administration and city-wide beautification.

The Conservation Trust fund had a total fund balance at the end of 2012 of \$17,373. This fund accounts for State of Colorado lottery funds and is to be used for parks and recreation services and capital investment. The decrease in fund balance of \$10,057 was due to the City's construction of the golf course maintenance building.

The Equipment Fund accounts for the purchase of city equipment and its primary source of revenue is 3.07% of sales tax collections. At the end of 2012 the Equipment Fund had a fund balance of \$1,020,945 which was \$88,307 more than the previous year. \$247,640 was spent for the replacement of older equipment in the street department, the police department, and parks and recreation. The largest expenses were \$82,400 for a new street sweeper and \$47,477 for a Bobcat for parks and recreation.

The Street Improvement fund which accounts for 12.36% of sales tax collections and is used to improve the City's streets had a fund balance at the end of 2012 in the amount of \$3,363,161. This was an increase of \$758,189 from 2011 year-end, \$220,545 was spent for the Mesa Trail Phase 3 project in addition to improvements and maintenance of the City's streets.

The Emergency Reserve fund had a fund balance of \$364,451 at the end of 2012 which was an increase of \$1,783 from the prior year. The Emergency Reserve fund is required by TABOR and is to be used only for specific emergencies and must be replaced, if used, within the next fiscal period. This fund balance is reserved. The increase for 2012 was due to investment earnings.

The Grant Fund was initiated in 2012 to account for grants obtained by the City of Cortez on behalf of local non-profits. Our major non-profits utilizing these grants in 2012 were The Pinon Project and The Recovery Center. There is no fund balance because all revenues received pass-thru to the non-profit organizations to cover their expenses incurred under the grant. The City of Cortez does receive a fee for administering these grants.

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

The City has nine enterprise funds, the Water Utility Fund, Airport Fund, Solid Waste Fund, Police Dispatch Fund, Recreation Center Fund, Shop Fund, Cortez Community Network Fund, and Technology Fund. Unrestricted net position of the enterprise funds, at the end of 2012 amount to \$4,398,180. The Water Utility Fund accounted for \$1,664,225 and the Recreation Center accounted for \$2,143,978. Total net position increased by \$734,885 in comparison with the prior year. Actual earnings for 2012 were \$403,724.

CITY OF CORTEZ
Management's Discussion and Analysis
Year Ended December 31, 2012

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between original budget and the final amended budget for General fund activities resulted in an overall increase in appropriations of \$111,201. This increase was a result of minor departmental adjustments.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Cortez's investment in capital assets for its governmental and business type activities as of December 31, 2012, amounts to \$44,635,461, a decrease of \$663,187 from the prior year. Depreciation of \$1,713,383 was allocated in 2012. As required by GASB 34, the investment in capital assets includes land, buildings, building improvements, equipment, and infrastructure. An adjustment to 2011 balances was done to reclassify capital assets belonging to the internal service funds from the Business Type Activities to the Governmental Type Activities. This change affected the machinery and equipment asset class and was for \$167,742 in asset value and \$138,396 in accumulated depreciation. An additional adjustment was made to the 2011 balances due to depreciation not being calculated on several assets that had a remaining net book value. The Hydro Plant improvements asset class for accumulated depreciation was increased by \$27,652. The Governmental Activities machinery and equipment and infrastructure asset classes for accumulated depreciation were increased by \$20,319 and \$128,531, respectively.

Long Term Debt. At the end of 2012, total bonded debt outstanding was \$4,725,000. This debt represents bonds secured solely by specific revenue sources (i.e., revenue bonds). At the end of 2011, the only outstanding bonded debt was secured by sales tax revenue and was used for the purpose of constructing the Cortez Recreation Center. The remaining outstanding debt not subject to voter approval is notes payable to the State of Colorado in the amount of \$518,749 the Dolores Water Conservancy Board in the amount of \$3,272,773; the Colorado Department of Local Affairs in the amount of \$223,303; and the Colorado Water Resource Power Dev. Authority in the amount of \$1,040,523, and the Drinking Water Revolving Fund for \$410,166. All debt was for Business-type activities. The City also had a liability at the end of 2012 for compensated absences in the amount of \$452,321.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Cortez continues to maintain a healthy financial position, with reserves at levels required in the City's budget policy.

The City of Cortez has budgeted sales tax revenue conservatively for 2013 with an estimated increase of 2% and sales tax revenue will continue to be monitored with adjustments as needed.

Capital plans for 2013 are fairly miniscule, with one major exception. The City is considering the purchase of a property for the purpose of expanding the footprint of the service center, addition of open space to the Carpenter Natural Area, and adding to the Industrial Park through Great Outdoors Colorado for a portion of this acquisition, and is also looking at grant fund through the State Office of Economic Development for the costs of bringing infrastructure to the site. The other projects include conducting a needs assessment for designing a replacement City Hall which will be matched by a 50/50 grant from the department of Local Affairs (DOLA), a minor remodel of the children's area at the library, an energy project in order to reach our goal of reducing energy related expenditures by 25% to 30%.

The City will face continued to provide cost effective services and will strive to respond to the changing and challenging economic conditions.

CITY OF CORTEZ
Management's Discussion and Analysis
Year Ended December 31, 2012

H. REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Cortez's finances for all with an interest in the City's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to:

Finance Director
City of Cortez
210 East Main Street
Cortez, CO 81321

Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City of Cortez, Colorado, as of and for the year ended December 31, 2012, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cortez, Colorado, as of December 31, 2012, 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.

Other Matters

Required Supplementary Information – Management Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M10 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 34-36 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. In addition, the combining and budgetary comparison statements and schedules on pages 37-59 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic 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.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Local Highway Finance Report* on pages 60 - 61 is presented for purposes of legal compliance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Holscher, Mayberry + Company, LLC

Englewood, Colorado
July 18, 2013

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a financial overview of the City's operations. These financial statements present the financial position, operating results, and cash flows, where applicable, of government-wide operations as well as all governmental activities and business-type activities as of December 31, 2012.

Government-Wide Financial Statements

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City of Cortez, Colorado
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash in Checking	\$ 5,261,982	\$ 1,879,294	\$ 7,141,276
Petty Cash	2,884	1,121	4,005
Cash in Local Government Pools	2,734,405	319,612	3,054,017
Investments	1,130,744	1,555,998	2,686,742
Property Tax Receivable	100,541	-	100,541
Accounts Receivable	1,037,594	573,629	1,611,223
Special Assessment Receivable	173,825	-	173,825
Interfund Receivable	958,050	-	958,050
Intergovernmental Receivable	99,749	21,329	121,078
Inventory	27,350	276,145	303,495
Prepaid Expenses	110,162	7,674	117,836
Total Current Assets	<u>11,637,286</u>	<u>4,634,802</u>	<u>16,272,088</u>
Capital Assets			
Capital Assets not being depreciated	401,063	4,921,300	5,322,363
Capital Assets being depreciated	15,019,129	24,293,969	39,313,098
Total Capital Assets	<u>15,420,192</u>	<u>29,215,269</u>	<u>44,635,461</u>
Other Assets			
Restricted Cash	-	821,568	821,568
Total Assets	<u>27,057,478</u>	<u>34,671,639</u>	<u>61,729,117</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	271,188	94,008	365,196
Accrued Payroll	68,230	26,312	94,542
Deposits	3,587	1,050	4,637
Interfund Payables	376,750	582,000	958,750
Accrued Interest Payable	-	38,623	38,623
Deferred Revenue	-	120,653	120,653
Noncurrent Liabilities - Due within one year	-	662,010	662,010
Total Current Liabilities	<u>719,755</u>	<u>1,524,656</u>	<u>2,244,411</u>
Noncurrent Liabilities			
Accrued Compensated Absences	326,181	126,140	452,321
Notes and Loans Payable	-	9,472,852	9,472,852
Total Noncurrent Liabilities	<u>326,181</u>	<u>9,598,992</u>	<u>9,925,173</u>
Total Liabilities	<u>1,045,936</u>	<u>11,123,648</u>	<u>12,169,584</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Unavailable Property Taxes	274,753	-	274,753
NET POSITION			
Net Investment in Capital Assets	15,420,192	19,080,407	34,500,599
Restricted	364,451	69,405	433,856
Unrestricted	9,952,146	4,398,180	14,350,326
Net Position, Ending	<u>\$ 25,736,789</u>	<u>\$ 23,547,992</u>	<u>\$ 49,284,781</u>

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

City of Cortez, Colorado
Statement of Activities
Year Ended December 31, 2012

Function/Program	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ (1,857,624)	\$ 126,344	\$ 1,256,345	\$ -
General Services	(1,407,476)	-	-	-
Public Safety	(4,278,228)	84,753	172,083	-
Public Works	(1,595,046)	329,927	382,767	-
Parks and Recreation	(1,663,976)	489,557	107,311	-
Total Governmental Activities	<u>(10,802,351)</u>	<u>1,030,581</u>	<u>1,918,506</u>	<u>-</u>
Business-type Activities				
Airport	(609,326)	160,493	-	562,584
Recreation	(1,302,146)	509,752	-	-
Water	(1,832,270)	2,152,899	-	-
Solid Waste Collection	(861,987)	1,030,768	-	-
Police Dispatch	(698,411)	620,731	-	-
Hydro Plant	(99,877)	88,360	-	-
City Community Network Fund	(444,026)	336,984	-	-
Total Business-type Activities	<u>(5,848,043)</u>	<u>4,899,987</u>	<u>-</u>	<u>562,584</u>
Total Government	<u>\$ (16,650,394)</u>	<u>\$ 5,930,568</u>	<u>\$ 1,918,506</u>	<u>\$ 562,584</u>
General Revenues				
Property and Sales Taxes				
Franchise Taxes				
Investment Earnings				
Miscellaneous Revenue				
Total General Revenues				
Transfers-Net				
Change in Net Position				
Net Position, Beginning				
Prior Period Restatement				
Net Position, Beginning (As Restated)				
Net Position, Ending				

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

Net Revenue (Expense) and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (474,935)	\$ -	\$ (474,935)
(1,407,476)	-	(1,407,476)
(4,021,392)	-	(4,021,392)
(882,352)	-	(882,352)
<u>(1,067,108)</u>	<u>-</u>	<u>(1,067,108)</u>
<u>(7,853,264)</u>	<u>-</u>	<u>(7,853,264)</u>
-	113,751	113,751
-	(792,394)	(792,394)
-	320,629	320,629
-	168,781	168,781
-	(77,680)	(77,680)
-	(11,517)	(11,517)
-	(107,042)	(107,042)
<u>-</u>	<u>(385,472)</u>	<u>(385,472)</u>
<u>(7,853,264)</u>	<u>(385,472)</u>	<u>(8,238,736)</u>
8,354,814	1,257,278	9,612,092
620,118	-	620,118
32,699	9,502	42,201
78,614	-	78,614
<u>9,086,245</u>	<u>1,266,780</u>	<u>10,353,025</u>
<u>146,423</u>	<u>(146,423)</u>	<u>-</u>
<u>1,379,404</u>	<u>734,885</u>	<u>2,114,289</u>
24,541,220	23,064,424	47,605,644
<u>(183,835)</u>	<u>(251,317)</u>	<u>(435,152)</u>
<u>24,357,385</u>	<u>22,813,107</u>	<u>47,170,492</u>
<u>\$ 25,736,789</u>	<u>\$ 23,547,992</u>	<u>\$ 49,284,781</u>

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Fund Financial Statements

City of Cortez, Colorado
Balance Sheet
Governmental Funds
December 31, 2012

	Street Improvement			2012 Total
	General Fund	Fund	Nonmajor Funds	
Assets				
Cash in Checking	\$ 2,550,964	\$ 1,402,538	\$ 753,436	\$ 4,706,938
Petty Cash	2,732	-	-	2,732
Cash in Local Government Pools	1,234,662	983,381	516,362	2,734,405
Investments	726,690	204,054	200,000	1,130,744
Property Tax Receivable	100,541	-	-	100,541
Accounts Receivable	730,052	271,275	36,077	1,037,404
Special Assessment Receivable	57,794	116,031	-	173,825
Interfund Receivable	451,050	507,000	-	958,050
Intergovernmental Receivable	38,832	-	60,917	99,749
Inventory	4,993	-	-	4,993
Prepaid Expenses	27,405	71	607	28,083
Total Assets	<u>\$ 5,925,715</u>	<u>\$ 3,484,350</u>	<u>\$ 1,567,399</u>	<u>\$ 10,977,464</u>
Liabilities				
Accounts Payable	\$ 128,919	\$ 4,203	\$ 44,892	\$ 178,014
Accrued Payroll	62,200	955	-	63,155
Deposits	3,587	-	-	3,587
Interfund Payables	-	-	700	700
Total Liabilities	<u>194,706</u>	<u>5,158</u>	<u>45,592</u>	<u>245,456</u>
Deferred Inflows of Financial Resources				
Unavailable Property Taxes	<u>158,722</u>	<u>116,031</u>	<u>-</u>	<u>274,753</u>
Fund Balance				
Nonexpendable	32,398	71	607	33,076
Restricted	-	-	364,451	364,451
Assigned	-	3,363,090	1,156,749	4,519,839
Unassigned	5,539,889	-	-	5,539,889
Total Fund Balance	<u>5,572,287</u>	<u>3,363,161</u>	<u>1,521,807</u>	<u>10,457,255</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 5,925,715</u>	<u>\$ 3,484,350</u>	<u>\$ 1,567,399</u>	<u>\$ 10,977,464</u>

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

City of Cortez, Colorado
Reconciliation of Governmental Fund Balance to
Governmental Activities Net Position
December 31, 2012

Governmental Fund Balance	\$ 10,457,255
Capital assets used in governmental activities are not resources and are not reported in the funds:	
Capital Assets not being depreciated	401,063
Capital Assets being depreciated	27,280,001
Accumulated Depreciation	(12,283,624)
Earned but unpaid accumulated leave balances are not reported in the funds:	(298,840)
Accrued Compensated Absences	
Internal service funds are blended into governmental activities:	
Internal Service Fund Net Position	<u>180,934</u>
Governmental Activities Net Position	<u><u>\$ 25,736,789</u></u>

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

City of Cortez, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended December 31, 2012

	Street Improvement			2012 Total
	General Fund	Fund	Nonmajor Funds	
Revenues				
Property and Sales Taxes	\$ 6,763,541	\$ 1,144,326	\$ 446,947	\$ 8,354,814
Franchise Taxes	620,118	-	-	620,118
Licenses, Permits and Fees	197,714	-	-	197,714
Intergovernmental Revenue	1,435,485	-	84,911	1,520,396
Charges for Services	529,043	160,550	53,054	742,647
Fines and Forfeits	90,220	-	-	90,220
Investment Earnings	14,375	15,557	2,767	32,699
Donation	37,093	-	-	37,093
Miscellaneous Revenue	22,210	39,103	17,295	78,608
Grant Revenue	154,304	-	206,717	361,021
Total Revenues	<u>9,864,103</u>	<u>1,359,536</u>	<u>811,691</u>	<u>12,035,330</u>
Expenditures				
General Government	896,070	-	605,392	1,501,462
General Services	1,082,385	-	247,640	1,330,025
Public Safety	4,070,047	-	-	4,070,047
Public Works	1,102,022	601,347	-	1,703,369
Parks and Recreation	1,795,989	-	-	1,795,989
Total Expenditures	<u>8,946,513</u>	<u>601,347</u>	<u>853,032</u>	<u>10,400,892</u>
Revenues in Excess (Def.) of Expend.	<u>917,590</u>	<u>758,189</u>	<u>(41,341)</u>	<u>1,634,438</u>
Other Financing Sources (Uses)				
Transfers In	127,543	-	433,100	560,643
Transfers Out	(208,600)	-	(312,543)	(521,143)
Net Other Financing Sources (Uses)	<u>(81,057)</u>	<u>-</u>	<u>120,557</u>	<u>39,500</u>
Change in Fund Balance	<u>836,533</u>	<u>758,189</u>	<u>79,216</u>	<u>1,673,938</u>
Fund Balance, Beginning	4,660,718	2,604,972	1,442,591	8,708,281
Prior Period Restatement	75,036	-	-	75,036
Fund Balance, Beginning (As Restated)	<u>4,735,754</u>	<u>2,604,972</u>	<u>1,442,591</u>	<u>8,783,317</u>
Fund Balance, Ending	<u>\$ 5,572,287</u>	<u>\$ 3,363,161</u>	<u>\$ 1,521,807</u>	<u>\$ 10,457,255</u>

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

City of Cortez, Colorado
Reconciliation of Change in Governmental Fund Balance to
Change in Governmental Activities Net Position
Year Ended December 31, 2012

Change in Governmental Fund Balance	\$ 1,673,938
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities:	
Capitalized depreciable assets	433,892
Depreciation expense	(605,669)
Earned but unpaid accumulated leave balances are not reported in the funds:	
Accrued Compensated Absences	(42,209)
Internal service funds are blended into governmental activities:	
Internal Service Fund Net Position	<u>(80,548)</u>
Change in Governmental Activities Net Position	<u><u>\$ 1,379,404</u></u>

The accompanying notes are an intergral part of the financial statements.

City of Cortez, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2012

	Business-type Activities			
	Airport Fund	Recreation Center Fund	Water Fund	Solid Waste Collection Fund
	Fund	Fund	Fund	Fund
ASSETS				
Current Assets				
Cash in Checking	\$ 177,042	\$ 526,762	\$ 700,681	\$ 120,008
Petty Cash	-	521	600	-
Cash in Local Government Pools	22	9	118,317	201,264
Investments	-	1,103,919	352,079	100,000
Accounts Receivable	2,925	121,521	132,051	104,972
Intergovernmental Receivable	21,329	-	-	-
Inventory	-	1,823	251,063	-
Prepaid Expenses	82	1,057	1,484	4,699
Total Current Assets	<u>201,400</u>	<u>1,755,612</u>	<u>1,556,275</u>	<u>530,943</u>
Capital Assets				
Capital Assets not being depreciated	718,874	-	4,202,426	-
Capital Assets being depreciated	5,564,011	8,048,858	8,928,193	-
Total Capital Assets	<u>6,282,885</u>	<u>8,048,858</u>	<u>13,130,619</u>	<u>-</u>
Other Assets				
Restricted Cash	-	472,500	279,663	-
Total Assets	<u>6,484,285</u>	<u>10,276,970</u>	<u>14,966,557</u>	<u>530,943</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	30,789	27,488	15,298	18,215
Accrued Payroll	1,053	6,220	6,430	4,876
Deposits	-	1,050	-	-
Interfund Payables	-	-	-	-
Accrued Interest Payable	-	11,422	7,246	-
Deferred Revenue	-	5,718	114,935	-
Noncurrent Liabilities - Due within one year	-	487,404	126,011	-
Total Current Liabilities	<u>31,842</u>	<u>539,302</u>	<u>269,920</u>	<u>23,091</u>
Noncurrent Liabilities				
Accrued Compensated Absences	9,605	32,236	27,804	24,484
Notes and Loans Payable	-	4,181,945	4,298,979	-
Total Noncurrent Liabilities	<u>9,605</u>	<u>4,214,181</u>	<u>4,326,783</u>	<u>24,484</u>
Total Liabilities	<u>41,447</u>	<u>4,753,483</u>	<u>4,596,703</u>	<u>47,575</u>
NET POSITION				
Net Investment in Capital Assets	6,282,885	3,379,509	8,705,629	-
Unrestricted	159,953	2,143,978	1,664,225	483,368
Net Position, Ending	<u>\$ 6,442,838</u>	<u>\$ 5,523,487</u>	<u>\$ 10,369,854</u>	<u>\$ 483,368</u>

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

<u>Business-type Activities</u>		<u>Govt Act.</u>	
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>2012 Total</u>
\$ 354,801	\$ 1,879,294	\$ 555,044	\$ 2,434,338
-	1,121	152	1,273
-	319,612	-	319,612
-	1,555,998	-	1,555,998
212,160	573,629	190	573,819
-	21,329	-	21,329
23,259	276,145	22,357	298,502
352	7,674	82,079	89,753
<u>590,572</u>	<u>4,634,802</u>	<u>659,822</u>	<u>5,294,624</u>
-	4,921,300	-	4,921,300
<u>1,752,907</u>	<u>24,293,969</u>	<u>22,752</u>	<u>24,316,721</u>
<u>1,752,907</u>	<u>29,215,269</u>	<u>22,752</u>	<u>29,238,021</u>
<u>69,405</u>	<u>821,568</u>	<u>-</u>	<u>821,568</u>
<u>2,412,884</u>	<u>34,671,639</u>	<u>682,574</u>	<u>35,354,213</u>
2,217	94,007	93,174	187,181
7,733	26,312	5,075	31,387
-	1,050	-	1,050
582,000	582,000	376,050	958,050
19,955	38,623	-	38,623
-	120,653	-	120,653
48,595	662,010	-	662,010
<u>660,500</u>	<u>1,524,655</u>	<u>474,299</u>	<u>1,998,954</u>
32,011	126,140	27,341	153,481
991,928	9,472,852	-	9,472,852
<u>1,023,939</u>	<u>9,598,992</u>	<u>27,341</u>	<u>9,626,333</u>
<u>1,684,439</u>	<u>11,123,647</u>	<u>501,640</u>	<u>11,625,287</u>
712,384	19,080,407	22,752	19,103,159
(53,344)	4,398,180	158,182	4,556,362
<u>\$ 728,445</u>	<u>\$ 23,547,992</u>	<u>\$ 180,934</u>	<u>\$ 23,728,926</u>

City of Cortez, Colorado
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2012

	Business-type Activities			
		Recreation		Solid Waste
	Airport Fund	Center Fund	Water Fund	Collection Fund
OPERATING REVENUES				
Intergovernmental Revenue	\$ 20,836	\$ -	\$ -	\$ -
Charges for Services	201,173	509,750	2,159,301	1,030,682
Interfund Charges	-	-	-	-
Miscellaneous Revenue	(61,516)	2	(6,402)	86
Total Operating Revenues	<u>160,493</u>	<u>509,752</u>	<u>2,152,899</u>	<u>1,030,768</u>
OPERATING EXPENSES				
Health Claims	-	-	-	-
Shop	-	-	-	-
Building Overhead	-	-	-	-
Technology	-	-	-	-
Fiber Network	-	-	-	-
Telecommunications	-	-	-	-
Administration	-	-	171,570	65,017
Filtration and Treatment	-	-	196,825	-
Transmission and Distribution	-	-	434,651	-
Airport Operations	153,995	-	-	-
Meter Maintenance	-	-	177,497	-
Collection	-	-	-	679,156
Recycling	-	-	-	116,620
Fiber Outside Plant	-	-	-	-
Fiber Inside Plant	-	-	-	-
Recreation Center	-	916,291	-	-
Police Support Services	-	-	-	-
Capital Outlay	214,467	-	160,481	-
Depreciation	240,864	249,800	442,131	1,194
Total Operating Expenses	<u>609,326</u>	<u>1,166,091</u>	<u>1,583,155</u>	<u>861,987</u>
Operating Income (Loss)	<u>(448,833)</u>	<u>(656,339)</u>	<u>569,744</u>	<u>168,781</u>
Other Revenues (Expenses)				
Property and Sales Taxes	-	1,257,278	-	-
Investment Earnings	104	4,513	2,697	2,096
Interest Expense	-	(136,055)	(249,115)	-
Net Income (Loss) before Transfers	<u>(448,729)</u>	<u>469,397</u>	<u>323,326</u>	<u>170,877</u>
Transfers				
Transfers In	-	-	25,000	-
Transfers Out	-	-	(64,419)	(142,004)
Net Transfers	<u>-</u>	<u>-</u>	<u>(39,419)</u>	<u>(142,004)</u>
Capital Contributions	<u>562,584</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	<u>113,855</u>	<u>469,397</u>	<u>283,907</u>	<u>28,873</u>
Net Position, Beginning	6,328,983	4,968,670	10,085,947	454,495
Prior Period Restatement	-	85,420	-	-
Net Position, Beginning (As Restated)	<u>6,328,983</u>	<u>5,054,090</u>	<u>10,085,947</u>	<u>454,495</u>
Net Position, Ending	<u>\$ 6,442,838</u>	<u>\$ 5,523,487</u>	<u>\$ 10,369,854</u>	<u>\$ 483,368</u>

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

<u>Business-type Activities</u>		<u>Govt Act.</u>	
<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>2012 Total</u>
\$ -	\$ 20,836	\$ 5,580	\$ 26,416
728,725	4,629,631	149,884	4,779,515
195,142	195,142	2,626,861	2,822,003
<u>122,208</u>	<u>54,378</u>	<u>2,629</u>	<u>57,007</u>
<u>1,046,075</u>	<u>4,899,987</u>	<u>2,784,954</u>	<u>7,684,941</u>
-	-	1,933,723	1,933,723
-	-	622,017	622,017
-	-	104,566	104,566
-	-	271,201	271,201
-	-	4,976	4,976
-	-	21,669	21,669
52,243	288,830	-	288,830
-	196,825	-	196,825
-	434,651	-	434,651
-	153,995	-	153,995
-	177,497	-	177,497
-	679,156	-	679,156
-	116,620	-	116,620
12,562	12,562	-	12,562
46,448	46,448	-	46,448
-	916,291	-	916,291
684,242	684,242	-	684,242
258,837	633,785	7,915	641,700
<u>167,132</u>	<u>1,101,121</u>	<u>6,595</u>	<u>1,107,716</u>
<u>1,221,464</u>	<u>5,442,023</u>	<u>2,972,662</u>	<u>8,414,685</u>
(175,389)	(542,036)	(187,708)	(729,744)
-	1,257,278	-	1,257,278
92	9,502	237	9,739
<u>(20,850)</u>	<u>(406,020)</u>	<u>-</u>	<u>(406,020)</u>
<u>(196,147)</u>	<u>318,724</u>	<u>(187,471)</u>	<u>131,253</u>
60,000	85,000	106,923	191,923
<u>(25,000)</u>	<u>(231,423)</u>	<u>-</u>	<u>(231,423)</u>
<u>35,000</u>	<u>(146,423)</u>	<u>106,923</u>	<u>(39,500)</u>
-	562,584	-	562,584
<u>(161,147)</u>	<u>734,885</u>	<u>(80,548)</u>	<u>654,337</u>
917,243	22,755,338	505,728	23,261,066
<u>(27,651)</u>	<u>57,769</u>	<u>(244,246)</u>	<u>(186,477)</u>
<u>889,592</u>	<u>22,813,107</u>	<u>261,482</u>	<u>23,074,589</u>
<u>\$ 728,445</u>	<u>\$ 23,547,992</u>	<u>\$ 180,934</u>	<u>\$ 23,728,926</u>

City of Cortez, Colorado
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2012

	Business-type Activities			
	Recreation			Solid Waste
	Airport Fund	Center Fund	Water Fund	Collection Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash flows from customers	\$ 191,154	\$ 501,931	\$ 2,279,451	\$ 1,031,544
Cash flows from internal activities	(288,000)	-	-	-
Cash paid to suppliers	(254,436)	(475,291)	(2,021,213)	(438,990)
Cash paid to/for benefit of employees	(85,663)	(422,679)	(462,566)	(425,336)
Net Cash Provided (Used) by Operating Activities	<u>(436,945)</u>	<u>(396,039)</u>	<u>(204,328)</u>	<u>167,218</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital asset acquisitions	(207,507)	(13,345)	(18,908)	-
Debt payments	-	(610,231)	(120,090)	-
Grant proceeds	569,185	-	-	-
Interest paid	-	(147,194)	(249,561)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>361,678</u>	<u>(770,770)</u>	<u>(388,559)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Tax Revenue	-	1,257,278	-	-
Transfers (to) from Other Funds	-	-	(39,419)	(142,004)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>1,257,278</u>	<u>(39,419)</u>	<u>(142,004)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	104	4,513	2,697	2,096
Net cash invested	-	(551,733)	(2,079)	-
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	<u>104</u>	<u>(547,220)</u>	<u>618</u>	<u>2,096</u>
CHANGE IN CASH	(75,163)	(456,751)	(631,688)	27,310
CASH AND EQUIVALENTS, Beginning	<u>252,227</u>	<u>1,456,543</u>	<u>1,730,949</u>	<u>293,962</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 177,064</u>	<u>\$ 999,792</u>	<u>\$ 1,099,261</u>	<u>\$ 321,272</u>
CASH PER BALANCE SHEET				
Cash in Checking	\$ 177,042	\$ 526,762	\$ 700,681	\$ 120,008
Petty Cash	-	521	600	-
Cash in Money Markets	22	9	118,317	201,264
Restricted Cash	-	472,500	279,663	-
Total Cash and Equivalents, Ending	<u>\$ 177,064</u>	<u>\$ 999,792</u>	<u>\$ 1,099,261</u>	<u>\$ 321,272</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (448,833)	\$ (656,339)	\$ 569,744	\$ 168,781
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	240,864	249,800	442,131	1,194
(Increase) Decrease in:				
Accounts Receivable	30,661	(4,829)	22,195	776
Interfund Receivable	-	-	-	-
Inventory	-	380	5,448	-
Prepaid Expenses	(7)	(162)	(406)	(716)
Increase (Decrease) in:				
Accounts Payable	26,746	3,839	(1,351,179)	(1,920)
Accrued Payroll	(254)	(1,240)	(1,062)	(1,554)
Deposits	-	1,050	(387)	-
Interfund Payables	(288,000)	-	-	-
Deferred Revenue	-	(2,992)	104,357	-
Accrued Compensated Absences	1,878	14,454	4,831	657
Net Reconciliation Adjustments	<u>11,888</u>	<u>260,300</u>	<u>(774,072)</u>	<u>(1,563)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (436,945)</u>	<u>\$ (396,039)</u>	<u>\$ (204,328)</u>	<u>\$ 167,218</u>

See accompanying Independent Auditors' Report

Business-type Activities		Govt Act.	
Other	Total		
Enterprise	Enterprise	Internal	
Funds	Funds	Service Funds	2012 Total
\$ 1,031,907	\$ 5,035,987	\$ 401,963	\$ 5,437,950
195,142	(92,858)	2,981,465	2,888,607
(685,242)	(3,875,172)	(907,745)	(4,782,917)
<u>(539,496)</u>	<u>(1,935,740)</u>	<u>(2,294,139)</u>	<u>(4,229,879)</u>
<u>2,311</u>	<u>(867,783)</u>	<u>181,544</u>	<u>(686,239)</u>
-	(239,760)	-	(239,760)
(47,641)	(777,962)	-	(777,962)
-	569,185	-	569,185
<u>(21,764)</u>	<u>(418,519)</u>	<u>-</u>	<u>(418,519)</u>
<u>(69,405)</u>	<u>(867,056)</u>	<u>-</u>	<u>(867,056)</u>
-	1,257,278	-	1,257,278
<u>35,000</u>	<u>(146,423)</u>	<u>106,923</u>	<u>(39,500)</u>
<u>35,000</u>	<u>1,110,855</u>	<u>106,923</u>	<u>1,217,778</u>
92	9,502	237	9,739
-	(553,812)	-	(553,812)
<u>92</u>	<u>(544,310)</u>	<u>237</u>	<u>(544,073)</u>
(32,002)	(1,168,294)	288,704	(879,590)
<u>456,208</u>	<u>4,189,889</u>	<u>266,492</u>	<u>4,456,381</u>
<u>\$ 424,206</u>	<u>\$ 3,021,595</u>	<u>\$ 555,196</u>	<u>\$ 3,576,791</u>
\$ 354,801	\$ 1,879,294	\$ 555,044	\$ 2,434,338
-	1,121	152	1,273
-	319,612	-	319,612
<u>69,405</u>	<u>821,568</u>	<u>-</u>	<u>821,568</u>
<u>\$ 424,206</u>	<u>\$ 3,021,595</u>	<u>\$ 555,196</u>	<u>\$ 3,576,791</u>
\$ (175,389)	\$ (542,036)	\$ (187,708)	\$ (729,744)
167,132	1,101,121	6,595	1,107,716
180,974	229,777	243,870	473,647
-	-	(21,446)	(21,446)
(23,128)	(17,300)	(1,777)	(19,077)
(275)	(1,566)	(7,479)	(9,045)
(153,721)	(1,476,235)	(231,261)	(1,707,496)
1,619	(2,491)	(963)	(3,454)
-	663	-	663
-	(288,000)	376,050	88,050
-	101,365	-	101,365
<u>5,099</u>	<u>26,919</u>	<u>5,663</u>	<u>32,582</u>
<u>177,700</u>	<u>(325,747)</u>	<u>369,252</u>	<u>43,505</u>
<u>\$ 2,311</u>	<u>\$ (867,783)</u>	<u>\$ 181,544</u>	<u>\$ (686,239)</u>

City of Cortez, Colorado
Statement of Fiduciary Net Position
Court Bond Agency Fund
December 31, 2012

	<u>2012</u>
ASSETS	
Cash in Checking	\$ <u>5,337</u>
FIDUCIARY NET POSITION	
Funds Held for Others	\$ <u><u>5,337</u></u>

See accompanying Independent Auditors' Report

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Cortez became a home rule City in 1957. At that time, the citizens adopted the Council-Manager form of government. The citizen's elect seven council members, non-partisan, at large, for staggered terms. At all general municipal elections there are elected four council persons. The three candidates receiving the highest number of votes serve four year terms and the candidate receiving the next highest number of votes serves a two year term.

The Mayor and Mayor Pro-Tempore are selected by and from the City Council for a two year term of office. Council serves as the legislative and policymaking body of the City. The City Manager, chief administrative officer for the City, is appointed by the Council and is responsible for the general administration of all City business.

The accounting policies of the City of Cortez, Colorado ("the City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

REPORTING ENTITY

In accordance with Governmental Accounting Standards, the City has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The City is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if City officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the City. The City may also be financially accountable for governmental organizations that are fiscally dependent upon it. Based on the application of these criteria, the City is not included any other organization, but does include the Mesa Verde Country® Visitor Information Bureau within its reporting entity as a blended Special Revenue Fund.

BASIS OF PRESENTATION

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the City as a whole. The reporting information includes all of the non-fiduciary activities of the City. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

BASIS OF PRESENTATION (Continued)

Revenues that are not classified as program revenues are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental, proprietary, and fiduciary are presented, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds would be aggregated and reported as non-major funds.

GOVERNMENTAL FUNDS

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the collection and disbursement of specific revenue sources. The City's major Special Revenue Fund is the:

Street Improvement Fund – This fund accounts for the 12.36% of the City's sales tax collections that are to be used to improve the City's streets.

The City also reports the following non-major Special Revenue Funds:

Lodger's Tax Fund – This fund accounts for the use of lodger's tax revenues to promote tourism and commerce in the area.

Conservation Trust Fund – This fund accounts for State of Colorado lottery fund to be used for parks and recreation maintenance and capital investment.

Equipment Fund – This fund accounts for the 3.07% of the City's sales tax collections that are to be used to update and improve the City's equipment.

Emergency Reserve- TABOR Fund – These funds were set aside by the City to fund the required TABOR emergency reserve requirement as described in Note 10.

Mesa Verde Country® Visitor Information Bureau – This is the blended component unit described above.

Grants Fund – This fund accounts for grant revenues and pass-through grant expenditures.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are as follows:

- Airport Fund – This fund accounts for the operations of the City's airport.
- Recreation Center Fund – This fund accounts for the construction, repayment of bonds and operations of the recreation center.
- Water Fund – This fund accounts for the operation and maintenance of the City's water treatment and distribution system.
- Solid Waste Collection Fund – This fund accounts for the collection and disposal of the City's solid waste refuse.

The City also reports the following non-major Enterprise Funds:

- Police Dispatch Fund – This fund accounts for the City provided county-wide dispatch services.
- Hydro Plant Fund – This fund accounts for the operations of the City's hydroelectric power plant.
- City Community Network Fund – This fund accounts for the operations and maintenance of the City's fiber network.

The City reports the following Internal Service Funds:

- Shop Fund - This fund accounts for the operation of the maintenance shop which provides repair and maintenance to the City's equipment and vehicles.
- Technology Fund – This fund accounts for the City-wide computer information system operations.
- Self-Insured Health Insurance Fund – This fund accounts for the self-insured portion of the City's health insurance plan.

FIDUCIARY FUND

The City reports the following fiduciary fund:

- Court Bond Agency Fund – This fund accounts for those amounts collected and held on behalf of those remitting court bonds.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental Fund Financial Statements

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available. These revenues could include certain property, sales and other tax collections, federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. The City generally considers funds received within 60 days subsequent to the end of the fiscal year to be measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before the first Monday in November of each year, the City Manager shall submit to the Council a proposed budget for the next ensuing budget year with an explanatory message. The proposed budget provides a complete financial plan for the City and includes the proposed expenditures for each office, department and agency for the ensuing year; debt service requirements for the ensuing fiscal year; an estimate of the amount of anticipated income from all sources other than taxes on property during the ensuing fiscal year, including estimated surplus cash at the end of the current year.
- The budget is required to be in sufficient detail to show each fund's estimated revenues by source and estimated expenditures. The budget shall be arranged to show comparative figures for receipts and expenditures for the last completed fiscal year, estimates for the current year, and the City Manager's recommendations for the ensuing fiscal year.
- A public hearing is conducted to obtain taxpayer comments.
- No later than the last day of December, the budget is legally adopted and appropriations are enacted by Ordinance.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by City Council.
- The level on which expenditures may not legally exceed appropriations is the legally adopted annual operating budget for the fund in total.
- The City Council may legally amend the budget by Ordinance once it has been approved. Budgeted amounts are shown as adopted by the City Council, including all amendments.
- All appropriations lapse at year end.
- Budgets are legally adopted for all non-fiduciary funds of the City. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented for the Enterprise and Internal Service Funds are presented on a non-GAAP budgetary basis. Tap fees, grant revenues and debt proceeds are recognized as revenue for budget purposes. Capital outlay is budgeted as an expenditure.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

CASH AND INVESTMENTS

Cash equivalents include investments with original maturities of three months or less. Investments are recorded at fair value.

PROPERTY TAXES

Property taxes for the City are levied by the City Council and certified for collection to Montezuma County by December 15 of each year. These taxes become due January 1 of the succeeding year and are payable in full by April 30 or in two installments by June 15 in the year of collection. Property taxes levied in the current year for collection in the subsequent year by the General Fund are included in receivables and deferred inflows at year end. These taxes are classified as deferred inflows since they were levied for and are not available to the City until the subsequent year.

INVENTORY

Inventories are valued at cost, using the first-in, first-out (FIFO) method.

CAPITAL ASSETS

Property and equipment acquisitions made by the governmental funds are accounted for as expenditures of the fund, and are then capitalized in the government-wide financial statements. All purchased property and equipment are valued at cost, while donated assets are valued at their estimated fair market value as of the date received as a donation. The City capitalizes assets with a useful life in excess of five years and a cost of \$5,000 or greater. Public domain (“infrastructure”) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized as governmental activities in the government-wide financial statements.

Depreciation is provided on all capital assets shown in the government-wide presentation and is computed using the straight-line method over the following estimated useful lives of the assets.

Buildings and improvements	5 - 100 years
Infrastructure	15 - 25 years
Collection and distribution systems	30 - 50 years
Machinery and equipment	5 - 15 years

The City capitalizes interest costs during construction; however none of the interest paid met the capitalization requirements during 2012.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

COMPENSATED ABSENCES

Employees of the City are allowed to accumulate unused vacation time up to 240 hours and unused sick time up to 480 hours. Regular, full-time employees hired on, or before February 14, 1990, after completing twenty years of service, will be compensated for sick leave earned at a maximum of 480 hours upon separation.

Accumulated unpaid vacation pay is accrued when earned. In the government-wide presentation, accumulated compensated absences not expected to be paid with current available resources are reported as long-term liabilities. Governmental Activity compensated absences have normally been liquidated by the General Fund. The City has estimated that 10% of the outstanding compensated absence balances will be liquidated within the next twelve months.

DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises both under the full accrual and modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in both the governmental activities statement of net position and in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

NET POSITION/FUND BALANCES

In the government-wide financial statements and for the proprietary fund statements, net position are either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balances are reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the City Council, are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as “assigned” fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining fund balance in the General Fund or deficits in the other governmental funds are presented as unassigned.

NET POSITION/FUND BALANCE FLOW ASSUMPTIONS

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

ENCUMBRANCES

The City does not utilize encumbrance accounting.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2: DEPOSITS AND INVESTMENTS

A summary of cash and investments as of December 31, 2012 follows:

Cash in Checking	\$ 7,141,276
Petty Cash	4,005
Cash in Local Government Pools	<u>3,054,017</u>
Total Government-wide Cash and Equivalents	10,199,298
Investments	<u>2,686,742</u>
Total Government-wide Unrestricted Cash and Investments	12,886,040
Government-wide Restricted Cash Equivalents	821,568
Fiduciary Cash Equivalents	<u>5,337</u>
Total Cash and Investments	<u>\$ 13,712,945</u>

The City's cash and investment balances are comprised of the following:

Cash and Equivalent Deposits	\$ 7,972,186
Cash and Equivalent Investments	<u>3,054,017</u>
Total Cash and Equivalents	<u>11,026,203</u>
Bank Investments	1,976,437
Other Investments	<u>710,305</u>
Total Investments	<u>2,686,742</u>
Total Cash and Investments	<u>\$ 13,712,945</u>

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Cash Deposits

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2012, all of the City's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

	Bank Balance	Carrying Balance
Cash and Equivalents		
FDIC Insured	\$ 405,849	\$ 405,849
PDPA Collateralized (1)	7,900,939	7,562,331
Petty Cash	-	4,005
Total Cash and Equivalents	8,306,789	7,972,186
Investments		
FDIC Insured Investments	1,927,552	1,927,552
PDPA Collateralized Investments (1)	50,000	48,885
Total Investments	1,977,552	1,976,437
Total Cash and Bank Deposits	\$ 10,284,341	\$ 9,948,623
(1) - Not held in City's Name		

Investments

Credit Risk

Colorado statutes specify which instruments units of local government may invest, which include:

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

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

Credit Risk (Continued)

The City's credit risk policy mirrors the state. The City's investments are as follows:

	Fair Value	Weighted Avg. Maturity In Years	% of Portfolio	Rating
Cash Equivalents				
Mutual Funds	\$ -	0.00	0.00%	N/A
Local Investment Pools	<u>3,054,017</u>	0.00	<u>81.13%</u>	AAAm
Total Cash Equivalent Investments	<u>3,054,017</u>		<u>81.13%</u>	
Investments				
U.S. Instrumentalities:				
FNMA	700,000	4.62	18.60%	AAA
Mutual Funds	<u>10,305</u>	<u>0.00</u>	<u>0.27%</u>	N/A
Total Nonequivalent Investments	<u>710,305</u>	4.56	<u>18.87%</u>	
Total Investments held by City	<u>\$ 3,764,322</u>	0.86	<u>100.00%</u>	

During the year ended December 31, 2012, the City invested funds in Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. They invest in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pool operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. This fund is rated AAAM by the Standard and Poor's Corporation.

Interest Rate Risk

The City manages its interest rate risk by setting a maximum maturity date no more than five years from the date of purchase unless otherwise authorized by the City Council.

Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in FNMA securities. These investments are 18.6% of the City's total investments.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2012, the City's U.S. Treasury and Instrumentality securities were held by Gill Capital Partners in the name of the City.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Restricted Cash

The City has restricted a portion of its cash and investment balances to meet debt covenant requirements as follows:

	<u>Rec Center</u>	<u>Water Fund</u>	<u>Hydro Plant</u>	<u>Total</u>
Restricted for Debt Service	\$ 472,500	\$ -	\$ 69,405	\$ 541,905
Restricted for O & M Reserve	-	279,663	-	279,663
Total	<u>\$ 472,500</u>	<u>\$ 279,663</u>	<u>\$ 69,405</u>	<u>\$ 821,568</u>

NOTE 3: CAPITAL ASSETS

A summary of changes in the governmental capital assets at December 31, 2012 follows:

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2012</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 401,063	\$ -	\$ -	\$ 401,063
Construction in progress	95,000	-	95,000	-
Total capital assets not being depreciated	<u>496,063</u>	<u>-</u>	<u>95,000</u>	<u>401,063</u>
Capital assets being depreciated				
Buildings	7,791,564	265,426	-	8,056,990
Machinery and equipment	6,719,077	245,836	20,743	6,944,170
Other improvements	4,591,203	-	-	4,591,203
Land improvements	526,813	-	-	526,813
Infrastructure	7,160,825	-	-	7,160,825
Internal service equipment	167,743	-	-	167,743
Total capital assets being depreciated	<u>26,957,225</u>	<u>511,262</u>	<u>20,743</u>	<u>27,447,744</u>
Less accumulated depreciation for:				
Buildings	2,270,487	149,390	-	2,419,877
Machinery and equipment	4,662,478	150,759	20,743	4,792,494
Other Improvements	3,594,943	140,693	-	3,735,636
Land improvements	59,913	9,566	-	69,479
Infrastructure	1,110,878	155,260	-	1,266,138
Internal service equipment	138,396	6,595	-	144,991
Total accumulated depreciation	<u>11,837,095</u>	<u>612,263</u>	<u>20,743</u>	<u>12,428,615</u>
Governmental activity capital assets, net	<u>\$ 15,521,193</u>	<u>\$ (101,001)</u>	<u>\$ -</u>	<u>\$ 15,420,192</u>

Depreciation has been allocated for the statement of activities as follows:

General Government	\$ 87,434
General Services	77,451
Public Safety	237,009
Public Works	99,189
Parks and Recreation	104,585
Internal Service Fund	6,595
Total	<u>\$ 612,263</u>

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4: CAPITAL ASSETS (Continued)

A summary of business-type capital assets at December 31, 2012 follows:

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2012</u>
Business-Type Activities:				
Capital Assets not being depreciated				
Land	\$ 718,874	\$ -	\$ -	\$ 718,874
Water Rights	4,202,426	-	-	4,202,426
Total capital assets not being depreciated	<u>4,921,300</u>	<u>-</u>	<u>-</u>	<u>4,921,300</u>
Capital assets being depreciated				
Buildings	15,329,154	-	-	15,329,154
Machinery and equipment	2,911,802	181,874	-	3,093,676
Other Improvements	1,026,236	7,000	-	1,033,236
Infrastructure	15,227,070	50,886	-	15,277,956
Total capital assets being depreciated	<u>34,494,262</u>	<u>239,760</u>	<u>-</u>	<u>34,734,022</u>
Less: Accumulated Depreciation				
Buildings	3,065,445	511,212	-	3,576,657
Machinery and equipment	1,896,439	142,133	-	2,038,572
Other Improvements	233,293	49,266	-	282,559
Infrastructure	4,143,756	398,509	-	4,542,265
Total Accumulated Depreciation	<u>9,338,933</u>	<u>1,101,120</u>	<u>-</u>	<u>10,440,053</u>
Business-type activity capital assets, net	<u>\$ 30,076,629</u>	<u>\$ (861,360)</u>	<u>\$ -</u>	<u>\$ 29,215,269</u>

Depreciation expense was allocated to the funds as follows:

Airport Fund	\$ 240,863
Police Dispatch Fund	14,169
Recreation Center Fund	249,800
Water Fund	442,131
Hydro Plant Fund	75,828
Community Network Fund	77,135
Solid Waste Collection Fund	1,194
Total	<u>\$ 1,101,120</u>

An adjustment to 2011 balances was done to reclassify capital assets belonging to the internal service funds from the Business Type Activities to the Governmental Type Activities. This change affected the machinery and equipment asset class and was for \$167,742 in asset value and \$138,396 in accumulated depreciation. An additional adjustment was made to the 2011 balances due to depreciation not being calculated on several assets that had a remaining net book value. The Hydro Plant improvements asset class for accumulated depreciation was increased by \$27,652. The Governmental Activities machinery and equipment and infrastructure asset classes for accumulated depreciation were increased by \$20,319 and \$128,531, respectively.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2012.

	<u>Governmental Activities</u>					
	Balance			Balance		
	1-1-2012	Additions	Reductions	12-31-2012	Due within one year	Interest Expense
Compensated Absences	\$ 278,309	\$ 47,872	\$ -	\$ 326,181	\$ -	\$ -
	<u>Business-Type Activities</u>					
	Balance			Balance		
	1-1-2012	Additions	Reductions	12-31-2012	Due within one year	Interest Expense
2011 Refunding Revenue Bonds - Rec	\$ 5,190,000	\$ -	\$ 465,000	\$ 4,725,000	\$ 480,000	\$ 143,227
2011 Premiums	80,051	-	7,172	72,879	7,404	(7,172)
2011 Bond Deferred Loss	(128,530)	-	-	(128,530)	-	-
1986 Colorado Water Cons Board	563,102	-	44,353	518,749	46,568	28,155
1986 Dolores Water Conservancy Dist	3,317,743	-	44,970	3,272,773	47,697	200,710
2005 DOLA Water Loan	235,309	-	12,006	223,303	12,607	11,765
2010 CWRPDA Water Loan	428,928	-	18,762	410,166	19,139	8,485
2009 CWRPDA Hydro Loan	1,088,164	-	47,641	1,040,523	48,595	20,850
Compensated Absences	99,221	26,919	-	126,140	-	-
Total	<u>\$ 10,873,988</u>	<u>\$ 26,919</u>	<u>\$ 639,904</u>	<u>\$ 10,261,003</u>	<u>\$ 662,010</u>	<u>\$ 406,020</u>

Notes/Loan Payable – Water Fund

Loan payable to the Department of Local Affairs for water Improvements, payable in annual installments of \$23,772 at 5 percent interest for 20 years.

Loan payable to the Colorado Water Conservation District, for construction of a raw water line, payable in annual installments of \$72,506 at 5 percent interest for 40 years.

Loan payable to the Dolores Water Conservancy District for 1500 acre feet of water, payable in annual installments of \$250,081 at 6.063 percent interest for 50 years.

In 2010 the City approved a \$525,000 loan from the Colorado Water Resources & Power Development Authority, to build a water facility, with an interest rate of 2 percent and annual payments through January 2030.

Loan Payable – Hydro Plant Fund

In 2009, the City borrowed \$1,456,891 from the Colorado Water Resources & Power Development Authority – Small Hydropower Loan Program, with an interest rate of 2 percent. The proceeds were used to build a hydroelectric power facility. Loan repayment commences January 15, 2011 until January 15, 2030.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5: LONG-TERM DEBT (Continued)

Loan Payable – Hydro Plant Fund (Continued)

Maturities of long-term debt for the Water and Hydro Plant Funds are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2013	\$ 174,606	\$ 264,451	\$ 439,057
2014	181,812	257,246	439,058
2015	189,371	249,688	439,059
2016	197,297	241,763	439,060
2017	205,613	233,448	439,061
2018-2022	1,100,920	1,027,413	2,128,333
2023-2027	979,546	805,723	1,785,269
2028-2032	930,063	590,552	1,520,615
2033-2037	732,041	361,077	1,093,118
2038-2042	546,491	156,278	702,769
2043-2045	227,755	28,153	255,908
Total	<u>\$ 5,465,515</u>	<u>\$ 4,215,792</u>	<u>\$ 9,681,307</u>

Bonds Payable – Recreation Center Fund

In 2002, the City issued \$8,915,000 in Sales Tax Revenue Recreation Bonds, Series 2002, with an interest rate ranging from 2.1 percent to 5.0 percent, and an average interest rate of 4.75 percent. The net proceeds of \$8,170,313 (after accrued interest receipts of \$12,714 and payments of \$454,355 to fund the replacement reserve, \$303,046, in underwriting fees, insurance, and other issuance costs) are to be used for the Recreation Center. Below are maturities of long-term debt:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2013	\$ 480,000	\$ 134,488	\$ 614,488
2014	485,000	124,888	609,888
2015	500,000	115,188	615,188
2016	500,000	105,188	605,188
2017	515,000	92,688	607,688
2018-2021	2,245,000	198,338	2,443,338
	<u>\$ 4,725,000</u>	<u>\$ 770,778</u>	<u>\$ 5,495,778</u>

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 6: INTERFUND BALANCES

As of December 31, 2012, the City had the following inter-fund balances:

Due From Other Funds:	
General Fund	\$ 451,050
Street Improvement Fund	<u>507,000</u>
Total Due From Other Funds	958,050
Due To Other Funds:	
Self Insurance Health Fund	376,050
City Community Network Fund	<u>582,000</u>
Total Due To Other Funds	<u>958,050</u>
Net Due To/Due From Other Funds	<u>\$ -</u>

During the year ended December 31, 2012, the City made the following routine transfers:

Transfers In:	
General Fund	\$ 127,543
Shop Fund to Solid Waste Fund	106,923
Water Fund	25,000
City Community Network Fund	60,000
Mesa Verde Country Visitor Information Bureau	333,600
Equipment Fund	<u>99,500</u>
Total Transfers In	<u>752,566</u>
Transfers Out:	
General Fund	208,600
Lodgers Tax Fund	157,543
Equipment Fund	60,000
Water Fund	64,419
Hydro Plant Fund	25,000
Solid Waste Fund	142,004
Conservation Trust Fund	<u>95,000</u>
Total Transfers Out	<u>752,566</u>
Net Transfers	<u>\$ -</u>

NOTE 7: RETIREMENT COMMITMENTS

City Employee's Defined Contribution Plan

Effective June 25, 1996, the City of Cortez Pension Plan, a single-employer defined benefit plan, was converted to the City of Cortez Money Purchase Plan, a single employer defined contribution plan. Assets of \$169,344 were transferred to the new money accumulation pension plan and then to the respective employee accounts. The plan is administered by the ICMA Retirement Corporation. All permanent employees, including those covered by other City employee plans are required to participate in the plan. The plan provisions can be modified by the City Council. Contributions of 5% of gross salary are required from all participants and a matching contribution of 5% is made by the City to the plan. Contributions totaled \$274,908 in 2012. The City has no liability for this plan beyond its current annual contribution.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 7: RETIREMENT COMMITMENTS (Continued)

Police Officer Defined Benefit Plan

The police officer defined benefit plan is administered through the Fire and Police Pension Association (FPPA). This plan is an agent, multiple-employer public retirement system that acts as a common investment and administrative agent for employers of fire and police personnel. The City's current contribution to the plan for 2012 was \$17,034.

Police Pension Defined Contribution Plan

Effective January 1, 1986, the City of Cortez Police Pension Plan, a single-employer defined benefit plan, was adopted as a single-employer defined contribution plan, IRS Code Section 401(A). All certified police officer employees are required to participate in the Plan. This Plan is a defined contribution money purchase plan. The City has no future liability to this Plan. Contributions of 8% of gross salary are required from all participants and a matching contribution of 8% is made by the City to the Plan. The City's contribution amount for 2012 was \$100,896.

Deferred Compensation Plan

Pursuant to Governmental Accounting Standards Board Statement No. 32: *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City established a trust to hold the assets of its Deferred Compensation Plan, and modified the plan document to state that the plan is "held in trust for the exclusive benefit of participants and their beneficiaries." As such the plan's assets are no longer the property and rights of the City, and are not reflected in the financial statements of the City.

NOTE 8: RECONCILIATION OF GAAP BASIS REVENUES AND EXPENSES TO BUDGETARY BASIS (NON-GAAP)

Following is a reconciliation of GAAP revenues and expenses to the budgetary basis of accounting (non-GAAP basis) for the Proprietary Funds:

	Airport Fund	Recreation Fund	Water Fund	Solid Waste Collection Fund	Non-Major Enterprise Funds
GAAP Basis Revenues	\$ 160,597	\$ 1,771,543	\$ 2,180,596	\$ 1,032,864	\$ 1,106,167
Capital Contributions	<u>562,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budget Basis Revenues	<u>\$ 723,181</u>	<u>\$ 1,771,543</u>	<u>\$ 2,180,596</u>	<u>\$ 1,032,864</u>	<u>\$ 1,106,167</u>
GAAP Basis Expenses	\$ 609,326	\$ 1,302,146	\$ 1,896,689	\$ 1,003,991	\$ 1,267,314
Depreciation	(240,864)	(249,800)	(442,131)	(1,194)	(167,132)
Capital Outlay	207,508	13,345	18,908	-	-
Debt Service Principal	<u>-</u>	<u>472,172</u>	<u>120,091</u>	<u>-</u>	<u>47,641</u>
Budget Basis Expenditures	<u>\$ 575,970</u>	<u>\$ 1,537,863</u>	<u>\$ 1,593,557</u>	<u>\$ 1,002,797</u>	<u>\$ 1,147,823</u>

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For these risks of loss, the City is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverage and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the City does not approve budgets nor does it have the ability to significantly affect the operations of the unit.

The amounts of settlements have not exceeded insurance coverage the past three years, nor were there any significant changes in insurance coverage. The City carries commercial insurance for workers compensation coverage.

Self-Insurance

The City self-insures its medical insurance claims and is fully self-insured for health insurance compensation. A summary of the City's self-insured claims and liability is as follows:

	Beginning	Actual	Current	Ending
<u>IBNR Claim Liability</u>	<u>Balance</u>	<u>& Provision</u>	<u>Year Paid</u>	<u>Balance</u>
12/31/2012	\$ 290,724	\$ 1,933,723	\$ 1,848,354	\$ 85,369

NOTE 10: COMMITMENTS AND CONTINGENCIES

Tabor Amendment – Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. In 1996, voters within the City approved the collection, retention and expenditure of the full revenues generated by the City in 1995 and subsequent years, notwithstanding the provisions of the Amendment.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 10: **COMMITMENTS AND CONTINGENCIES** (Continued)

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2012, the emergency reserve of \$364,451 was recorded in the Emergency Reserve - Tabor Fund.

Through the adoption of the 2013 budget the City has assigned the following resources:

General Fund	\$ 635,495
Water Fund	170,883
Hydro Plan Fund	53,605
Solid Waste Fund	102,264
Airport Fund	338,376
Recreation Center Fund	98,750
Community Network Fund	158,206
Shop Fund	17,636
Health Fund	16,435
Street Improvement Fund	710,536

NOTE 11: **PRIOR PERIOD RESTATEMENT**

For the fiscal year ended December 31, 2012, the City adopted GASB Statement Number 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, GASB Statement Number 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, and GASB Statement Number 65 – Items Previously Reported as Assets and Liabilities. The adoption of these standards primarily modified the presentation of items previously reported as assets and liabilities on the government-wide and proprietary statement of net position and on the governmental fund balance sheet. The City’s most significant changes are that the former deferred property tax liability is now shown as a deferred inflow of resources on both the governmental fund balance sheet and the government-wide statement of net position, and the City no longer recognized debt issuance costs as a prepaid amortizable item. Debt issuance costs are now expensed when incurred. In addition, all items previously referred to as “net assets” are now titled “net position”.

In addition, the City has reclassified some fund presentations, recorded receivables and payables, has recorded additional depreciation on assets acquired in prior years, and has reclassified the presentation of its component unit.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 11: PRIOR PERIOD RESTATEMENT (Continued)

These changes discussed above were reported retroactively, effective December 31, 2011 and resulted in the following restatements.

	Governmental Activities	Business-type Activities	Discrete Component Unit	Governmental Funds	Enterprise Funds	Internal Svc Funds	General Fund	Recreation Cntr Fund	Hyrdo Plant Fund	Health Ins Fund
Net Position/Fund Balance, 12/31/11	\$ 24,541,220	\$ 23,064,424	\$ 81,773	\$ 8,823,152	\$ 23,064,424	\$ -	\$ 4,660,721	\$ 4,968,669	\$ 171,788	\$ 196,641
Record HUTF Receivable	21,219	-	-	21,219	-	-	21,219	-	-	-
Record Cash with County Treasurer	3,133	-	-	3,133	-	-	3,133	-	-	-
Record Cigarette Tax Receivable	6,911	-	-	6,911	-	-	6,911	-	-	-
Record Franchise Fee Receivable	31,759	-	-	31,759	-	-	31,759	-	-	-
Correct Accounts Payable	(232,236)	-	-	12,011	-	(244,247)	12,011	-	-	(244,247)
Record 2011 Bond Refunding & Amort.	-	150,826	-	-	150,826	-	-	150,826	-	-
Correct Accrued Interest Payable	-	10,578	-	-	10,578	-	-	10,578	-	-
Write-off Bond Issuance Costs	-	(75,983)	-	-	(75,983)	-	-	(75,983)	-	-
Record Additional Depreciation	-	(27,652)	-	-	(27,652)	-	-	-	(27,652)	-
Reclassify Health Insurance to Int Svc	-	-	-	(196,642)	-	196,642	-	-	-	-
Reclassify Shop Fund to Int Svc	35,576	(35,576)	-	-	(35,576)	35,576	-	-	-	-
Reclassify Computer Fund to Int Svc	273,511	(273,511)	-	-	(273,511)	273,511	-	-	-	-
Reclassify to blended component unit	81,773	-	(81,773)	81,773	-	-	-	-	-	-
Net Adjustments to Governmental Activities										
Capital Assets	(260,062)	-	-	-	-	-	-	-	-	-
Changes to Governmental Activities										
Compensated Absences	(256,631)	-	-	-	-	-	-	-	-	-
Net Position/Fund Balance, 12/31/11 (As Restated)	\$ 24,246,174	\$ 22,813,107	\$ -	\$ 8,783,317	\$ 22,813,107	\$ 261,482	\$ 4,735,754	\$ 5,054,090	\$ 144,136	\$ (47,606)

BUDGETARY COMPARISON SCHEDULES
(Required Supplementary Information)
(See Note 1 to Financial Statements for Budget Policies)

City of Cortez, Colorado
Budgetary Comparison Schedule -
General Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
REVENUES				
Property and Sales Taxes	\$ 6,183,828	\$ 6,621,226	\$ 6,763,541	\$ 142,315
Franchise Taxes	669,232	589,057	620,118	31,061
Licenses, Permits and Fees	131,375	137,060	197,714	60,654
Grant Revenue	312,052	196,873	154,304	(42,569)
Intergovernmental Revenue	988,326	1,384,085	1,435,485	51,400
Charges for Services	507,800	539,545	529,043	(10,502)
Fines and Forfeits	104,200	98,500	90,220	(8,280)
Donation	29,150	42,500	37,093	(5,407)
Investment Earnings	26,000	13,000	14,375	1,375
Miscellaneous Revenue	25,522	23,338	22,210	(1,128)
Total Revenues	<u>8,977,485</u>	<u>9,645,184</u>	<u>9,864,103</u>	<u>218,919</u>
EXPENDITURES				
General Government				
City Council	163,807	113,863	89,935	23,928
City Attorney	67,850	67,850	62,036	5,814
Human Resources	151,304	163,566	160,594	2,972
Municipal Court	108,116	120,904	118,670	2,234
City Manager	214,833	222,715	224,181	(1,466)
Finance Department	321,997	340,512	342,654	(2,142)
Passthrough Grants	187,052	78,012	(367,547)	445,559
Overhead	217,200	24,250	24,697	(447)
City Clerk	89,827	91,359	102,039	(10,680)
Grants Administrator	55,395	42,028	39,061	2,967
Special Events	88,999	98,024	99,750	(1,726)
Total General Government	<u>1,666,380</u>	<u>1,363,083</u>	<u>896,070</u>	<u>467,013</u>
General Services				
Administration	99,336	99,804	119,046	(19,242)
Capital Projects	319,000	349,000	302,094	46,906
Building Maintenance	198,207	197,720	198,286	(566)
City Hall Operations	65,572	66,300	49,547	16,753
Welcome Center	111,027	131,807	119,532	12,275
Planning and Building	331,908	304,522	293,880	10,642
Total General Services	<u>1,125,050</u>	<u>1,149,153</u>	<u>1,082,385</u>	<u>66,768</u>

(Continued)

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
General Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
(Continued)				
Public Safety				
Police Administration	428,477	441,270	507,621	(66,351)
Patrol	1,702,569	1,789,705	1,780,847	8,858
Police Support Services	865,752	962,659	956,603	6,056
Police Investigation	400,642	419,380	395,007	24,373
Police Corrections	136,000	136,000	121,050	14,950
Building Operations	136,833	140,493	121,518	18,975
Kennel Operations	191,704	200,538	187,401	13,137
Total Public Safety	<u>3,861,977</u>	<u>4,090,045</u>	<u>4,070,047</u>	<u>19,998</u>
Public Works				
P.W. Administration	313,197	340,479	348,726	(8,247)
Building Inspection	-	-	(4,235)	4,235
Streets & Utilities	358,516	362,375	465,133	(102,758)
Traffic Services	136,500	136,500	135,836	664
Snow and Ice Removal	39,030	39,030	25,866	13,164
Street Cleaning	124,737	128,014	130,696	(2,682)
Total Public Works	<u>971,980</u>	<u>1,006,398</u>	<u>1,102,022</u>	<u>(95,624)</u>
Parks and Recreation				
Administration	106,535	111,632	116,035	(4,403)
Aquatics	128,587	135,412	139,831	(4,419)
Golf Course Administration	48,036	51,945	54,089	(2,144)
Golf Course Maintenance	326,021	339,914	332,829	7,085
City Parks	428,633	449,743	450,148	(405)
Recreation	120,214	121,556	114,601	6,955
Parks and Recreation Capital	22,500	21,910	21,910	-
Library	494,531	570,854	566,546	4,308
Total Parks and Recreation	<u>1,675,057</u>	<u>1,802,966</u>	<u>1,795,989</u>	<u>6,977</u>
Total Expenditures	<u>9,300,444</u>	<u>9,411,645</u>	<u>8,946,513</u>	<u>465,132</u>
Revenues In Excess (Deficiency) of Expenditures	(322,959)	233,539	917,590	684,051
Other Financing Sources (Uses)				
Transfers In	105,000	552,800	127,543	(425,257)
Transfers Out	(203,600)	(203,600)	(208,600)	(5,000)
Net Other Financing Sources (Uses)	<u>(98,600)</u>	<u>349,200</u>	<u>(81,057)</u>	<u>(430,257)</u>
Change in Fund Balance	<u>(421,559)</u>	<u>582,739</u>	<u>836,533</u>	<u>253,794</u>
Fund Balance, Beginning	5,150,556	5,150,556	4,660,718	(489,838)
Prior Period Restatement	-	-	75,036	75,036
Fund Balance, Beginning (As Restated)	<u>5,150,556</u>	<u>5,150,556</u>	<u>4,735,754</u>	<u>(414,802)</u>
Fund Balance, Ending	<u>\$ 4,728,997</u>	<u>\$ 5,733,295</u>	<u>\$ 5,572,287</u>	<u>\$ (161,008)</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
Street Improvement Fund
Year Ended December 31, 2012

	2012			
	Original	Final	Actual	Var with
	Budget	Budget		Fin Bud
			Pos/(Neg)	
REVENUES				
Property and Sales Taxes	\$ 1,028,390	\$ 1,122,930	\$ 1,144,326	\$ 21,396
Charges for Services	500	500	160,550	160,050
Investment Earnings	7,100	6,800	15,557	8,757
Miscellaneous Revenue	14,000	14,000	39,103	25,103
Total Revenues	1,049,990	1,144,230	1,359,536	215,306
EXPENDITURES				
Public Works				
Public Works Capital	1,303,349	1,045,668	601,347	444,321
Change in Fund Balance	(253,359)	98,562	758,189	659,627
Fund Balance, Beginning	1,766,602	1,766,602	2,604,972	838,370
Fund Balance, Ending	\$ 1,513,243	\$ 1,865,164	\$ 3,363,161	\$ 1,497,997

See accompanying Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

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COMBINING NONMAJOR GOVERNMENTAL FUNDS

City of Cortez, Colorado
Balance Sheet
Nonmajor Governmental Funds
December 31, 2012

	<u>Lodger's Tax</u>		<u>Emergency</u>
	<u>Fund</u>	<u>Grant Fund</u>	<u>Reserve - TABOR</u>
			<u>Fund</u>
Assets			
Cash in Checking	\$ 36,973	\$ -	\$ 52,114
Cash in Local Government Pools	-	-	112,337
Investments	-	-	200,000
Accounts Receivable	6,313	-	-
Intergovernmental Receivable	-	40,917	-
Prepaid Expenses	-	-	-
Total Assets	<u>\$ 43,286</u>	<u>\$ 40,917</u>	<u>\$ 364,451</u>
Liabilities			
Accounts Payable	\$ -	\$ 40,917	\$ -
Unearned Revenue	-	-	-
Total Liabilities	<u>-</u>	<u>40,917</u>	<u>-</u>
Fund Balance			
Nonexpendable	-	-	-
Restricted	-	-	364,451
Assigned	43,286	-	-
Total Fund Balance	<u>43,286</u>	<u>-</u>	<u>364,451</u>
Total Liabilities and Fund Balance	<u>\$ 43,286</u>	<u>\$ 40,917</u>	<u>\$ 364,451</u>

See accompanying Independent Auditors' Report

Equipment Fund	Mesa Verde		2012 Total
	Conservation Trust Fund	Country® Visitor Info Bureau	
\$ 590,777	\$ 17,373	\$ 56,199	\$ 753,436
404,025	-	-	516,362
-	-	-	200,000
27,139	-	2,625	36,077
-	-	20,000	60,917
-	-	607	607
<u>\$ 1,021,941</u>	<u>\$ 17,373</u>	<u>\$ 79,431</u>	<u>\$ 1,567,399</u>
\$ 996	\$ -	\$ 2,979	\$ 44,892
-	-	700	700
<u>996</u>	<u>-</u>	<u>3,679</u>	<u>45,592</u>
-	-	607	607
-	-	-	364,451
<u>1,020,945</u>	<u>17,373</u>	<u>75,145</u>	<u>1,156,749</u>
<u>1,020,945</u>	<u>17,373</u>	<u>75,752</u>	<u>1,521,807</u>
<u>\$ 1,021,941</u>	<u>\$ 17,373</u>	<u>\$ 79,431</u>	<u>\$ 1,567,399</u>

City of Cortez, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2012

	Lodger's Tax Fund	Grant Fund	Emergency Reserve - TABOR Fund
Revenues			
Property and Sales Taxes	\$ 162,717	\$ -	\$ -
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	-
Interfund Charges	-	-	-
Investment Earnings	30	-	1,783
Miscellaneous Revenue	-	-	-
Grant Revenue	-	206,717	-
Total Revenues	<u>162,747</u>	<u>206,717</u>	<u>1,783</u>
Expenditures			
General Government	-	206,717	-
General Services	-	-	-
Total Expenditures	<u>-</u>	<u>206,717</u>	<u>-</u>
Revenues in Excess (Def.) of Expend.	<u>162,747</u>	<u>-</u>	<u>1,783</u>
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(157,543)	-	-
Net Other Financing Sources (Uses)	<u>(157,543)</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	5,204	-	1,783
Fund Balance, Beginning	38,082	-	362,668
Fund Balance, Ending	<u>\$ 43,286</u>	<u>\$ -</u>	<u>\$ 364,451</u>

See accompanying Independent Auditors' Report

Equipment Fund	Mesa Verde		2012 Total
	Conservation Trust Fund	Country® Visitor Info Bureau	
\$ 284,230	\$ -	\$ -	\$ 446,947
-	84,911	-	84,911
-	-	53,054	53,054
-	-	-	-
922	32	-	2,767
11,295	-	6,000	17,295
-	-	-	206,717
<u>296,447</u>	<u>84,943</u>	<u>59,054</u>	<u>811,691</u>
-	-	398,675	605,392
<u>247,640</u>	<u>-</u>	<u>-</u>	<u>247,640</u>
<u>247,640</u>	<u>-</u>	<u>398,675</u>	<u>853,032</u>
<u>48,807</u>	<u>84,943</u>	<u>(339,621)</u>	<u>(41,341)</u>
99,500	-	333,600	433,100
<u>(60,000)</u>	<u>(95,000)</u>	<u>-</u>	<u>(312,543)</u>
<u>39,500</u>	<u>(95,000)</u>	<u>333,600</u>	<u>120,557</u>
88,307	(10,057)	(6,021)	79,216
<u>932,638</u>	<u>27,430</u>	<u>81,773</u>	<u>1,442,591</u>
<u>\$ 1,020,945</u>	<u>\$ 17,373</u>	<u>\$ 75,752</u>	<u>\$ 1,521,807</u>

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SPECIAL REVENUE FUNDS

City of Cortez, Colorado
Budgetary Comparison Schedule -
Lodger's Tax Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
REVENUES				
Property and Sales Taxes	\$ 175,000	\$ 158,000	\$ 162,717	\$ 4,717
Investment Earnings	100	70	30	(40)
Total Revenues	<u>175,100</u>	<u>158,070</u>	<u>162,747</u>	<u>4,677</u>
Other Financing Sources (Uses)				
Transfers Out	(160,000)	(160,000)	(157,543)	2,457
Change in Fund Balance	<u>15,100</u>	<u>(1,930)</u>	<u>5,204</u>	<u>7,134</u>
Fund Balance, Beginning	-	-	38,082	38,082
Fund Balance, Ending	<u>\$ 15,100</u>	<u>\$ (1,930)</u>	<u>\$ 43,286</u>	<u>\$ 45,216</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
Grant Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
REVENUES				
Grant Revenue	\$ -	\$ 327,245	\$ 206,717	\$ (120,528)
EXPENDITURES				
General Government				
Passthrough Grant Expenses	-	327,245	206,717	120,528
Change in Fund Balance	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
Emergency Reserve - TABOR Fund
Year Ended December 31, 2012

	2012			
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)
REVENUES				
Investment Earnings	\$ -	\$ -	\$ 1,783	\$ 1,783
Fund Balance, Beginning	-	-	362,668	362,668
Fund Balance, Ending	\$ -	\$ -	\$ 364,451	\$ 364,451

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
Equipment Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
REVENUES				
Property and Sales Taxes	\$ 259,861	\$ 278,916	\$ 284,230	\$ 5,314
Interfund Charges	25,000	124,500	-	(124,500)
Investment Earnings	5,000	600	922	322
Miscellaneous Revenue	1,500	1,500	11,295	9,795
Total Revenues	<u>291,361</u>	<u>405,516</u>	<u>296,447</u>	<u>(109,069)</u>
EXPENDITURES				
General Services				
Equipment	<u>234,000</u>	<u>250,000</u>	<u>247,640</u>	<u>2,360</u>
Revenues In Excess (Deficiency) of Expend.	57,361	155,516	48,807	(106,709)
Other Financing Sources (Uses)				
Transfers Out	<u>(145,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Change in Fund Balance	2,361	95,516	88,307	(7,209)
Fund Balance, Beginning	<u>845,307</u>	<u>845,307</u>	<u>932,638</u>	<u>87,331</u>
Fund Balance, Ending	<u><u>\$ 847,668</u></u>	<u><u>\$ 940,823</u></u>	<u><u>\$ 1,020,945</u></u>	<u><u>\$ 80,122</u></u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
Conservation Trust Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
REVENUES				
Intergovernmental Revenue	\$ 80,000	\$ 80,000	\$ 84,911	\$ 4,911
Investment Earnings	75	44	32	(12)
Total Revenues	<u>80,075</u>	<u>80,044</u>	<u>84,943</u>	<u>4,899</u>
Other Financing Sources (Uses)				
Transfers Out	(90,000)	(101,000)	(95,000)	6,000
Change in Fund Balance	(9,925)	(20,956)	(10,057)	10,899
Fund Balance, Beginning	<u>25,437</u>	<u>25,437</u>	<u>27,430</u>	<u>1,993</u>
Fund Balance, Ending	<u>\$ 15,512</u>	<u>\$ 4,481</u>	<u>\$ 17,373</u>	<u>\$ 12,892</u>

See accompanying Independent Auditors' Report

ENTERPRISE FUNDS

City of Cortez, Colorado
Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2012

	<u>Business-type Activities</u>			<u>2012 Total</u>
	City			
	<u>Police Dispatch Fund</u>	<u>Hydro Plant Fund</u>	<u>Community Network Fund</u>	
ASSETS				
Current Assets				
Cash in Checking	\$ 135,771	\$ (52,836)	\$ 271,866	\$ 354,801
Accounts Receivable	-	-	212,160	212,160
Inventory	-	-	23,259	23,259
Prepaid Expenses	103	-	249	352
Total Current Assets	<u>135,874</u>	<u>(52,836)</u>	<u>507,534</u>	<u>590,572</u>
Capital Assets				
Capital Assets being depreciated	31,332	1,151,528	570,047	1,752,907
Other Assets				
Restricted Cash	-	69,405	-	69,405
Total Assets	<u>167,206</u>	<u>1,168,097</u>	<u>1,077,581</u>	<u>2,412,884</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	872	-	1,345	2,217
Accrued Payroll	6,998	-	735	7,733
Interfund Payables	-	-	582,000	582,000
Accrued Interest Payable	-	19,955	-	19,955
Noncurrent Liabilities - Due within one year	-	48,595	-	48,595
Total Current Liabilities	<u>7,870</u>	<u>68,550</u>	<u>584,080</u>	<u>660,500</u>
Noncurrent Liabilities				
Accrued Compensated Absences	32,011	-	-	32,011
Notes and Loans Payable	-	991,928	-	991,928
Total Noncurrent Liabilities	<u>32,011</u>	<u>991,928</u>	<u>-</u>	<u>1,023,939</u>
Total Liabilities	<u>39,881</u>	<u>1,060,478</u>	<u>584,080</u>	<u>1,684,439</u>
NET POSITION				
Net Investment in Capital Assets	31,332	111,005	570,047	712,384
Restricted	-	69,405	-	69,405
Unrestricted	95,993	(72,791)	(76,546)	(53,344)
Net Position, Ending	<u>\$ 127,325</u>	<u>\$ 107,619</u>	<u>\$ 493,501</u>	<u>\$ 728,445</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
Year Ended December 31, 2012

	<u>Business-type Activities</u>			<u>2012 Total</u>
	City			
	<u>Police Dispatch Fund</u>	<u>Hydro Plant Fund</u>	<u>Community Network Fund</u>	
OPERATING REVENUES				
Charges for Services	\$ 303,381	\$ 88,360	\$ 336,984	\$ 728,725
Interfund Charges	195,142	-	-	195,142
Miscellaneous Revenue	<u>122,208</u>	<u>-</u>	<u>-</u>	<u>122,208</u>
Total Operating Revenues	<u>620,731</u>	<u>88,360</u>	<u>336,984</u>	<u>1,046,075</u>
OPERATING EXPENSES				
Administration	-	3,199	49,044	52,243
Fiber Outside Plant	-	-	12,562	12,562
Fiber Inside Plant	-	-	46,448	46,448
Police Support Services	684,242	-	-	684,242
Capital Outlay	-	-	258,837	258,837
Depreciation	<u>14,169</u>	<u>75,828</u>	<u>77,135</u>	<u>167,132</u>
Total Operating Expenses	<u>698,411</u>	<u>79,027</u>	<u>444,026</u>	<u>1,221,464</u>
Operating Income (Loss)	(77,680)	9,333	(107,042)	(175,389)
Other Revenues (Expenses)				
Investment Earnings	92	-	-	92
Interest Expense	<u>-</u>	<u>(20,850)</u>	<u>-</u>	<u>(20,850)</u>
Net Income (Loss) before Transfers	(77,588)	(11,517)	(107,042)	(196,147)
Transfers				
Transfers In	-	-	60,000	60,000
Transfers Out	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Change in Net Position	<u>(77,588)</u>	<u>(36,517)</u>	<u>(47,042)</u>	<u>(161,147)</u>
Net Position, Beginning	204,913	171,787	540,543	917,243
Prior Period Restatement	<u>-</u>	<u>(27,651)</u>	<u>-</u>	<u>(27,651)</u>
Net Position, Beginning (As Restated)	<u>204,913</u>	<u>144,136</u>	<u>540,543</u>	<u>889,592</u>
Net Position, Ending	<u>\$ 127,325</u>	<u>\$ 107,619</u>	<u>\$ 493,501</u>	<u>\$ 728,445</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended December 31, 2012

	<u>Business-type Activities</u>			
	City			2012 Total
	Police Dispatch Fund	Hydro Plant Fund	Community Network Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash flows from customers	\$ 425,589	\$ 88,360	\$ 517,958	\$ 1,031,907
Cash flows from internal activities	195,142	-	-	195,142
Cash paid to suppliers	(182,916)	19,408	(521,734)	(685,242)
Cash paid to/for benefit of employees	(495,017)	(22,607)	(21,872)	(539,496)
Net Cash Provided (Used) by Operating Activities	<u>(57,202)</u>	<u>85,161</u>	<u>(25,648)</u>	<u>2,311</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Debt payments	-	(47,641)	-	(47,641)
Interest paid	-	(21,764)	-	(21,764)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(69,405)</u>	<u>-</u>	<u>(69,405)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from Other Funds	-	(25,000)	60,000	35,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	92	-	-	92
CHANGE IN CASH	(57,110)	(9,244)	34,352	(32,002)
CASH AND EQUIVALENTS, Beginning	<u>192,881</u>	<u>25,813</u>	<u>237,514</u>	<u>456,208</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 135,771</u>	<u>\$ 16,569</u>	<u>\$ 271,866</u>	<u>\$ 424,206</u>
CASH PER BALANCE SHEET				
Cash in Checking	\$ 135,771	\$ (52,836)	\$ 271,866	\$ 354,801
Restricted Cash	-	69,405	-	69,405
Total Cash and Equivalents, Ending	<u>\$ 135,771</u>	<u>\$ 16,569</u>	<u>\$ 271,866</u>	<u>\$ 424,206</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (77,680)	\$ 9,333	\$ (107,042)	\$ (175,389)
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	14,169	75,828	77,135	167,132
(Increase) Decrease in:				
Accounts Receivable	-	-	180,974	180,974
Inventory	-	-	(23,128)	(23,128)
Prepaid Expenses	(26)	-	(249)	(275)
Increase (Decrease) in:				
Accounts Payable	352	-	(154,073)	(153,721)
Accrued Payroll	884	-	735	1,619
Accrued Compensated Absences	5,099	-	-	5,099
Net Reconciliation Adjustments	<u>20,478</u>	<u>75,828</u>	<u>81,394</u>	<u>177,700</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (57,202)</u>	<u>\$ 85,161</u>	<u>\$ (25,648)</u>	<u>\$ 2,311</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Airport Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
OPERATING REVENUES				
Intergovernmental Revenue	\$ 12,000	\$ 16,000	\$ 20,836	\$ 4,836
Charges for Services	180,150	190,550	201,173	10,623
Miscellaneous Revenue	-	-	(61,516)	(61,516)
Total Operating Revenues	<u>192,150</u>	<u>206,550</u>	<u>160,493</u>	<u>(46,057)</u>
OPERATING EXPENSES				
Airport Operations	168,001	172,497	153,995	18,502
Capital Outlay	330,000	479,271	421,974	57,297
Total Operating Expenses	<u>498,001</u>	<u>651,768</u>	<u>575,969</u>	<u>75,799</u>
Operating Income (Loss)	(305,851)	(445,218)	(415,476)	29,742
Other Revenues (Expenses)				
Grant Revenue	224,250	512,335	562,584	50,249
Investment Earnings	350	95	104	9
Change in Net Position - Budget Basis	<u>\$ (81,251)</u>	<u>\$ 67,212</u>	147,212	<u>\$ 80,000</u>
GAAP Basis Adjustments				
Capital Outlay			207,508	
Depreciation			(240,864)	
Total GAAP Basis Adjustments			<u>(33,356)</u>	
Change in Net Position - GAAP Basis			113,856	
Net Position, Beginning			6,328,983	
Net Position, Ending			<u>\$ 6,442,839</u>	

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Police Dispatch Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
OPERATING REVENUES				
Charges for Services	\$ 300,801	\$ 295,865	\$ 303,381	\$ 7,516
Interfund Charges	243,248	195,142	195,142	-
Miscellaneous Revenue	122,206	122,206	122,208	2
Total Operating Revenues	<u>666,255</u>	<u>613,213</u>	<u>620,731</u>	<u>7,518</u>
OPERATING EXPENSES				
Police Support Services	657,601	757,456	684,242	73,214
Capital Outlay	26,520	26,520	-	26,520
Total Operating Expenses	<u>684,121</u>	<u>783,976</u>	<u>684,242</u>	<u>99,734</u>
Operating Income (Loss)	<u>(17,866)</u>	<u>(170,763)</u>	<u>(63,511)</u>	<u>107,252</u>
Other Revenues (Expenses)				
Investment Earnings	245	70	92	22
Change in Net Position - Budget Basis	<u>\$ (17,621)</u>	<u>\$ (170,693)</u>	<u>(63,419)</u>	<u>\$ 107,274</u>
GAAP Basis Adjustments				
Depreciation			<u>(14,169)</u>	
Change in Net Position - GAAP Basis			<u>(77,588)</u>	
Net Position, Beginning			<u>204,913</u>	
Net Position, Ending			<u>\$ 127,325</u>	

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Recreation Center Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
OPERATING REVENUES				
Charges for Services	\$ 531,134	\$ 513,625	\$ 509,750	\$ (3,875)
Miscellaneous Revenue	-	-	2	2
Total Operating Revenues	<u>531,134</u>	<u>513,625</u>	<u>509,752</u>	<u>(3,873)</u>
OPERATING EXPENSES				
Recreation Center	872,151	921,947	916,291	5,656
Capital Outlay	<u>6,000</u>	<u>13,345</u>	<u>13,345</u>	<u>-</u>
Total Operating Expenses	<u>878,151</u>	<u>935,292</u>	<u>929,636</u>	<u>5,656</u>
Operating Income (Loss)	(347,017)	(421,667)	(419,884)	1,783
Other Revenues (Expenses)				
Property and Sales Taxes	1,149,485	1,233,769	1,257,278	23,509
Investment Earnings	15,000	5,000	4,513	(487)
Debt Retirement	<u>(609,438)</u>	<u>(608,788)</u>	<u>(608,227)</u>	<u>561</u>
Change in Net Position - Budget Basis	<u>\$ 208,030</u>	<u>\$ 208,314</u>	233,680	<u>\$ 25,366</u>
GAAP Basis Adjustments				
Capital Outlay			13,345	
Debt Service Principal			472,172	
Depreciation			<u>(249,800)</u>	
Total GAAP Basis Adjustments			<u>235,717</u>	
Change in Net Position - GAAP Basis			<u>469,397</u>	
Net Position, Beginning			4,968,670	
Prior Period Restatement			<u>85,420</u>	
Net Position, Beginning (As Restated)			<u>5,054,090</u>	
Net Position, Ending			<u>\$ 5,523,487</u>	

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Water Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
OPERATING REVENUES				
Charges for Services	\$ 2,206,877	\$ 2,209,624	\$ 2,159,301	\$ (50,323)
Miscellaneous Revenue	-	-	(6,402)	(6,402)
Total Operating Revenues	<u>2,206,877</u>	<u>2,209,624</u>	<u>2,152,899</u>	<u>(56,725)</u>
OPERATING EXPENSES				
Administration	195,363	197,070	171,570	25,500
Filtration and Treatment	499,947	507,862	196,825	311,037
Transmission and Distribution	318,317	333,591	434,651	(101,060)
Meter Maintenance	134,608	141,878	177,497	(35,619)
Capital Outlay	182,500	65,000	179,389	(114,389)
Total Operating Expenses	<u>1,330,735</u>	<u>1,245,401</u>	<u>1,159,932</u>	<u>85,469</u>
Operating Income (Loss)	876,142	964,223	992,967	28,744
Other Revenues (Expenses)				
Investment Earnings	2,500	1,200	2,697	1,497
Debt Retirement	(369,650)	(369,351)	(369,206)	145
Net Income (Loss) before Transfers	508,992	596,072	626,458	30,386
Transfers				
Transfers In	-	-	25,000	25,000
Transfers Out	(128,248)	(130,515)	(64,419)	66,096
Net Transfers	<u>(128,248)</u>	<u>(130,515)</u>	<u>(39,419)</u>	<u>91,096</u>
Change in Net Position - Budget Basis	<u>\$ 380,744</u>	<u>\$ 465,557</u>	587,039	<u>\$ 121,482</u>
GAAP Basis Adjustments				
Capital Outlay			18,908	
Debt Service Principal			120,091	
Depreciation			(442,131)	
Total GAAP Basis Adjustments			(303,132)	
Change in Net Position - GAAP Basis			283,907	
Net Position, Beginning			<u>10,085,947</u>	
Net Position, Ending			<u>\$ 10,369,854</u>	

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Hydro Plant Fund
Year Ended December 31, 2012

	2012			
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)
OPERATING REVENUES				
Charges for Services	\$ 121,472	\$ 121,472	\$ 88,360	\$ (33,112)
OPERATING EXPENSES				
Administration	40,500	15,500	3,199	12,301
Operating Income (Loss)	80,972	105,972	85,161	(20,811)
Other Revenues (Expenses)				
Debt Retirement	(69,405)	(69,405)	(68,491)	914
Net Income (Loss) before Transfers	11,567	36,567	16,670	(19,897)
Transfers				
Transfers Out	-	(25,000)	(25,000)	-
Change in Net Position - Budget Basis	\$ 11,567	\$ 11,567	(8,330)	\$ (19,897)
GAAP Basis Adjustments				
Debt Service Principal			47,641	
Depreciation			(75,828)	
Total GAAP Basis Adjustments			(28,187)	
Change in Net Position - GAAP Basis			(36,517)	
Net Position, Beginning			171,787	
Prior Period Restatement			(27,651)	
Net Position, Beginning (As Restated)			144,136	
Net Position, Ending			\$ 107,619	

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
City Community Network Fund
Year Ended December 31, 2012

	2012			
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)
OPERATING REVENUES				
Charges for Services	\$ 503,158	\$ 542,141	\$ 336,984	\$ (205,157)
OPERATING EXPENSES				
Administration	59,650	63,300	49,044	14,256
Fiber Outside Plant	74,836	48,563	12,562	36,001
Fiber Inside Plant	97,711	98,111	46,448	51,663
Capital Outlay	477,000	423,200	258,837	164,363
Total Operating Expenses	709,197	633,174	366,891	266,283
Operating Income (Loss)	(206,039)	(91,033)	(29,907)	61,126
Other Revenues (Expenses)				
Investment Earnings	100	-	-	-
Net Income (Loss) before Transfers	(205,939)	(91,033)	(29,907)	61,126
Transfers				
Transfers In	145,000	101,773	60,000	(41,773)
Change in Net Position - Budget Basis	\$ (60,939)	\$ 10,740	30,093	\$ 19,353
GAAP Basis Adjustments				
Depreciation			(77,135)	
Change in Net Position - GAAP Basis			(47,042)	
Net Position, Beginning			540,543	
Net Position, Ending			\$ 493,501	

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Solid Waste Collection Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original	Final	Actual	
	Budget	Budget		
OPERATING REVENUES				
Charges for Services	\$ 1,009,365	\$ 1,029,999	\$ 1,030,682	\$ 683
Miscellaneous Revenue	500	500	86	(414)
Total Operating Revenues	<u>1,009,865</u>	<u>1,030,499</u>	<u>1,030,768</u>	<u>269</u>
OPERATING EXPENSES				
Administration	68,350	68,350	65,017	3,333
Collection	711,794	721,632	679,156	42,476
Recycling	133,821	122,008	116,620	5,388
Total Operating Expenses	<u>913,965</u>	<u>911,990</u>	<u>860,793</u>	<u>51,197</u>
Operating Income (Loss)	95,900	118,509	169,975	51,466
Other Revenues (Expenses)				
Investment Earnings	1,500	650	2,096	1,446
Net Income (Loss) before Transfers	<u>97,400</u>	<u>119,159</u>	<u>172,071</u>	<u>52,912</u>
Transfers				
Transfers Out	(188,102)	(188,102)	(142,004)	46,098
Change in Net Position - Budget Basis	<u>\$ (90,702)</u>	<u>\$ (68,943)</u>	30,067	<u>\$ 99,010</u>
GAAP Basis Adjustments				
Depreciation			(1,194)	
Change in Net Position - GAAP Basis			28,873	
Net Position, Beginning			454,495	
Net Position, Ending			<u>\$ 483,368</u>	

See accompanying Independent Auditors' Report

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INTERNAL SERVICE FUNDS

City of Cortez, Colorado
Statement of Net Position
Internal Service Funds
December 31, 2012

	<u>Shop Fund</u>	<u>Technology Fund</u>	<u>Self-Insured Health Fund</u>	<u>2012 Total</u>
ASSETS				
Current Assets				
Cash in Checking	\$ 182,783	\$ 344,068	\$ 28,193	\$ 555,044
Petty Cash	152	-	-	152
Accounts Receivable	190	-	-	190
Inventory	22,357	-	-	22,357
Prepaid Expenses	402	81,677	-	82,079
Total Current Assets	205,884	425,745	28,193	659,822
Capital Assets				
Capital Assets not being depreciated	-	22,752	-	22,752
Total Assets	<u>205,884</u>	<u>448,497</u>	<u>28,193</u>	<u>682,574</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	6,387	1,418	85,369	93,174
Accrued Payroll	3,174	1,901	-	5,075
Interfund Payables	-	-	376,050	376,050
Total Current Liabilities	9,561	3,319	461,419	474,299
Noncurrent Liabilities				
Accrued Compensated Absences	14,775	12,566	-	27,341
Total Liabilities	<u>24,336</u>	<u>15,885</u>	<u>461,419</u>	<u>501,640</u>
NET POSITION				
Net Investment in Capital Assets	-	22,752	-	22,752
Unrestricted	181,548	409,860	(433,226)	158,182
Total Net Position	<u>\$ 181,548</u>	<u>\$ 432,612</u>	<u>\$ (433,226)</u>	<u>\$ 180,934</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended December 31, 2012

	Shop Fund	Technology Fund	Self-Insured Health Fund	2012 Total
OPERATING REVENUES				
Intergovernmental Revenue	\$ -	\$ 5,580	\$ -	\$ 5,580
Charges for Services	-	1,860	148,024	149,884
Interfund Charges	765,159	461,641	1,400,061	2,626,861
Miscellaneous Revenue	456	2,173	-	2,629
Total Operating Revenues	<u>765,615</u>	<u>471,254</u>	<u>1,548,085</u>	<u>2,784,954</u>
OPERATING EXPENSES				
Health Claims	-	-	1,933,723	1,933,723
Shop	622,017	-	-	622,017
Building Overhead	104,566	-	-	104,566
Technology	-	271,201	-	271,201
Fiber Network	-	4,976	-	4,976
Telecommunications	-	21,669	-	21,669
Capital Outlay	-	7,915	-	7,915
Internal Charges	-	-	-	-
Depreciation	-	6,595	-	6,595
Total Operating Expenses	<u>726,583</u>	<u>312,356</u>	<u>1,933,723</u>	<u>2,972,662</u>
Operating Income (Loss)	39,032	158,898	(385,638)	(187,708)
Other Revenues (Expenses)				
Investment Earnings	16	203	18	237
Net Income (Loss) before Transfers	39,048	159,101	(385,620)	(187,471)
Transfers				
Transfers In	106,923	-	-	106,923
Change in Net Position	<u>145,971</u>	<u>159,101</u>	<u>(385,620)</u>	<u>(80,548)</u>
Net Position, Beginning	35,577	273,511	196,640	505,728
Prior Period Restatement	-	-	(244,246)	(244,246)
Net Position, Beginning (As Restated)	35,577	273,511	(47,606)	261,482
Net Position, Ending	<u>\$ 181,548</u>	<u>\$ 432,612</u>	<u>\$ (433,226)</u>	<u>\$ 180,934</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2012

	<u>Shop Fund</u>	<u>Technology Fund</u>	<u>Self-Insured Health Fund</u>	<u>2012 Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash flows from customers	\$ 266	\$ 9,613	\$ 392,084	\$ 401,963
Cash flows from internal activities	765,159	461,641	1,754,665	2,981,465
Cash paid to suppliers	(507,766)	(194,624)	(205,355)	(907,745)
Cash paid to/for benefit of employees	(228,852)	(131,564)	(1,933,723)	(2,294,139)
Net Cash Provided (Used) by Operating Activities	<u>28,807</u>	<u>145,066</u>	<u>7,671</u>	<u>181,544</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from Other Funds	106,923	-	-	106,923
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>16</u>	<u>203</u>	<u>18</u>	<u>237</u>
CHANGE IN CASH	135,746	145,269	7,689	288,704
CASH AND EQUIVALENTS, Beginning	<u>47,189</u>	<u>198,799</u>	<u>20,504</u>	<u>266,492</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 182,935</u>	<u>\$ 344,068</u>	<u>\$ 28,193</u>	<u>\$ 555,196</u>
CASH PER BALANCE SHEET				
Cash in Checking	\$ 182,783	\$ 344,068	\$ 28,193	\$ 555,044
Petty Cash	<u>152</u>	<u>-</u>	<u>-</u>	<u>152</u>
Total Cash and Equivalents, Ending	<u>\$ 182,935</u>	<u>\$ 344,068</u>	<u>\$ 28,193</u>	<u>\$ 555,196</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	<u>\$ 39,032</u>	<u>\$ 158,898</u>	<u>\$ (385,638)</u>	<u>\$ (187,708)</u>
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	6,595	-	6,595
(Increase) Decrease in:				
Accounts Receivable	(190)	-	244,060	243,870
Interfund Receivable	-	-	(21,446)	(21,446)
Inventory	(1,777)	-	-	(1,777)
Prepaid Expenses	(111)	(7,368)	-	(7,479)
Increase (Decrease) in:				
Accounts Payable	(7,923)	(17,983)	(205,355)	(231,261)
Accrued Payroll	(566)	(397)	-	(963)
Interfund Payables	-	-	376,050	376,050
Accrued Compensated Absences	<u>342</u>	<u>5,321</u>	<u>-</u>	<u>5,663</u>
Net Reconciliation Adjustments	<u>(10,225)</u>	<u>(13,832)</u>	<u>393,309</u>	<u>369,252</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 28,807</u>	<u>\$ 145,066</u>	<u>\$ 7,671</u>	<u>\$ 181,544</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Shop Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original Budget	Final Budget	Actual	
OPERATING REVENUES				
Interfund Charges	\$ 625,709	\$ 591,159	\$ 765,159	\$ 174,000
Miscellaneous Revenue	-	500	456	(44)
Total Operating Revenues	<u>625,709</u>	<u>591,659</u>	<u>765,615</u>	<u>173,956</u>
OPERATING EXPENSES				
Shop	686,312	695,162	622,017	73,145
Building Overhead	113,805	123,150	104,566	18,584
Capital Outlay	6,500	5,176	-	5,176
Depreciation	46,000	-	-	-
Total Operating Expenses	<u>852,617</u>	<u>823,488</u>	<u>726,583</u>	<u>96,905</u>
Operating Income (Loss)	<u>(226,908)</u>	<u>(231,829)</u>	<u>39,032</u>	<u>270,861</u>
Other Revenues (Expenses)				
Investment Earnings	150	75	16	(59)
Net Income (Loss) before Transfers	<u>(226,758)</u>	<u>(231,754)</u>	<u>39,048</u>	<u>270,802</u>
Transfers				
Transfers In	229,556	226,992	106,923	(120,069)
Change in Net Position	<u>2,798</u>	<u>(4,762)</u>	<u>145,971</u>	<u>150,733</u>
Net Position, Beginning	917	917	35,577	34,660
Net Position, Ending	<u>\$ 3,715</u>	<u>\$ (3,845)</u>	<u>\$ 181,548</u>	<u>\$ 185,393</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Technology Fund
Year Ended December 31, 2012

	2012			Var with Fin Bud Pos/(Neg)
	Original	Final	Actual	
	Budget	Budget		
OPERATING REVENUES				
Intergovernmental Revenue	\$ 5,580	\$ 3,720	\$ 5,580	\$ 1,860
Charges for Services	-	-	1,860	1,860
Interfund Charges	439,843	445,496	461,641	16,145
Miscellaneous Revenue	150	4,031	2,173	(1,858)
Total Operating Revenues	<u>445,573</u>	<u>453,247</u>	<u>471,254</u>	<u>18,007</u>
OPERATING EXPENSES				
Technology	284,757	314,932	271,201	43,731
Fiber Network	-	-	4,976	(4,976)
Telecommunications	61,500	61,500	21,669	39,831
Capital Outlay	57,000	57,000	7,915	49,085
Internal Charges	-	-	-	-
Depreciation	3,300	6,100	6,595	(495)
Total Operating Expenses	<u>406,557</u>	<u>439,532</u>	<u>312,356</u>	<u>127,176</u>
Operating Income (Loss)	39,016	13,715	158,898	145,183
Other Revenues (Expenses)				
Investment Earnings	500	150	203	53
Change in Net Position	39,516	13,865	159,101	145,236
Net Position, Beginning	165,460	165,460	273,511	108,051
Net Position, Ending	<u>\$ 204,976</u>	<u>\$ 179,325</u>	<u>\$ 432,612</u>	<u>\$ 253,287</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Self-Insured Health Fund
Year Ended December 31, 2012

	2012			
	Original	Final	Actual	Var with
	Budget	Budget		Fin Bud
			Pos/(Neg)	
OPERATING REVENUES				
Charges for Services	\$ 128,596	\$ 84,375	\$ 148,024	\$ 63,649
Interfund Charges	1,276,446	1,403,044	1,400,061	(2,983)
Total Operating Revenues	1,405,042	1,487,419	1,548,085	60,666
OPERATING EXPENSES				
Health Claims	1,373,348	1,449,815	1,933,723	(483,908)
Operating Income (Loss)	31,694	37,604	(385,638)	(423,242)
Other Revenues (Expenses)				
Investment Earnings	87	40	18	(22)
Change in Net Position	31,781	37,644	(385,620)	(423,264)
Net Position, Beginning	84,240	84,240	196,640	112,400
Prior Period Restatement	-	-	(244,246)	(244,246)
Net Position, Beginning (As Restated)	84,240	84,240	(47,606)	(131,846)
Net Position, Ending	\$ 116,021	\$ 121,884	\$ (433,226)	\$ (555,110)

See accompanying Independent Auditors' Report

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STATE COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT	City or County: City of Cortez
	YEAR ENDING : December 2012

This Information From The Records Of (example - City of _ or County of) Prepared By: Kathi Mos:
Phone: 970-564-4011

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 expense:				
3. Minus amount used for nonhighway purposes:				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user tax:		1. Capital outlay (from page 2)	356,073
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	465,131
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services	
c. Total (a.+b.)		a. Traffic control operation	135,836
2. General fund appropriation:	748,690	b. Snow and ice removal	25,867
3. Other local imposts (from page 2)	1,191,189	c. Other	130,696
4. Miscellaneous local receipts (from page 2)	235,298	d. Total (a. through c.)	292,399
5. Transfers from toll facilities		4. General administration & miscellaneous	84,725
6. Proceeds of sale of bonds and notes		5. Highway law enforcement and safety	1,210,975
a. Bonds - Original Issue		6. Total (1 through 5)	2,409,303
b. Bonds - Refunding Issues:		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	2,175,177	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	259,901	2. Notes:	
D. Receipts from Federal Government (from page 2)	702,203	a. Interest	
E. Total receipts (A.7 + B + C + D)	3,137,281	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,409,303

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	2,756,372	3,137,281	2,409,303		3,484,350

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2012

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessment:		a. Interest on investment:	15,557
b. Other local imposts		b. Traffic Fines & Penalties:	57,768
1. Sales Taxes:	1,144,326	c. Parking Garage Fee:	
2. Infrastructure & Impact Fee		d. Parking Meter Fee:	
3. Liens		e. Sale of Surplus Property:	
4. Licenses		f. Charges for Service:	
5. Specific Ownership &/or Other	46,863	g. Other Misc. Receipts-Cost Sharing:	39,107
6. Total (1. through 5.)	1,191,189	h. Other Road & Bridge	122,866
c. Total (a. + b.)	1,191,189	i. Total (a. through h.)	235,298
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government:		D. Receipts from Federal Government:	
1. Highway-user taxes:	257,490	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies	
3. Other State funds:		a. Forest Service	
a. State bond proceeds:		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registration		d. Federal Transit Administration	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)-Snow Removal	2,411	f. Other Federal-Mineral Leasing	702,203
f. Total (a. through e.)	2,411	g. Total (a. through f.)	702,203
4. Total (1. + 2. + 3.f)	259,901	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.I. Capital outlay:			
a. Right-Of-Way Cost:			0
b. Engineering Cost:			0
c. Construction			
(1). New Facilities		223,987	223,987
(2). Capacity Improvement		15,185	15,185
(3). System Preservation		116,901	116,901
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	356,073	356,073
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	356,073	356,073
			(Carry forward to page 1)

Notes and Comments: