

**CITY OF CORTEZ  
CORTEZ, COLORADO**

**FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITORS' REPORT**

**For the Fiscal Year Ended  
December 31, 2016**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>TITLE PAGE</b>	
<b>TABLE OF CONTENTS</b>	
<b>INTRODUCTORY SECTION</b>	
List of Principal Officials	
<b>FINANCIAL SECTION</b>	
Management’s Discussion and Analysis	M1 – M9
Independent Auditors’ Report	1 – 3
<b>BASIC FINANCIAL STATEMENTS</b>	
<u>Government-Wide Financial Statements</u>	
Statement of Net Position	4
Statement of Activities	5
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	6
Reconciliation of Governmental Fund Balance to Governmental Activities Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	8
Reconciliation of Change in Governmental Fund Balance to Change in Governmental Activities Net Position	9
Statement of Net Position – Proprietary Fund	10
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	11
Statement of Cash Flows – Proprietary Fund	12
Statement of Fiduciary Net Position – Court Bond Agency Fund	13
Notes to Financial Statements	14 – 36
<b>PENSION SCHEDULES (REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED)</b>	
Schedule of Changes in the City’s Net Pension (Asset) Liability	37
Schedule of the City’s Net Pension (Asset) Liability and Related Ratios	38
Schedule of Actuarial Determined and Actual Contributions	39
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedules	
General Fund	40 – 41
Capital Improvement Fund	42
Street Improvement Fund	43
Equipment Fund	44

**TABLE OF CONTENTS**

(Continued)

	<b><u>PAGE</u></b>
OTHER SUPPLEMENTARY INFORMATION	
Combining Nonmajor Governmental Funds	
Balance Sheet – Nonmajor Governmental Funds	45
Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	46
OTHER SUPPLEMENTARY INFORMATION	
Special Revenue Funds	
Budgetary Comparison Schedule – Lodger’s Tax Fund	47
Budgetary Comparison Schedule – Grant Fund	48
Budgetary Comparison Schedule – Emergency Reserve – TABOR Fund	49
Budgetary Comparison Schedule – Conservation Trust Fund	50
Enterprise Funds	
Statement of Net Position – Nonmajor Enterprise Funds	51
Statement of Revenues, Expenses and Changes in Fund Net Position – Nonmajor Enterprise Funds	52
Statement of Cash Flows – Nonmajor Enterprise Funds	53
Airport Fund - Schedule of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual	54
Police Dispatch Fund – Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	55
Recreation Center Fund – Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	56
Water Fund - Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	57
Hydro Plant Fund – Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	58
City Community Network Fund - Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	59
Solid Waste Collection Fund – Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	60
Internal Service Fund	
Statement of Net Position	61
Statement of Revenues, Expenses and Changes in Fund Net Position	62
Statement of Cash Flows	63
Shop Fund - Schedule of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual	64
Technology Fund - Schedule of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual	65
Self-Insured Health Fund – Schedule of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual	66

**TABLE OF CONTENTS**

(Continued)

	<b><u>PAGE</u></b>
<b>STATISTICAL SECTION</b>	
Historical Maximum Coverage	67
Historical Sales Tax Collections	68
Monthly Collection Comparisons	69
Historical General Fund Operations	70
Historical Water Fund Operations	71
Water Fund Historical Debt Ratio	72
Historical Hydro-Plant Fund Operations	73
Hydro-Production Fund Debt Ratio	74

## **INTRODUCTORY SECTION**

**CITY OF CORTEZ, COLORADO**

**LIST OF PRINCIPAL OFFICIALS**

**CITY COUNCIL**

Karen Sheek, Mayor  
Ty Keel, Mayor Pro-tem  
Bob Archibeque  
Tom Butler  
Orly Lucero  
Shawna MacLaughlin  
Jim Price

**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  
Phil Johnson – Director of Public Works

## **FINANCIAL SECTION**

## Management's Discussion and Analysis

This discussion and analysis of the financial performance of the City of Cortez, Colorado (City) provides an overview of the City's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the financial statements.

### FINANCIAL HIGHLIGHTS

- The City's Net Position totaled \$55,831,053 at December 31, 2016.
- The Net Position of the City increased by \$3,390,034 (6.4%) during the year.
- At December 31, 2016, the City's governmental funds reported combined ending fund balances of \$7,631,028. This amount reflected a slight increase of \$21,512 (0.3%) from the prior year's ending governmental fund balances.
- The City's enterprise funds' Net Position increased by \$635,184 (2.3%) during 2016.
- The City's internal service funds declined in Net Position by \$265,471 (-156.8%) primarily due to losses in the Self-Insured Health Fund.
- The City completed capital projects and equipment acquisitions totaling \$4,805,465 during 2016 including construction of the new City Hall and purchases of City vehicles. The City received capital grants and contributions of \$1,800,470 that partially offset these capital expenses.

### USING THIS ANNUAL REPORT

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

#### Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the City's assets and liabilities and deferred inflows and outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City'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 related 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 (e.g., uncollected taxes and earned but unused employee leave).

Both of the government-wide financial statements distinguish functions of the City of Cortez that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and hydroelectric utilities, refuse collection, Cortez airport, recreation center, police dispatch operations, and city community network operations as well as internal operations for vehicle maintenance, technology, and health insurance.

#### Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cortez, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The



funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

**Governmental Funds** -- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The unrestricted balances left at year-end are available for spending in future years. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide detailed short-term views of cash, operations, and basic services provided. Governmental fund statements show the reader whether there are more or fewer financial resources available at the end of a fiscal year that can be spent in the near future to finance government programs and objectives.

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 funds with similar 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. The *Reconciliation of Governmental Fund Balance to Governmental Activities Net Position* and the *Reconciliation of the Change in Governmental Fund Balance to Change in Governmental Activities Net Position* provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

During 2016 the City of Cortez maintained eight individual governmental funds. Information for these funds is presented by fund name in the *Balance Sheet—Governmental Funds* and the *Statement of Revenues, Expenditures, and Changes in Fund Balance--Governmental Funds* for four of the eight governmental funds that meet the criteria to be designated as major funds (General Fund, Capital Improvement Fund, Street Improvement Fund, and Equipment Fund). The other governmental funds (Lodger's Tax Fund, Emergency Reserve – TABOR Fund, Conservation Trust Fund, and Mesa Verde Country Visitor™ Information Bureau) are shown in a column titled "Nonmajor Funds." Individual fund data for these nonmajor governmental funds are provided in the back of this report in the "Other Supplementary Information" section.

**Proprietary Funds** -- The City's business-type funds are reported in proprietary funds; they focus on overall economic position rather than year-end fund balances. Enterprise funds are the type of proprietary funds used to account for the City's business-type operations that primarily serve external customers. During 2016, the City operated seven Enterprise Funds (Airport, Recreation Center, Water, Hydro Plant, City Community Network, Solid Waste Collection and Police Dispatch). Internal Service funds are the type of proprietary funds used to account for the City's business-type operations that primarily serve its own operations. During 2016, the City operated three Internal Service Funds (Shop, Technology, and Self-Insured Health). The Proprietary Funds statements report in a bit more detail the same functions presented as business-type activities in the government-wide financial statements, on a fund by fund basis.

**Fiduciary Funds** -- These funds are used to account for resources held for the benefit of parties outside the city's government. They are not reflected in the Statement of Net Position or the Statement of Activities because the resources of these funds are not available to the support city programs. The City's fiduciary fund is shown on page 13 of this report.

### **Notes to the 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. The notes to the financial statements can be found immediately after the fund financial statements.

### **Other information**

Budgetary comparison schedules for all funds with budgeted expenditures are included in the Required Supplementary Information and Other Supplementary Information sections to demonstrate each fund's compliance with adopted budgets and appropriations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cortez, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55,831,085 at the close of 2016. As shown below, the City's financial position improved by \$3,390,034 (6.4%) during 2016.

### City of Cortez's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 8,230,093	\$ 9,675,434	\$ 6,088,228	\$ 6,017,647	\$ 14,318,321	\$ 15,693,081
Capital assets, net	20,879,297	18,320,131	30,194,570	30,211,934	51,073,867	48,532,065
Other assets	101,757	135,256	738,620	767,709	840,377	902,965
Total assets	<u>\$29,211,147</u>	<u>\$28,130,821</u>	<u>\$37,021,418</u>	<u>\$36,997,290</u>	<u>\$66,232,565</u>	<u>\$65,128,111</u>
Deferred outflow s of resources	\$ 13,680	\$ 1,423	\$ 80,100	\$ 92,423	\$ 93,780	\$ 93,846
Current liabilities	780,486	1,966,658	1,164,344	1,116,068	1,944,830	3,082,726
Noncurrent Liabilities	527,629	582,310	7,761,850	8,433,505	8,289,479	9,015,815
Total liabilities	<u>\$ 1,308,115</u>	<u>\$ 2,548,968</u>	<u>\$ 8,926,194</u>	<u>\$ 9,549,573</u>	<u>\$ 10,234,309</u>	<u>\$ 12,098,541</u>
Deferred inflow s of resources	\$ 260,951	\$ 271,409	\$ -	\$ -	\$ 260,951	\$ 271,409
Net position:						
Net investment in capital assets	\$20,879,297	\$18,320,131	\$21,819,361	\$21,123,426	\$42,698,658	\$39,443,557
Restricted	492,456	4,196,468	738,620	698,304	1,231,076	4,894,772
Unrestricted	6,284,008	2,795,268	5,617,343	5,718,410	11,901,351	8,513,678
Total net position	<u>\$27,655,761</u>	<u>\$25,311,867</u>	<u>\$28,175,324</u>	<u>\$27,540,140</u>	<u>\$55,831,085</u>	<u>\$52,852,007</u>

A significant portion (76.5%) of the City's total net position at December 31, 2016 is represented by its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment). The City uses these capital assets to provide services to residents and businesses; consequently, these assets are not available for future spending.

Approximately 2.2% (\$1,231,076) of the City's total net position at the end of 2016 represents resources that are subject to external restrictions on how they may be used. They are primarily fund balance restrictions of state shared lottery revenues for parks and certain recreation uses (\$125,684), debt service reserves required for the City's 2002 Sales Tax Revenue Recreation Bonds (\$276,000) and 2009 Colorado Water Resources and Power Development Authority (CWRPDA) loan (\$69,405), and operation and maintenance reserves (\$393,215) required by water fund loans. An additional \$366,772 is restricted for emergencies.

The remaining amount of the City's total net position at the end of 2016 (\$11,901,351) represents 21.3% of total net position and may be used to meet the City's other ongoing obligations to residents and creditors.

The following chart displays the changes in net position experienced by the City over the last two fiscal years. An analysis of these changes follows for both its Governmental and Business-type Activities.

City of Cortez's Changes in Net Position

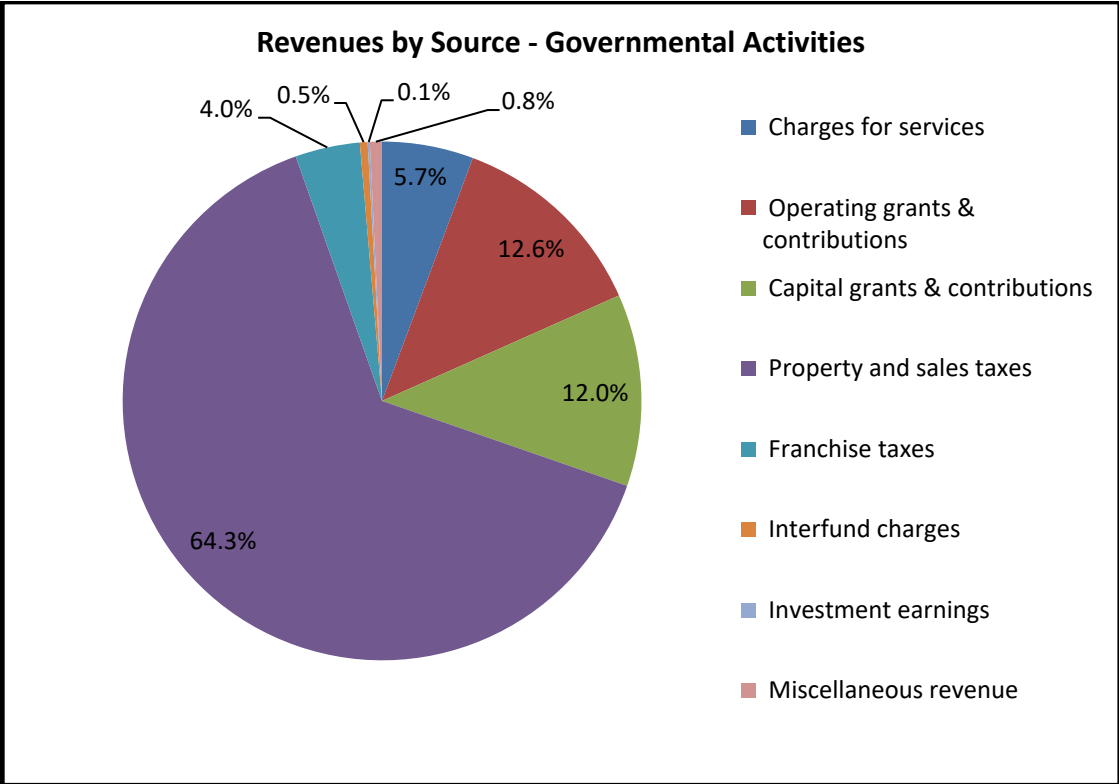
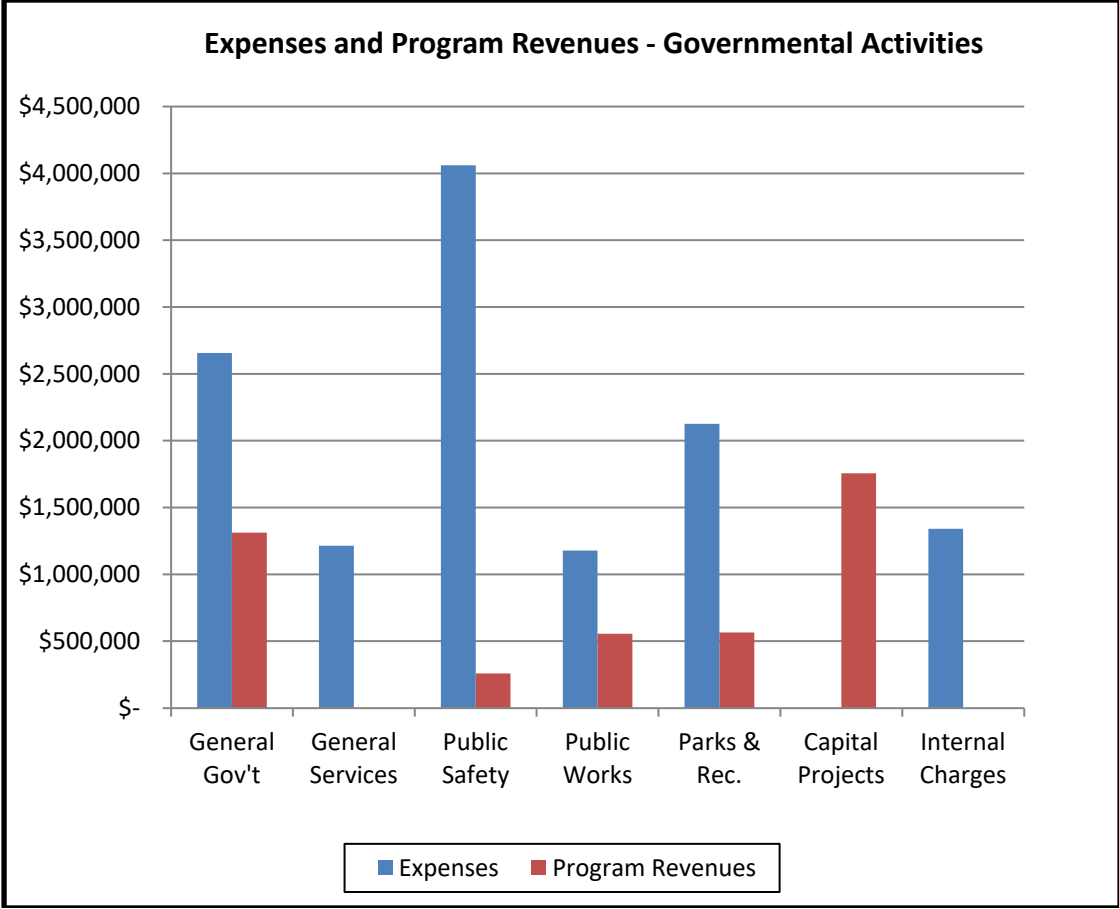
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 835,283	\$ 760,812	\$ 6,253,604	\$ 5,283,463	\$ 7,088,887	\$ 6,044,275
Operating grants & contributions	1,855,845	1,938,972	-	-	1,855,845	1,938,972
Capital grants & contributions	1,756,625	-	43,845	231,033	1,800,470	231,033
General revenues:						
Property and sales taxes	9,427,492	9,184,754	1,416,484	1,379,751	10,843,976	10,564,505
Franchise taxes	591,439	637,572	-	-	591,439	637,572
Interfund charges	70,000	(99,456)	-	-	70,000	-
Investment earnings	20,180	27,950	7,677	33,437	27,857	61,387
Miscellaneous revenue	110,792	33,941	-	-	110,792	33,941
Total revenues	\$ 14,667,656	\$ 12,484,545	\$ 7,721,610	\$ 6,927,684	\$ 22,389,266	\$ 19,511,685
Program expenses:						
General government	\$ 2,656,642	\$ 2,436,040	\$ -	\$ -	\$ 2,656,642	\$ 2,436,040
General services	1,213,530	2,437,761	-	-	1,213,530	2,437,761
Public safety	4,060,844	3,923,237	-	-	4,060,844	3,923,237
Public works	1,178,485	1,078,232	-	-	1,178,485	1,078,232
Parks and recreation	2,126,271	1,992,656	-	-	2,126,271	1,992,656
Capital projects	-	2,430,036	-	-	-	2,430,036
Internal charges	1,340,665	(266,580)	-	-	1,340,665	(266,580)
Airport	-	-	488,632	391,335	488,632	391,335
Recreation	-	-	1,339,530	1,409,420	1,339,530	1,409,420
Water	-	-	2,250,364	2,243,918	2,250,364	2,243,918
Solid waste collection	-	-	1,164,413	1,024,894	1,164,413	1,024,894
Police dispatch	-	-	744,722	726,090	744,722	726,090
Hydro plant	-	-	93,792	97,044	93,792	97,044
City community network	-	-	341,575	330,200	341,575	330,200
Total expenses	\$ 12,576,437	\$ 14,031,382	\$ 6,423,028	\$ 6,222,901	\$ 18,999,465	\$ 20,254,283
Transfers In/(Out)	\$ 252,674	\$ -	\$ (252,441)	\$ -	\$ 233	\$ -
Special item--bad debt allowance	\$ -	\$ -	\$ (410,957)	\$ -	\$ (410,957)	\$ -
Increase/(decrease)in net position	\$ 2,343,893	\$ (1,546,837)	\$ 635,184	\$ 704,783	\$ 2,979,077	\$ (842,054)
Net Position, Beginning (as Restated)	25,311,868	26,858,705	27,540,140	26,835,357	52,852,008	53,694,062
Net Position, Ending	\$ 27,655,761	\$ 25,311,868	\$ 28,175,324	\$ 27,540,140	\$ 55,831,085	\$ 52,852,008

**Governmental Activities**

The City's Governmental Activities increased in net position by \$2,343,893 (9.3%) in 2016. This was a large improvement over 2015 when the City's Governmental Activities decreased in net position by \$1,546,837 (-5.8%). Key elements of this increase are as follows:

- Capital grants of \$1,756,625 were received in 2016 for the Cortez City Hall project.
- Transfers of \$252,674 from the Business-type Activities primarily consisting of excess TABOR revenues (see Note 10) were received in 2016.

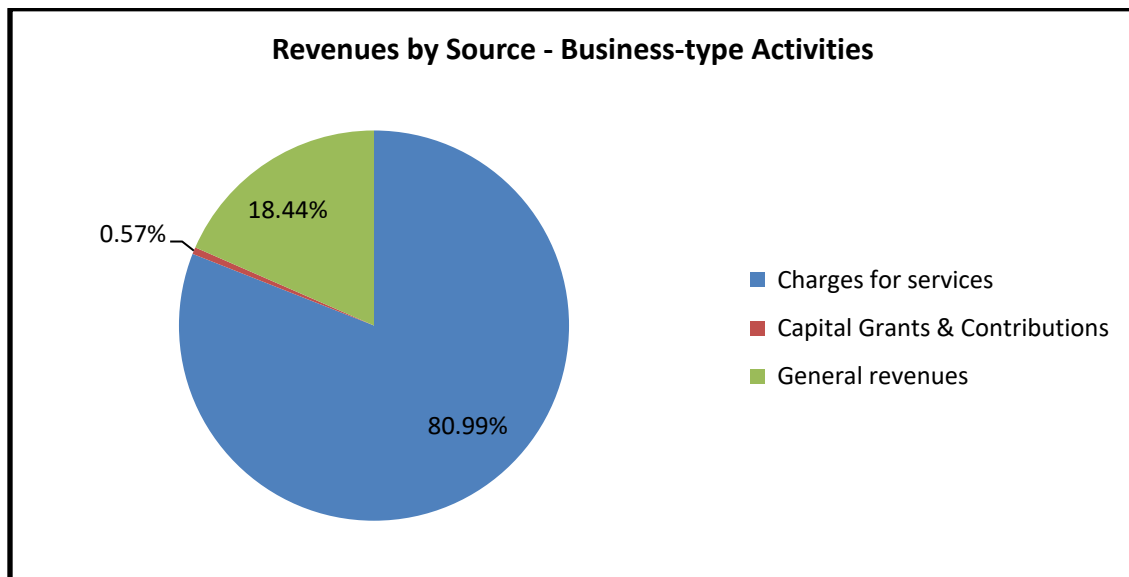
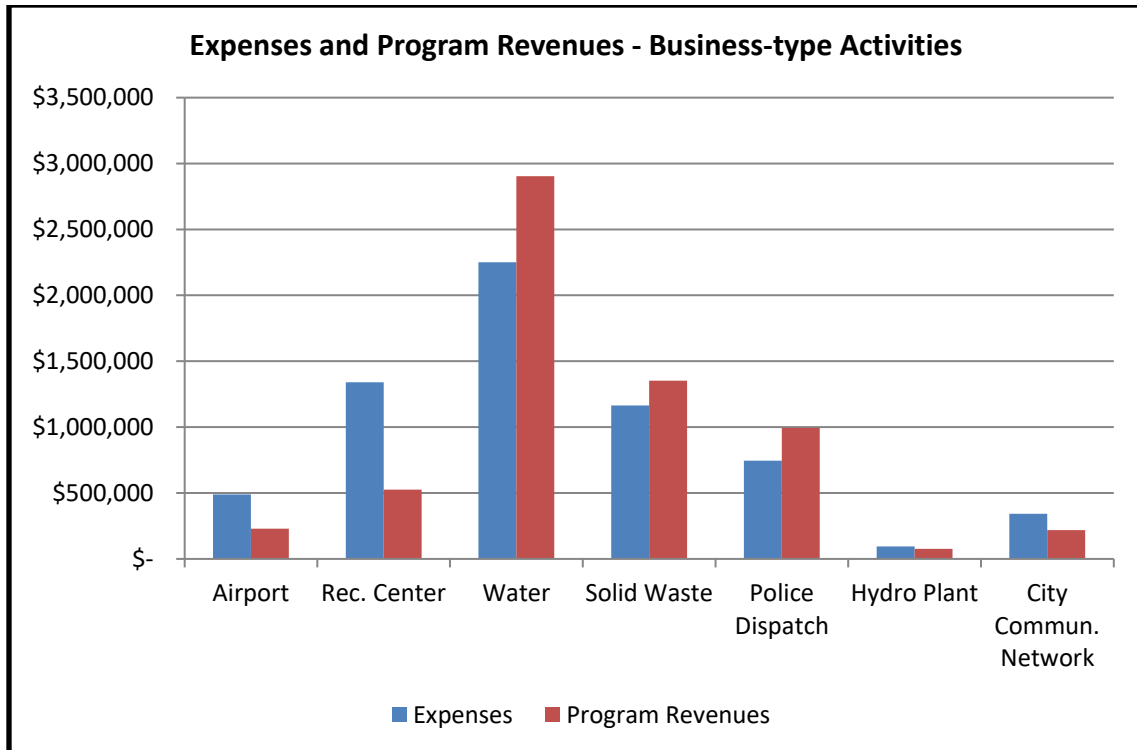
The following two charts illustrate the Governmental Activities revenues and expenses. As in most municipalities, the expenses of governmental activities are not fully supported through program revenues but are largely financed through taxes.



### Business-type Activities

Business-type Activities increased the City of Cortez's net position by 635,184 (2.3%) during 2016. This was a similar improvement to 2015. Business-type expenses including depreciation exceeded program revenues by 125,579. These losses were offset by general revenues totaling \$1,424,161 and reduced by transfers out (-\$252,441) and allowances for bad debts (-\$410,957). Although the Business-type Activities *in toto* improved their net position during 2016, the various funds in the business-type activities varied greatly in their net changes, from the Water Fund that increased its net position by \$659,961 to the City Community Network Fund that decreased its net position by \$559,981.

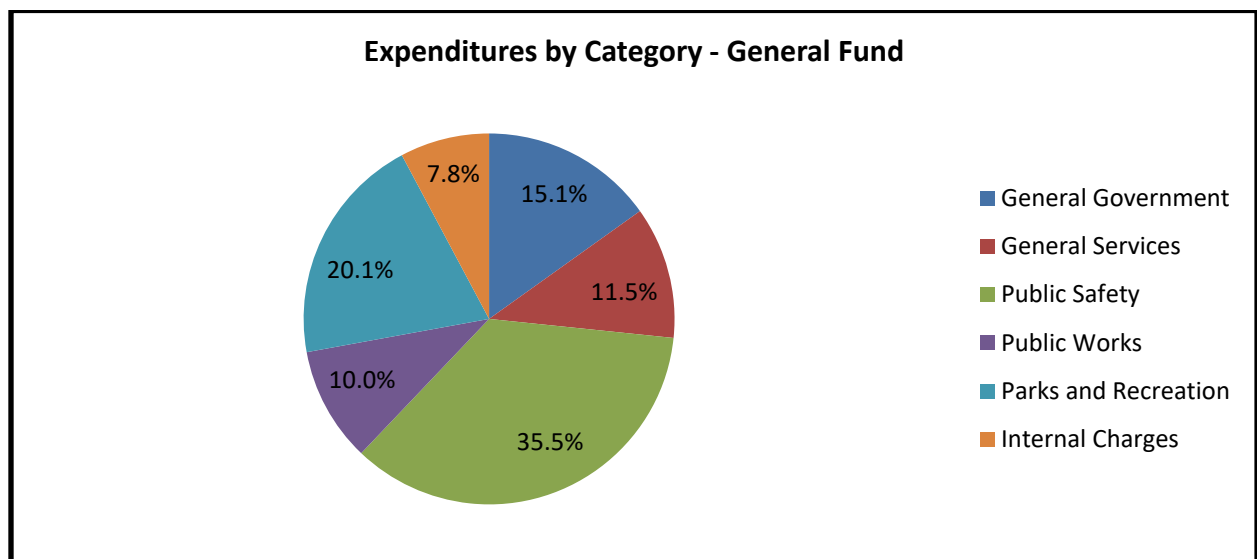
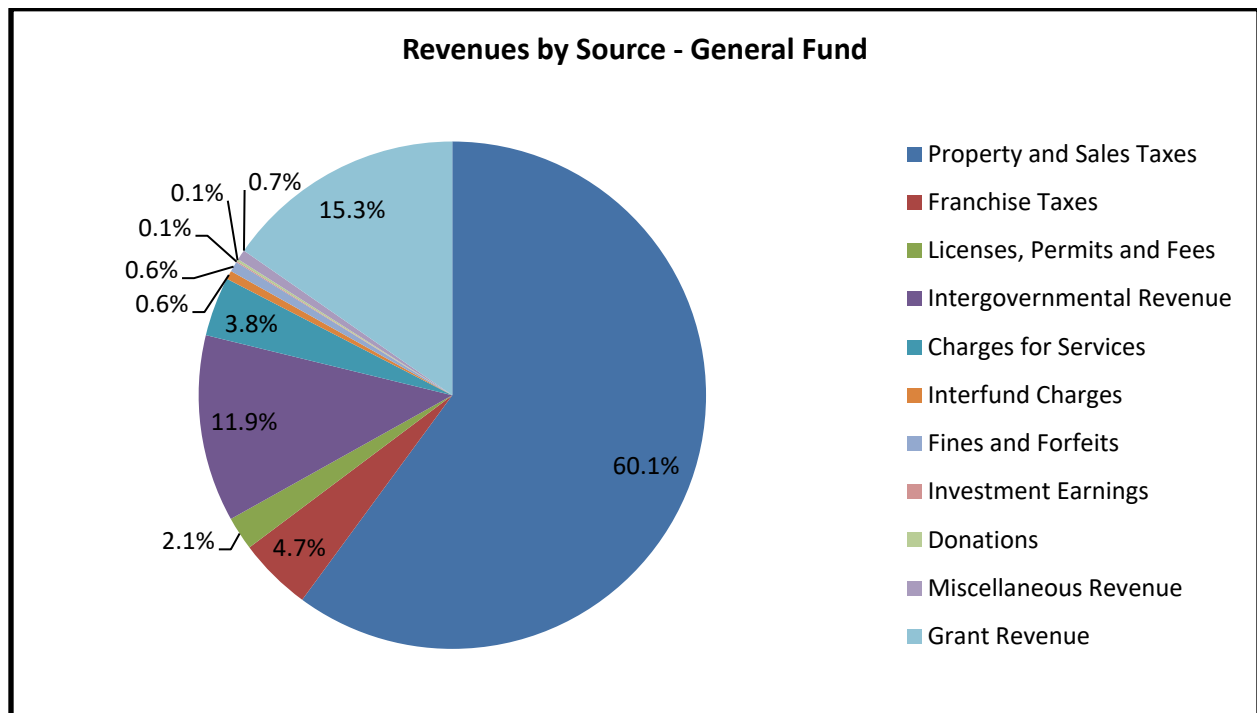
The following two charts illustrate the Business-type Activities revenues and expenses for 2016.



## THE CITY'S FUNDS

As noted earlier, the City of Cortez uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Governmental Funds utilize the modified accrual basis of accounting, and the balances of the spendable resources (unrestricted fund balance) in each fund are shown at year end. At December 31, 2016 the City's four major Governmental funds reported combined unrestricted fund balances of \$7,136,372. These funds are discussed below.

*General Fund.* The General Fund is the chief operating fund of the City of Cortez. It accounts for all the general services provided by the City. At the end of 2016, the fund balance of the General Fund totaled \$3,374,997. Because of stable tax revenues, this was a \$45,255 (1.4%) increase from 2015. Management is aware of the volatility of revenues connected to sales and use taxes, and budgets accordingly. The following two tables illustrate General Fund revenues and expenditures during 2016.



*Capital Improvement Fund.* This fund is utilized to account for the capital acquisition and/or construction of capital improvements. It is primarily funded from any revenues in excess of the limits imposed by Article X, Section 20 of the Colorado State Constitution (TABOR Amendment), as authorized by 1993 and 1998 amendments to the Cortez City Charter. During 2016, revenues of \$1,939,462 from these sources were fully expended on the Cortez City Hall.

*Street Improvement Fund.* The Street Improvement Fund is utilized to account for sales taxes restricted to street improvements. Sales taxes are the primary revenues of the fund. During 2016, net fund revenues (after transfers of excess TABOR revenues to the Capital Improvement Fund) totaled \$1,159,821, and street-related improvement projects totaling \$1,098,453 were performed.

*Equipment Fund.* The Equipment Fund is utilized to account for sales taxes restricted to equipment acquisition. Sales taxes are the primary revenues of the fund. During 2016, net fund revenues (after transfers of excess TABOR revenues to the Capital Improvement Fund) totaled \$293,958, and equipment purchases totaling \$356,178 were made.

At December 31, 2016 the City's six major Enterprise funds reported combined net position of \$27,746,593. These funds are discussed below.

*Airport Fund.* At December 31, 2016 the net position of the Airport Fund was \$7,801,277. The fund had revenues of \$228,768 and operating expenses of \$488,632 resulting in a net loss of \$259,864. Much of the loss was due to depreciation expense of airport facilities totaling \$270,447.

*Recreation Center Fund.* At December 31, 2016 the net position of the Recreation Center Fund was \$7,331,739. The fund had operating revenues of \$525,654 and operating expenses of \$1,231,198. Therefore the fund had a net operating loss of \$705,544 in 2016. General revenues from sales taxes and interest earnings totaling \$1,193,556 (after transfers of excess TABOR revenues to the Capital Improvement Fund) covered the operating loss and the interest on outstanding debt of \$108,332. Therefore, the fund's net position increased by \$379,680.

*Water Fund.* At December 31, 2016 the net position of the Water Fund was \$11,415,001. The fund had operating revenues of \$2,884,693 and operating expenses (including system depreciation) of \$2,006,674 resulting in net operating income of \$878,019. This operating income, along with other revenues, contributions, and transfers in totaling \$25,632, covered the fund's interest on its long term debt (\$243,690) and increased its net position by \$659,961.

*Hydro Plant Fund.* At December 31, 2016 the net position of the Hydro Plant Fund was \$72,189. The fund had operating revenues of \$75,540 and operating expenses of \$76,949. Therefore the fund had a net operating loss of \$1,409 in 2016. Interest on outstanding debt of \$16,843 also contributed to a decrease in net position of \$18,252 during the year.

*City Community Network Fund.* At December 31, 2016 the net position of the City Community Network Fund was -\$70,860. The fund had operating revenues of \$193,312 and operating expenses of \$341,575. Therefore the fund had a net operating loss of \$148,263 in 2016. Grant revenues of \$24,665 offset by transfers of excess TABOR revenues to the Capital Improvement Fund (-\$25,426), and -\$410,957 in allowances for bad debts caused the fund's net position to decrease by a total of \$559,981, resulting in the negative position at year-end.

*Solid Waste Collection Fund.* At December 31, 2016 the net position of the Solid Waste Collection Fund was \$1,197,247. The fund had operating revenues of \$1,351,726 and operating expenses of \$1,164,413. Therefore the fund had net operating income of \$187,313 in 2016. Interest earnings of \$1,061 and transfers of \$4,000 to the Water Fund brought the fund's total change in net position to \$184,374 for the year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets.* At December 31, 2016 the City had invested in a range of capital assets including land, land improvements, buildings, machinery and equipment, other improvements, infrastructure and internal service equipment. Note 3 of the financial statements provides a summary of changes in capital assets during the year. During 2016, the City made additions to all categories of capital assets listed above.

The City has restricted or designated certain sales tax revenue streams to fund capital improvements. 12.36% of the City's general sales taxes are restricted for street improvements, and 3.07% are dedicated to equipment acquisition and replacement. In addition, as stated earlier, all excess TABOR revenues are utilized for capital acquisition and/or construction.

*Debt Administration.* The City's long-term debt primarily consists of revenue bonds and loans from state agencies. At the end of 2016, the outstanding sales tax revenue bonds and premiums for the Recreation Center Fund totaled \$2,802,572, outstanding Water Fund loans totaled \$4,732,404, and an outstanding Hydro Plant Fund loan totaled \$840,237. Balances payable for accrued but untaken employee leave accounts totaling \$721,041 are also recorded. See Note 4 for more detailed information.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City of Cortez continues to maintain a healthy financial position, with reserves at levels required in the City's budget policy. This report was delayed for three years (see Note 12) so additional information about the 2017 budget is not presented herein. The City's most current budget was adopted for 2020. City Management continues to budget conservatively, seeks to provide cost-effective services in all fiscal years, and responds to changing economic conditions as they arise.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide the City of Cortez's residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the funds it receives and assets it maintains. If you have questions about this report, or should you desire additional financial information, contact the City's Director of Finance at City of Cortez, 123 Roger Smith Ave., Cortez, CO 81321 or call the City Finance Director at (970) 564-4011.



# Mayberry & Company, LLC

## Certified Public Accountants

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

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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, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***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, based on our audit 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, 2016, 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.

***Report on Summarized Comparative Information***

We have previously audited the City of Cortez's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Emphasis of Matters***

As discussed in Note 12, the City discovered an ongoing embezzlement during fiscal year 2016. While the discovery was identified due to a software conversion, the fraud investigation and other software conversion issues substantially delayed completion of the December 31, 2016 financial statements. As discussed in Note 13, the City has reported a special item for an allowance for bad debts related to unpaid receivables reported in the City Community Network Fund. As discussed in Note 11 to the financial statements, the 2015 beginning capital assets in the financial statements have been restated to reflect a decrease in net position in the amount of \$2,290,404. Our opinion is not modified with respect to these matters.

***Other Matters***

***Required Supplementary Information – Management Discussion and Analysis and Pension Schedules***

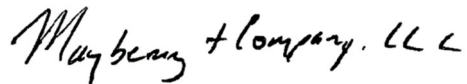
Accounting principles generally accepted in the United States of America require that the management, discussion, and analysis on pages M1–M9 and pension schedules on pages 37-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, 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.

***Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary 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 40 - 44 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 45 - 66 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 by us and other auditors. In our opinion, based on our audit, the procedures as described above, and the report of the other auditors, 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. *Statistical Section* on pages 67 - 74, 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.

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Englewood, Colorado  
October 15, 2020

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### ***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, 2016.

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**Government-Wide Financial Statements**

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**CITY OF CORTEZ, COLORADO**  
**Statement of Net Position**  
**December 31, 2016**

	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash in Checking	\$ 4,656,071	\$ 1,905,101	\$ 6,561,172
Petty Cash	3,906	1,941	5,847
Investments	2,530,677	1,693,265	4,223,942
Property Tax Receivable	106,584	-	106,584
Accounts Receivable	1,027,320	814,943	1,842,263
Special Assessment Receivable	154,368	-	154,368
Interfund Balances	(1,408,649)	1,408,649	-
Intergovernmental Receivable	936,538	5,216	941,754
Inventory	90,549	253,026	343,575
Prepaid Expenses	132,729	6,087	138,816
<b>Total Current Assets</b>	<b>8,230,093</b>	<b>6,088,228</b>	<b>14,318,321</b>
Capital Assets			
Capital Assets not being depreciated	1,152,583	4,921,300	6,073,883
Capital Assets being depreciated	19,726,714	25,273,270	44,999,984
<b>Total Capital Assets</b>	<b>20,879,297</b>	<b>30,194,570</b>	<b>51,073,867</b>
Other Assets			
Restricted Cash	-	738,620	738,620
Net Pension Asset	101,757	-	101,757
<b>Total Assets</b>	<b>29,211,147</b>	<b>37,021,418</b>	<b>66,232,565</b>
<b>DEFERRED OUTFLOWS OF FINANCIAL RESOURCES</b>			
Deferred Charge on Refunding	-	80,100	80,100
Net Pension Deferred Outflows	13,680	-	13,680
<b>Total Deferred Outflows of Financial Resources</b>	<b>13,680</b>	<b>80,100</b>	<b>93,780</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	475,387	100,889	576,276
Accrued Payroll	200,187	68,394	268,581
Deposits	8,784	14,264	23,048
Accrued Interest Payable	-	31,637	31,637
Unearned Revenue	96,128	142,384	238,512
Noncurrent Liabilities - Due within one year	-	806,776	806,776
<b>Total Current Liabilities</b>	<b>780,486</b>	<b>1,164,344</b>	<b>1,944,830</b>
Noncurrent Liabilities			
Accrued Compensated Absences	527,629	193,417	721,046
Notes and Loans Payable	-	7,568,433	7,568,433
<b>Total Noncurrent Liabilities</b>	<b>527,629</b>	<b>7,761,850</b>	<b>8,289,479</b>
<b>Total Liabilities</b>	<b>1,308,115</b>	<b>8,926,194</b>	<b>10,234,309</b>
<b>DEFERRED INFLOWS OF FINANCIAL RESOURCES</b>			
Deferred Property Taxes	260,951	-	260,951
<b>Total Deferred Outflows of Financial Resources</b>	<b>260,951</b>	<b>-</b>	<b>260,951</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	20,879,297	21,819,361	42,698,658
Restricted	492,456	738,620	1,231,076
Unrestricted	6,284,009	5,617,342	11,901,351
<b>Net Position, Ending</b>	<b>\$ 27,655,762</b>	<b>\$ 28,175,323</b>	<b>\$ 55,831,085</b>

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

**CITY OF CORTEZ, COLORADO**  
**Statement of Activities**  
**Year Ended December 31, 2016**

<b>Function/Program</b>	<b>Expenditures</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General Government	\$ 2,652,512	\$ 120,838	\$ 1,191,412	\$ -
General Services	1,213,530	-	-	-
Public Safety	4,060,844	84,418	174,123	-
Public Works	1,178,485	182,059	373,021	-
Parks and Recreation	2,130,401	447,968	117,289	-
Capital Projects	-	-	-	1,756,625
Internal Charges	1,340,665	-	-	-
<b>Total Governmental Activities</b>	<u>12,576,437</u>	<u>835,283</u>	<u>1,855,845</u>	<u>1,756,625</u>
<b>Business-type Activities</b>				
Airport	488,632	228,724	-	-
Recreation	1,339,530	525,654	-	-
Water	2,250,364	2,884,693	-	19,180
Solid Waste Collection	1,164,413	1,351,726	-	-
Police Dispatch	744,722	993,954	-	-
Hydro Plant	93,792	75,540	-	-
City Community Network Fund	341,575	193,312	-	24,665
<b>Total Business-type Activities</b>	<u>6,423,028</u>	<u>6,253,603</u>	<u>-</u>	<u>43,845</u>
<b>Total Government</b>	<u>\$ 18,999,465</u>	<u>\$ 7,088,886</u>	<u>\$ 1,855,845</u>	<u>\$ 1,800,470</u>
<b>General Revenues</b>				
Property and Sales Taxes				
Franchise Taxes				
Interfund Charges				
Investment Earnings				
Miscellaneous Revenue				
<b>Total General Revenues</b>				
<b>Transfers - Net</b>				
<b>Change in Net Position</b>				
<b>Special Item - Bad Debt Allowance</b>				
<b>Net Position, Beginning</b>				
Prior Period Restatement				
<b>Net Position, Beginning (As Restated)</b>				
<b>Net Position, Ending</b>				

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

**Net Revenue (Expense) and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,340,262)	\$ -	\$ (1,340,262)
(1,213,530)	-	(1,213,530)
(3,802,303)	-	(3,802,303)
(623,405)	-	(623,405)
(1,565,144)	-	(1,565,144)
1,756,625	-	1,756,625
<u>(1,340,665)</u>	<u>-</u>	<u>(1,340,665)</u>
<u>(8,128,684)</u>	<u>-</u>	<u>(8,128,684)</u>
-	(259,908)	(259,908)
-	(813,876)	(813,876)
-	653,509	653,509
-	187,313	187,313
-	249,232	249,232
-	(18,252)	(18,252)
-	<u>(123,598)</u>	<u>(123,598)</u>
-	<u>(125,580)</u>	<u>(125,580)</u>
<u>(8,128,684)</u>	<u>(125,580)</u>	<u>(8,254,264)</u>
9,427,492	1,416,484	10,843,976
591,439	-	591,439
70,000	-	70,000
20,180	7,677	27,857
<u>111,026</u>	<u>-</u>	<u>111,026</u>
<u>10,220,137</u>	<u>1,424,161</u>	<u>11,644,298</u>
<u>252,441</u>	<u>(252,441)</u>	<u>-</u>
<u>2,343,894</u>	<u>1,046,140</u>	<u>3,390,034</u>
<u>-</u>	<u>(410,957)</u>	<u>(410,957)</u>
27,741,904	27,400,507	55,142,411
<u>(2,430,036)</u>	<u>139,633</u>	<u>(2,290,403)</u>
<u>25,311,868</u>	<u>27,540,140</u>	<u>52,852,008</u>
<u>\$ 27,655,762</u>	<u>\$ 28,175,323</u>	<u>\$ 55,831,085</u>

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**Fund Financial Statements**

**CITY OF CORTEZ, COLORADO**

**Balance Sheet**

**Governmental Funds**

**December 31, 2016**

**(With Comparative Totals for the Year Ended December 31, 2015)**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Street Improvement Fund</u>	<u>Equipment Fund</u>
<b>Assets</b>				
Cash in Checking	\$ 2,289,531	\$ -	\$ 1,035,114	\$ 306,965
Petty Cash	3,754	-	-	-
Investments	1,025,368	-	805,309	700,000
Property Tax Receivable	106,584	-	-	-
Accounts Receivable	855,000	-	125,674	31,419
Special Assessment Receivable	54,626	-	99,742	-
Interfund Receivable	-	-	817,000	-
Intergovernmental Receivable	936,538	-	-	-
Inventory	55,167	-	-	-
Prepaid Expenses	110,204	-	53	-
<b>Total Assets</b>	<u>\$ 5,436,772</u>	<u>\$ -</u>	<u>\$ 2,882,892</u>	<u>\$ 1,038,384</u>
<b>Liabilities</b>				
Accounts Payable	\$ 146,687	\$ -	\$ 55,488	\$ 1,107
Accrued Payroll	177,496	-	3,564	-
Deposits	8,784	-	-	-
Unearned Revenue	-	-	-	-
Interfund Payables	1,567,599	-	-	-
Noncurrent Liabilities - Due within one year	-	-	-	-
<b>Total Liabilities</b>	<u>1,900,566</u>	<u>-</u>	<u>59,052</u>	<u>1,107</u>
<b>Deferred Inflows of Financial Resources</b>				
Deferred Property Taxes	<u>161,209</u>	<u>-</u>	<u>99,742</u>	<u>-</u>
<b>Fund Balance</b>				
Nonexpendable	165,371	-	53	-
Restricted	-	-	-	-
Committed	1,245,975	-	731,831	574,592
Assigned	-	-	1,992,214	462,685
Unassigned	<u>1,963,652</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balance</b>	<u>3,374,998</u>	<u>-</u>	<u>2,724,098</u>	<u>1,037,277</u>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<u>\$ 5,436,773</u>	<u>\$ -</u>	<u>\$ 2,882,892</u>	<u>\$ 1,038,384</u>

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

**Total**

<b>Nonmajor Funds</b>	<b>2016</b>	<b>2015</b>
\$ 591,699	\$ 4,223,309	\$ 4,145,247
-	3,754	4,880
-	2,530,677	2,872,830
-	106,584	115,195
15,227	1,027,320	1,018,798
-	154,368	155,868
-	817,000	998,750
-	936,538	85,021
-	55,167	44,445
21,171	131,428	50,456
<u>\$ 628,097</u>	<u>\$ 9,986,145</u>	<u>\$ 9,491,490</u>
\$ 1,971	\$ 205,253	\$ 414,997
3,342	184,402	155,764
-	8,784	7,804
96,128	96,128	-
32,000	1,599,599	1,032,000
-	-	-
<u>133,441</u>	<u>2,094,166</u>	<u>1,610,565</u>
-	260,951	271,409
21,171	186,595	94,901
492,456	492,456	5,691,992
-	2,552,398	1,466
-	2,454,899	751,401
<u>(18,971)</u>	<u>1,944,681</u>	<u>1,069,756</u>
<u>494,656</u>	<u>7,631,029</u>	<u>7,609,516</u>
<u>\$ 628,097</u>	<u>\$ 9,986,146</u>	<u>\$ 9,491,490</u>

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**CITY OF CORTEZ, COLORADO**  
**Reconciliation of Governmental Fund Balance to**  
**Governmental Activities Net Position**  
**December 31, 2016**

<b>Governmental Fund Balance</b>		\$ 7,631,029
Capital assets used in governmental activities are not resources and are not reported in the funds:		
Capital Assets not being depreciated	1,152,583	
Capital Assets being depreciated	36,827,431	
Accumulated Depreciation	<u>(17,141,045)</u>	20,838,969
Earned but unpaid accumulated leave balances are not reported in the funds:		
Accrued Compensated Absences		(494,928)
Certain long-term pension related costs and adjustments are not available to pay or payable currently and are therefore not reported in the funds:		
Difference between projected and actual investment returns on the pension plan	17,545	
Amortization of investment return difference	(3,865)	
Difference between projected and actual pension plan experience	11,802	
Amortization of experience difference	(11,802)	
Change in Assumptions	15,275	
Amortization of Change in Assumptions	(15,275)	
Net pension asset (liability)	<u>101,757</u>	115,437
Internal service funds are blended into governmental activities:		
Internal Service Fund Net Position		<u>(434,745)</u>
<b>Governmental Activities Net Position</b>		<u><u>\$ 27,655,762</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, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Street Improvement Fund</u>	<u>Equipment Fund</u>
<b>Revenues</b>				
Property and Sales Taxes	\$ 7,591,240	\$ -	\$ 1,287,712	\$ 321,928
Franchise Taxes	591,439	-	-	-
Licenses, Permits and Fees	270,637	-	-	-
Intergovernmental Revenue	1,504,600	-	-	-
Charges for Services	477,762	-	5,211	-
Interfund Charges	70,000	-	-	-
Fines and Forfeits	81,673	-	-	-
Investment Earnings	9,725	-	5,029	5,316
Donation	18,057	-	-	-
Miscellaneous Revenue	82,432	-	15,019	4,885
Grant Revenue	1,938,709	-	-	-
<b>Total Revenues</b>	<u>12,636,274</u>	<u>-</u>	<u>1,312,971</u>	<u>332,129</u>
<b>Expenditures</b>				
General Government	1,576,022	-	-	-
General Services	1,193,717	-	-	356,178
Public Safety	3,706,404	-	-	-
Public Works	1,046,749	-	1,098,453	-
Parks and Recreation	2,103,633	-	-	-
Capital Projects	-	1,939,462	-	-
Operating Expenses	-	-	-	-
Internal Charges	1,340,665	-	-	-
<b>Total Expenditures</b>	<u>10,967,190</u>	<u>1,939,462</u>	<u>1,098,453</u>	<u>356,178</u>
<b>Revenues in Excess (Deficiency) of Expenditures</b>	<u>1,669,084</u>	<u>(1,939,462)</u>	<u>214,518</u>	<u>(24,049)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	43,327	1,939,462	-	-
Transfers Out	(1,667,155)	-	(153,150)	(38,171)
<b>Net Other Financing Sources (Uses)</b>	<u>(1,623,828)</u>	<u>1,939,462</u>	<u>(153,150)</u>	<u>(38,171)</u>
<b>Change in Fund Balance</b>	45,256	-	61,368	(62,220)
<b>Fund Balance, Beginning</b>	<u>3,329,742</u>	<u>-</u>	<u>2,662,730</u>	<u>1,099,497</u>
<b>Fund Balance, Ending</b>	<u>\$ 3,374,998</u>	<u>\$ -</u>	<u>\$ 2,724,098</u>	<u>\$ 1,037,277</u>

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

		<u>Total</u>	
<u>Nonmajor Funds</u>		<u>2016</u>	<u>2015</u>
\$ 226,612	\$	9,427,492	\$ 9,184,754
-		591,439	637,572
-		270,637	129,901
151,104		1,655,704	1,686,450
-		482,973	553,930
-		70,000	167,124
-		81,673	76,981
110		20,180	27,950
-		18,057	49,001
8,695		111,031	33,941
-		1,938,709	203,521
<u>386,521</u>		<u>14,667,895</u>	<u>12,751,125</u>
499,657		2,075,679	2,031,274
-		1,549,895	4,376,929
-		3,706,404	3,811,407
-		2,145,202	2,806,586
37,994		2,141,627	1,932,903
-		1,939,462	852,975
-		-	-
-		1,340,665	23,063
<u>537,651</u>		<u>14,898,934</u>	<u>15,835,137</u>
<u>(151,130)</u>		<u>(231,039)</u>	<u>(3,084,012)</u>
423,467		2,406,256	429,805
<u>(295,228)</u>		<u>(2,153,704)</u>	<u>(429,805)</u>
128,239		252,552	-
<u>(22,891)</u>		<u>21,513</u>	<u>(3,084,012)</u>
517,547		7,609,516	10,693,528
<u>\$ 494,656</u>	<u>\$</u>	<u>7,631,029</u>	<u>\$ 7,609,516</u>

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**CITY OF CORTEZ, COLORADO**  
**Reconciliation of Change in Governmental Fund Balance to**  
**Change in Governmental Activities Net Position**  
**Year Ended December 31, 2016**

<b>Change in Governmental Fund Balance</b>		\$	21,513
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities:			
Capitalized depreciable assets	3,601,390		
Depreciation expense	<u>(1,044,505)</u>	2,556,885	
Earned but unpaid accumulated leave balances are not reported in the funds:			
Accrued Compensated Absences			52,214
Pension expense at the fund level represent cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial costs for the fiscal year:			
Current year projected to actual investment return difference	15,766		
Current year amortization of overall investment return difference	(3,509)		
Current year projected to actual pension plan experience difference	11,802		
Current year amortization of overall pension plan experience difference	(11,802)		
Change in the change of assumptions	15,275		
Change in the amortization of change in assumptions	(15,275)		
Change in net pension asset (liability)	<u>(33,499)</u>	(21,242)	
Internal service funds are blended into governmental activities:			
Internal Service Fund Net Position		<u>(265,471)</u>	
<b>Change in Governmental Activities Net Position</b>		\$	<u><u>2,343,899</u></u>

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

CITY OF CORTEZ, COLORADO  
Statement of Net Position  
Proprietary Funds  
December 31, 2016  
(With Comparative Totals for December 31, 2015)

	Business-type Activities					
	Recreation			Hydro Plant	City	Solid Waste
	Airport Fund	Center Fund	Water Fund	Fund	Community Network Fund	Collection Fund
<b>ASSETS</b>						
Current Assets						
Cash in Checking	\$ 181,240	\$ (50,034)	\$ 863,394	\$ (15,251)	\$ 55,100	\$ 645,985
Petty Cash	-	1,341	600	-	-	-
Cash in Local Government Pools	-	-	-	-	-	-
Investments	-	1,205,966	362,299	-	-	125,000
Accounts Receivable	14,778	160,577	348,194	2,725	16,528	272,141
Interfund Receivable	-	1,400,000	659,349	-	-	-
Intergovernmental Receivable	-	-	5,216	-	-	-
Inventory	-	6,836	219,690	-	26,500	-
Prepaid Expenses	224	692	2,649	-	237	2,187
<b>Total Current Assets</b>	<b>196,242</b>	<b>2,725,378</b>	<b>2,461,391</b>	<b>(12,526)</b>	<b>98,365</b>	<b>1,045,313</b>
Capital Assets						
Capital Assets not being depreciated	718,874	-	4,202,426	-	-	-
Capital Assets being depreciated	6,920,471	7,144,995	9,335,351	880,354	486,930	237,051
<b>Total Capital Assets</b>	<b>7,639,345</b>	<b>7,144,995</b>	<b>13,537,777</b>	<b>880,354</b>	<b>486,930</b>	<b>237,051</b>
Other Assets						
Restricted Cash	-	276,000	393,215	69,405	-	-
<b>Total Assets</b>	<b>7,835,587</b>	<b>10,146,373</b>	<b>16,392,383</b>	<b>937,233</b>	<b>585,295</b>	<b>1,282,364</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Deferred Charge on Refunding	-	80,100	-	-	-	-
<b>LIABILITIES</b>						
Current Liabilities						
Accounts Payable	3,450	19,977	48,092	-	4,234	18,787
Accrued Payroll	3,915	15,550	15,796	-	1,979	16,148
Deposits	-	14,264	-	-	-	-
Interfund Payables	-	-	-	8,700	642,000	-
Accrued Interest Payable	-	7,724	7,803	16,110	-	-
Unearned Revenue	-	(1,885)	144,269	-	-	-
Noncurrent Liabilities - Due within one year	-	522,943	231,233	52,600	-	-
<b>Total Current Liabilities</b>	<b>7,365</b>	<b>578,573</b>	<b>447,193</b>	<b>77,410</b>	<b>648,213</b>	<b>34,935</b>
Noncurrent Liabilities						
Accrued Compensated Absences	26,945	36,534	29,017	-	7,941	50,182
Notes and Loans Payable	-	2,279,627	4,501,172	787,634	-	-
<b>Total Noncurrent Liabilities</b>	<b>26,945</b>	<b>2,316,161</b>	<b>4,530,189</b>	<b>787,634</b>	<b>7,941</b>	<b>50,182</b>
<b>Total Liabilities</b>	<b>34,310</b>	<b>2,894,734</b>	<b>4,977,382</b>	<b>865,044</b>	<b>656,154</b>	<b>85,117</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	7,639,345	4,342,425	8,805,372	40,120	486,930	237,051
Restricted	-	276,000	393,215	69,405	-	-
Unrestricted	161,931	2,713,314	2,216,414	(37,336)	(557,790)	960,196
<b>Net Position, Ending</b>	<b>\$ 7,801,276</b>	<b>\$ 7,331,739</b>	<b>\$ 11,415,001</b>	<b>\$ 72,189</b>	<b>\$ (70,860)</b>	<b>\$ 1,197,247</b>

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

<u>Business-type Activities</u>		<u>Govt Act.</u>	<u>Total</u>		
<u>Other Enterprise</u>	<u>Total Enterprise</u>	<u>Internal</u>			
<u>Funds</u>	<u>Funds</u>	<u>Service Funds</u>	<u>2016</u>	<u>2015</u>	
\$ 224,667	\$ 1,905,101	\$ 432,762	\$ 2,337,863	\$ 2,971,854	
-	1,941	152	2,093	2,093	
-	-	-	-	-	
-	1,693,265	-	1,693,265	1,792,698	
-	814,943	-	814,943	951,922	
-	2,059,349	250,000	2,309,349	1,020,000	
-	5,216	-	5,216	150,487	
-	253,026	35,382	288,408	324,445	
98	6,087	1,301	7,388	6,845	
<u>224,765</u>	<u>6,738,928</u>	<u>719,597</u>	<u>7,458,525</u>	<u>7,220,344</u>	
-	4,921,300	-	4,921,300	4,921,300	
<u>268,118</u>	<u>25,273,270</u>	<u>40,328</u>	<u>25,313,598</u>	<u>25,186,438</u>	
<u>268,118</u>	<u>30,194,570</u>	<u>40,328</u>	<u>30,234,898</u>	<u>30,107,738</u>	
-	738,620	-	738,620	767,709	
<u>492,883</u>	<u>37,672,118</u>	<u>759,925</u>	<u>38,432,043</u>	<u>38,095,791</u>	
-	80,100	-	80,100	92,423	
6,348	100,888	270,134	371,022	459,039	
15,006	68,394	15,785	84,179	75,649	
-	14,264	-	14,264	8,084	
-	650,700	876,050	1,526,750	986,750	
-	31,637	-	31,637	32,074	
-	142,384	-	142,384	146,264	
-	806,776	-	806,776	783,055	
<u>21,354</u>	<u>1,815,043</u>	<u>1,161,969</u>	<u>2,977,012</u>	<u>2,490,915</u>	
42,798	193,417	32,701	226,118	163,220	
-	7,568,433	-	7,568,433	8,305,453	
<u>42,798</u>	<u>7,761,850</u>	<u>32,701</u>	<u>7,794,551</u>	<u>8,468,673</u>	
<u>64,152</u>	<u>9,576,893</u>	<u>1,194,670</u>	<u>10,771,563</u>	<u>10,959,588</u>	
268,118	21,819,361	40,328	21,859,689	21,019,230	
-	738,620	-	738,620	698,304	
<u>160,613</u>	<u>5,617,342</u>	<u>(475,073)</u>	<u>5,142,269</u>	<u>5,511,090</u>	
<u>\$ 428,731</u>	<u>\$ 28,175,323</u>	<u>\$ (434,745)</u>	<u>\$ 27,740,578</u>	<u>\$ 27,228,624</u>	

CITY OF CORTEZ, COLORADO  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)

	Business-type Activities					
	Recreation			Hydro Plant	City	Solid Waste
	Airport Fund	Center Fund	Water Fund	Fund	Community Network Fund	Collection Fund
<b>OPERATING REVENUES</b>						
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	196,778	525,131	2,885,522	75,540	158,862	1,349,814
Interfund Charges	-	-	-	-	34,450	-
Miscellaneous Revenue	31,946	523	(829)	-	-	1,912
<b>Total Operating Revenues</b>	<u>228,724</u>	<u>525,654</u>	<u>2,884,693</u>	<u>75,540</u>	<u>193,312</u>	<u>1,351,726</u>
<b>OPERATING EXPENSES</b>						
Health Claims	-	-	-	-	-	-
Shop	-	-	-	-	-	-
Building Overhead	-	-	-	-	-	-
Technology	-	-	-	-	-	-
Fiber Network	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-
Administration	-	-	162,992	11,592	-	40,340
Filtration and Treatment	-	-	602,784	-	-	-
Transmission and Distribution	-	-	425,526	-	-	-
Airport Operations	202,189	-	-	-	-	-
Meter Maintenance	-	-	16,911	-	-	-
Collection	-	-	-	-	-	826,612
Recycling	-	-	-	-	-	124,212
Fiber Outside Plant	-	-	-	-	97,299	-
Fiber Administration	-	-	-	-	56,275	-
Fiber Inside Plant	-	-	-	-	91,184	-
Recreation Center	-	985,849	-	-	-	-
Police Support Services	-	-	-	-	-	-
Capital Outlay	8,136	-	147,113	-	-	-
Depreciation	270,447	233,475	500,882	65,357	87,738	37,017
Internal Charges	7,860	11,874	150,466	-	9,079	136,232
<b>Total Operating Expenses</b>	<u>488,632</u>	<u>1,231,198</u>	<u>2,006,674</u>	<u>76,949</u>	<u>341,575</u>	<u>1,164,413</u>
<b>Operating Income (Loss)</b>	<u>(259,908)</u>	<u>(705,544)</u>	<u>878,019</u>	<u>(1,409)</u>	<u>(148,263)</u>	<u>187,313</u>
<b>Other Revenues (Expenses)</b>						
Property and Sales Taxes	-	1,416,484	-	-	-	-
Investment Earnings	43	4,087	2,452	-	-	1,061
Interest Expense	-	(108,332)	(243,690)	(16,843)	-	-
<b>Net Income (Loss) before Transfers</b>	<u>(259,865)</u>	<u>606,695</u>	<u>636,781</u>	<u>(18,252)</u>	<u>(148,263)</u>	<u>188,374</u>
<b>Transfers</b>						
Transfers In	-	-	4,000	-	-	-
Transfers Out	-	(227,015)	-	-	(25,426)	(4,000)
<b>Net Transfers</b>	<u>-</u>	<u>(227,015)</u>	<u>4,000</u>	<u>-</u>	<u>(25,426)</u>	<u>(4,000)</u>
<b>Capital Contributions</b>	<u>-</u>	<u>-</u>	<u>19,180</u>	<u>-</u>	<u>24,665</u>	<u>-</u>
<b>Change in Fund Balance</b>	<u>(259,865)</u>	<u>379,680</u>	<u>659,961</u>	<u>(18,252)</u>	<u>(149,024)</u>	<u>184,374</u>
<b>Special Item - Bad Debt Allowance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(410,957)</u>	<u>-</u>
<b>Net Position, Beginning</b>	7,961,834	7,024,597	10,664,913	98,854	471,329	999,513
Prior Period Restatement	99,307	(72,538)	90,127	(8,413)	17,792	13,360
<b>Net Position, Beginning (As Restated)</b>	<u>8,061,141</u>	<u>6,952,059</u>	<u>10,755,040</u>	<u>90,441</u>	<u>489,121</u>	<u>1,012,873</u>
<b>Net Position, Ending</b>	<u>\$ 7,801,276</u>	<u>\$ 7,331,739</u>	<u>\$ 11,415,001</u>	<u>\$ 72,189</u>	<u>\$ (70,860)</u>	<u>\$ 1,197,247</u>

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



<u>Business-type Activities</u>		<u>Govt Act.</u>	<u>Total</u>	
<u>Other</u>	<u>Total</u>			
<u>Enterprise</u>	<u>Enterprise</u>	<u>Internal</u>		
<u>Funds</u>	<u>Funds</u>	<u>Service Funds</u>	<u>2016</u>	<u>2015</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,720
556,324	5,747,971	205,320	5,953,291	5,206,895
262,250	296,700	3,243,123	3,539,823	3,153,674
175,380	208,932	193,268	402,200	224,182
<u>993,954</u>	<u>6,253,603</u>	<u>3,641,711</u>	<u>9,895,314</u>	<u>8,588,471</u>
-	-	2,560,854	2,560,854	2,224,962
-	-	624,317	624,317	604,516
-	-	111,229	111,229	140,175
-	-	469,057	469,057	407,538
-	-	2,728	2,728	3,828
-	-	74,682	74,682	42,904
-	214,924	-	214,924	202,235
-	602,784	-	602,784	508,452
-	425,526	-	425,526	305,157
-	202,189	-	202,189	185,725
-	16,911	-	16,911	110,125
-	826,612	-	826,612	730,973
-	124,212	-	124,212	146,625
-	97,299	-	97,299	104,282
-	56,275	-	56,275	25,971
-	91,184	-	91,184	51,111
-	985,849	-	985,849	961,549
721,058	721,058	-	721,058	719,142
15,539	170,788	41,193	211,981	507,995
6,547	1,201,463	17,690	1,219,153	1,179,808
1,578	317,089	6,278	323,367	378,369
<u>744,722</u>	<u>6,054,163</u>	<u>3,908,028</u>	<u>9,962,191</u>	<u>9,541,442</u>
249,232	199,440	(266,317)	(66,877)	(952,971)
-	1,416,484	-	1,416,484	1,379,751
34	7,677	957	8,634	35,800
-	(368,865)	-	(368,865)	(366,921)
<u>249,266</u>	<u>1,254,736</u>	<u>(265,360)</u>	<u>989,376</u>	<u>95,659</u>
-	4,000	-	4,000	-
-	(256,441)	(111)	(256,552)	-
-	(252,441)	(111)	(252,552)	-
-	43,845	-	43,845	231,033
<u>249,266</u>	<u>1,046,140</u>	<u>(265,471)</u>	<u>780,669</u>	<u>326,692</u>
-	(410,957)	-	(410,957)	-
179,465	27,400,505	(171,881)	27,228,624	26,901,932
-	139,635	2,607	142,242	-
<u>179,465</u>	<u>27,540,140</u>	<u>(169,274)</u>	<u>27,370,866</u>	<u>26,901,932</u>
<u>\$ 428,731</u>	<u>\$ 28,175,323</u>	<u>\$ (434,745)</u>	<u>\$ 27,740,578</u>	<u>\$ 27,228,624</u>

CITY OF CORTEZ, COLORADO  
Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)

	Business-type Activities				
		Recreation		Hydro Plant	City Community
	Airport Fund	Center Fund	Water Fund	Fund	Network Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash flows from customers	\$ 221,020	\$ 522,058	\$ 2,754,578	\$ 75,495	\$ 158,833
Cash flows from internal activities	-	-	-	-	34,450
Cash paid to suppliers	(59,060)	(357,692)	(756,544)	65,202	(179,739)
Cash paid to/for benefit of employees	(147,563)	(630,480)	(680,296)	(76,867)	(73,166)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>14,397</u>	<u>(466,114)</u>	<u>1,317,738</u>	<u>63,830</u>	<u>(59,622)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>					
Capital asset acquisitions	-	(114,979)	(729,226)	-	(65,228)
Debt proceeds	-	-	-	-	-
Debt payments	-	(499,770)	(154,016)	(51,570)	-
Grant proceeds	-	-	164,451	-	24,665
Interest paid	-	(105,418)	(241,668)	(17,837)	-
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<u>-</u>	<u>(720,167)</u>	<u>(960,459)</u>	<u>(69,407)</u>	<u>(40,563)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Tax Revenue	-	1,416,484	-	-	-
Cash (to) from Other Funds	-	(627,015)	(635,349)	(20,000)	34,574
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>-</u>	<u>789,469</u>	<u>(635,349)</u>	<u>(20,000)</u>	<u>34,574</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	43	4,087	2,452	-	-
Net cash invested	-	(99,939)	(1,550)	-	-
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>43</u>	<u>(95,852)</u>	<u>902</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN CASH</b>	14,440	(492,664)	(277,168)	(25,577)	(65,611)
<b>CASH AND EQUIVALENTS, Beginning</b>	<u>166,799</u>	<u>719,971</u>	<u>1,534,377</u>	<u>79,731</u>	<u>120,711</u>
<b>CASH AND EQUIVALENTS, Ending</b>	<u>\$ 181,239</u>	<u>\$ 227,307</u>	<u>\$ 1,257,209</u>	<u>\$ 54,154</u>	<u>\$ 55,100</u>
<b>CASH PER BALANCE SHEET</b>					
Cash in Checking	\$ 181,240	\$ (50,034)	\$ 863,394	\$ (15,251)	\$ 55,100
Petty Cash	-	1,341	600	-	-
Restricted Cash	-	276,000	393,215	69,405	-
<b>TOTAL CASH AND EQUIVALENTS, ENDING</b>	<u>\$ 181,240</u>	<u>\$ 227,307</u>	<u>\$ 1,257,209</u>	<u>\$ 54,154</u>	<u>\$ 55,100</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ (259,908)	\$ (705,544)	\$ 878,019	\$ (1,409)	\$ (148,263)
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	270,447	233,475	500,882	65,357	87,738
(Increase) Decrease in:					
Accounts Receivable	(7,704)	(1,711)	(128,120)	(45)	(29)
Intergovernmental Receivable	-	-	145,271	-	-
Inventory	-	-	39,052	-	2,697
Prepaid Expenses	19	(9)	(634)	-	34
Increase (Decrease) in:					
Accounts Payable	(5,003)	(2,555)	19,878	(73)	(2,760)
Accrued Payroll	615	(853)	2,225	-	285
Deposits	-	6,180	-	-	-
Deferred Revenue	-	(1,885)	(1,995)	-	-
Accrued Compensated Absences	15,931	6,788	8,431	-	676
Net Reconciliation Adjustments	<u>274,305</u>	<u>239,430</u>	<u>439,719</u>	<u>65,239</u>	<u>88,641</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 14,397</u>	<u>\$ (466,114)</u>	<u>\$ 1,317,738</u>	<u>\$ 63,830</u>	<u>\$ (59,622)</u>

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

Business-type Activities			Govt Act.	Total	
Solid Waste	Other Enterprise	Total Enterprise	Internal Service	2016	2015
Collection Fund	Funds	Funds	Funds	2016	2015
\$ 1,193,799	\$ 731,704	\$ 5,657,488	\$ 420,148	\$ 6,077,636	\$ 5,304,717
-	262,250	296,700	3,243,123	3,539,823	3,153,674
(488,904)	(52,202)	(1,828,939)	(764,439)	(2,593,378)	(2,916,692)
(618,012)	(661,483)	(2,887,867)	(3,236,708)	(6,124,575)	(5,328,979)
<u>86,883</u>	<u>280,269</u>	<u>1,237,382</u>	<u>(337,876)</u>	<u>899,506</u>	<u>212,717</u>
-	(274,665)	(1,184,098)	(19,975)	(1,204,073)	(1,548,474)
-	-	-	-	-	858,500
-	-	(705,356)	-	(705,356)	(697,083)
-	-	189,116	-	189,116	379,505
-	-	(364,923)	-	(364,923)	(356,698)
-	(274,665)	(2,065,261)	(19,975)	(2,085,236)	(1,364,250)
-	-	1,416,484	-	1,416,484	1,379,751
(4,000)	-	(1,251,790)	249,889	(1,001,901)	(1,125,512)
(4,000)	-	164,694	249,889	414,583	254,239
1,061	34	7,677	957	8,634	35,801
-	-	(101,489)	200,922	99,433	793,438
<u>1,061</u>	<u>34</u>	<u>(93,812)</u>	<u>201,879</u>	<u>108,067</u>	<u>829,239</u>
83,944	5,638	(756,997)	93,917	(663,080)	(68,055)
562,041	219,029	3,402,659	338,997	3,741,656	3,809,711
<u>\$ 645,985</u>	<u>\$ 224,667</u>	<u>\$ 2,645,662</u>	<u>\$ 432,914</u>	<u>\$ 3,078,576</u>	<u>\$ 3,741,656</u>
\$ 645,985	\$ 224,667	\$ 1,905,101	\$ 432,762	\$ 2,337,863	\$ 2,971,854
-	-	1,941	152	2,093	2,093
-	-	738,620	-	738,620	767,709
<u>\$ 645,985</u>	<u>\$ 224,667</u>	<u>\$ 2,645,662</u>	<u>\$ 432,914</u>	<u>\$ 3,078,576</u>	<u>\$ 3,741,656</u>
<u>\$ 187,313</u>	<u>\$ 249,232</u>	<u>\$ 199,440</u>	<u>\$ (266,317)</u>	<u>\$ (66,877)</u>	<u>\$ (952,971)</u>
37,017	6,547	1,201,463	17,690	1,219,153	1,179,808
(157,927)	-	(295,536)	21,558	(273,978)	(155,444)
-	-	145,271	-	145,271	(150,487)
-	-	41,749	(5,712)	36,037	(38,250)
368	132	(90)	(453)	(543)	2,099
(1,000)	9,197	17,685	(105,699)	(88,014)	178,802
1,495	1,239	5,006	3,524	8,530	10,868
-	-	6,180	-	6,180	3,500
-	-	(3,880)	-	(3,880)	25,358
<u>19,617</u>	<u>13,922</u>	<u>65,365</u>	<u>(2,467)</u>	<u>62,898</u>	<u>(41,053)</u>
(100,430)	31,037	1,037,942	(71,559)	966,383	1,165,688
<u>\$ 86,883</u>	<u>\$ 280,269</u>	<u>\$ 1,237,382</u>	<u>\$ (337,876)</u>	<u>\$ 899,506</u>	<u>\$ 212,717</u>

**CITY OF CORTEZ, COLORADO**  
**Statement of Fiduciary Net Position**  
**Court Bond Agency Fund**  
**December 31, 2016**  
**(With Comparative Totals for December 31, 2015)**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash in Checking	\$ 5,436	\$ 5,333
<b>FIDUCIARY NET POSITION</b>		
Funds Held for Others	<u>\$ 5,436</u>	<u>\$ 5,333</u>

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

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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 citizens 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. The information regarding the Mesa Verde Country Visitor Information Bureau’s financial statements can be obtained by writing to Mesa Verde Country Visitor Information Bureau at 928 East Main, Cortez, Colorado 81321.

***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, 2016**

**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 (1/2 cent) that are to be used to improve the City's streets.

**Capital Improvement Fund** – This fund accounts for the City's major Capital Improvements not accounted for in a dedicated fund.

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.

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

***BASIS OF PRESENTATION*** (Continued)

***Fund Financial Statements*** (Continued)

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.

**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.

Hydro Plant Fund – This fund accounts for the operations of the City's hydroelectric power plant.

Solid Waste Collection Fund – This fund accounts for the collection and disposal of the City's solid waste refuse.

City Community Network Fund – This fund accounts for the operations and maintenance of the City's fiber network.

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

Police Dispatch Fund – This fund accounts for the City provided county-wide dispatch services.

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.

**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.

***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.



**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

***BUDGETS***(Continued)

- 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.

***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.

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

***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 2016.

***COMPENSATED ABSENCES***

Employees of the City are allowed to accumulate unused vacation time up to 240 or 384 hours based on employment position 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.

***DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES***

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category, both related to outstanding pension obligations and further described in Note 5.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This 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.

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

***DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES*** (Continued)

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.

***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.

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

***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.

***COMPARATIVE DATA***

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

***ENCUMBRANCES***

The City does not utilize encumbrance accounting.

**NOTE 2: DEPOSITS AND INVESTMENTS**

A summary of cash and investments as of December 31, 2016 follows:

Cash in Checking	\$ 6,561,172
Petty Cash	5,847
Total Government-wide Cash and Equivalents	<u>6,567,019</u>
Investments	<u>4,223,942</u>
Total Government-wide Unrestricted Cash and Investments	10,790,961
Government-wide Restricted Cash Equivalents	738,620
Fiduciary Cash Equivalents	<u>5,436</u>
<b>Total Cash and Investments</b>	<b><u><u>\$ 11,535,017</u></u></b>

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

Cash and Equivalent Deposits	\$ 7,311,076
Bank Investments	971,837
Other Investments	<u>3,252,104</u>
Total Investments	<u>4,223,941</u>
<b>Total Cash and Investments</b>	<b><u><u>\$ 11,535,017</u></u></b>

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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, 2016, 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.

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Cash and Equivalents		
FDIC Insured	\$ 454,434	\$ 454,434
PDPA Collateralized (1)	7,922,894	6,850,795
Petty Cash	-	5,847
Total Cash and Equivalents	<u>8,377,328</u>	<u>7,311,076</u>
Investments		
FDIC Insured Investments	<u>973,454</u>	<u>971,837</u>
<b>Total Cash and Bank Deposits</b>	<b><u>\$ 9,350,782</u></b>	<b><u>\$ 8,282,913</u></b>

**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, 2016**

**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:

	<u>Fair Value</u>	<u>Weighted Avg. Maturity In Years</u>	<u>% of Portfolio</u>	<u>Rating</u>
Investments				
U.S. Instrumentalities:				
FHLMC	\$ 1,700,000	4.53	52.27%	AA+
Ally Bank	250,000	2.56	7.69%	N/A
Municipal Bonds	25,000	1.92	0.77%	AA-
Mutual Funds	<u>1,277,104</u>	<u>0.00</u>	<u>39.27%</u>	N/A
Total Nonequivalent Investments	<u>3,252,104</u>	4.95	<u>100.00%</u>	
<b>Total Investments held by City</b>	<b><u>\$ 3,252,104</u></b>	<b><u>4.95</u></b>	<b><u>100.00%</u></b>	

During the year ended December 31, 2016, the City invested funds in Colostrust. 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, FHLB, and FHLMC securities. These investments are 30%, 18%, and 10% of the City's total investments, respectively.

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, 2016, 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, 2016**

**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	\$ 276,000	\$ -	\$ 69,405	\$ 345,405
Restricted for O & M Reserve	-	393,215	-	393,215
<b>Total</b>	<b>\$ 276,000</b>	<b>\$ 393,215</b>	<b>\$ 69,405</b>	<b>\$ 738,620</b>

**NOTE 3: CAPITAL ASSETS**

A summary of changes in the governmental capital assets at December 31, 2016 follows:

	<u>Restated Balance 12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/16</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,152,583	\$ -	\$ -	\$ 1,152,583
Capital assets being depreciated				
Buildings	10,963,781	2,464,867	-	13,428,648
Machinery and equipment	7,961,639	396,387	-	8,358,026
Other improvements	4,601,211	44,699	-	4,645,910
Land improvements	538,495	19,963	-	558,458
Infrastructure	9,160,914	675,475	-	9,836,389
Internal service equipment	206,773	19,975	-	226,748
Total capital assets being depreciated	33,432,813	3,621,366	-	37,054,179
Less accumulated depreciation for:				
Buildings	2,805,543	234,759	-	3,040,302
Machinery and equipment	6,526,554	347,099	-	6,873,653
Other Improvements	4,186,123	130,977	-	4,317,100
Land improvements	250,158	33,125	-	283,283
Infrastructure	2,328,161	298,546	-	2,626,707
Internal service equipment	168,730	17,690	-	186,420
Total accumulated depreciation	16,265,269	1,062,196	-	17,327,465
<b>Governmental activity capital assets, net</b>	<b>\$ 18,320,127</b>	<b>\$ 2,559,170</b>	<b>\$ -</b>	<b>\$ 20,879,297</b>

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

General Government	\$ 186,940
General Services	139,332
Public Safety	333,198
Public Works	192,849
Parks and Recreation	192,187
Internal Service Fund	17,690
Total	<u>\$ 1,062,196</u>

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3: CAPITAL ASSETS (Continued)**

A summary of business-type capital assets at December 31, 2016 follows:

	<b>Restated Balance 12/31/15</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/16</b>
<b>Business-Type Activities:</b>				
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	114,980	-	15,444,134
Machinery and equipment	3,315,113	315,386	-	3,630,499
Other Improvements	1,045,642	-	-	1,045,642
Infrastructure	19,165,689	753,733	-	19,919,422
Total capital assets being depreciated	<u>38,855,598</u>	<u>1,184,099</u>	<u>-</u>	<u>40,039,697</u>
Less: Accumulated Depreciation				
Buildings	5,137,220	500,740	-	5,637,960
Machinery and equipment	2,285,694	145,111	-	2,430,805
Other Improvements	414,242	50,551	-	464,793
Infrastructure	5,727,808	505,061	-	6,232,869
Total Accumulated Depreciation	<u>13,564,964</u>	<u>1,201,463</u>	<u>-</u>	<u>14,766,427</u>
<b>Business-type activity capital assets, net</b>	<b><u>\$ 30,211,934</u></b>	<b><u>\$ (17,364)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 30,194,570</u></b>

Depreciation expense was allocated to the funds as follows:

Airport Fund	\$ 270,447
Police Dispatch Fund	6,547
Recreation Center Fund	233,475
Water Fund	500,882
Hydro Plant Fund	65,357
Community Network Fund	87,738
Solid Waste Collection Fund	37,017
Total	<u>\$ 1,201,463</u>

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended December 31, 2016.

	<b>Governmental Activities</b>			<b>Balance 12/31/16</b>	<b>Due within one year</b>	<b>Interest Expense</b>
	<b>Balance 01/01/16</b>	<b>Additions</b>	<b>Reductions</b>			
Compensated Absences	<u>\$ 582,310</u>	<u>\$ (54,682)</u>	<u>\$ -</u>	<u>\$ 527,628</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

	<u>Business-Type Activities</u>					
	<u>Balance</u> <u>01/01/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/16</u>	<u>Due within</u> <u>one year</u>	<u>Interest</u> <u>Expense</u>
2011 Refunding Revenue Bonds - Rec	\$ 3,260,000	\$ -	\$ 500,000	\$ 2,760,000	\$ 515,000	\$ 108,332
2011 Premiums	50,283	-	7,711	42,572	7,943	(7,711)
1986 Colorado Water Cons Board	371,940	-	53,909	318,031	56,605	18,373
1986 Delores Water Conservancy Dist	3,120,832	-	56,909	3,063,923	60,360	189,216
2005 DOLA Water Loan	183,560	-	14,594	168,966	15,324	8,935
2010 CWRPDA Water Loan	351,588	-	20,316	331,272	20,724	7,933
2015 Colorado Water Cons Board	858,500	-	8,288	850,212	78,220	19,234
2009 CWRPDA Hydro Loan	891,804	-	51,567	840,237	52,600	16,843
Compensated Absences	128,052	64,686	(675)	193,413	-	-
<b>Total</b>	<b>\$ 9,216,559</b>	<b>\$ 64,686</b>	<b>\$ 712,619</b>	<b>\$ 8,568,626</b>	<b>\$ 806,776</b>	<b>\$ 361,155</b>
2011 Bond Deferred Charge	\$ 92,423	\$ -	\$ 12,323	\$ 80,100	\$ 12,693	\$ 12,323

**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 ranging from \$57,866 to \$246,160 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.

In 2015, the City entered into a loan with the Colorado Water Conservation Board for a water meter replacement project. The loan has an interest rate of 2.1% and is payable in annual installments of \$96,074 through 2025.

**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.

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

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4: LONG-TERM DEBT** (Continued)

Fiscal Year	Principal	Interest	Total Payment
2017	\$ 283,833	\$ 251,302	\$ 535,130
2018	294,198	240,938	535,129
2019	305,033	230,105	535,130
2020	316,354	218,784	535,130
2021	328,192	206,948	535,130
2022-2026	1,410,536	874,191	2,284,662
2027-2031	982,258	635,025	1,617,232
2032-2036	639,107	345,428	984,535
2037-2041	654,352	232,451	886,803
2042-2045	358,778	67,804	426,582
<b>Total</b>	<b><u>\$ 5,572,641</u></b>	<b><u>\$ 3,302,976</u></b>	<b><u>\$ 8,875,463</u></b>

**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:

Fiscal Year	Principal	Interest	Payment
2017	\$ 515,000	\$ 92,688	\$ 607,688
2018	535,000	77,238	612,238
2019	550,000	59,850	609,850
2020	570,000	40,600	610,600
2021	590,000	20,650	610,650
<b>Total</b>	<b><u>\$ 2,760,000</u></b>	<b><u>\$ 291,026</u></b>	<b><u>\$ 3,051,026</u></b>

**NOTE 5: INTERFUND BALANCES**

The City has reported the following amounts due and payable within one year between funds as of December 31, 2016:

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5: INTERFUND BALANCES (Continued)**

<u>Interfund Balances</u>	<u>Due From (To)</u> <u>Other Funds</u>
General Fund	\$ (1,567,599)
Lodgers Tax Fund	(32,000)
Shop Fund	250,000
Street Improvement	817,000
Self Insured Health Fund	(876,050)
Recreation Fund	1,400,000
Water Fund	659,349
Hydro Plant Fund	(8,700)
City Community Network Fund	(642,000)
<b>Net Balance</b>	<b>\$ -</b>

The City has recorded the following routine operating transfers for the year ended December 31, 2016:

<u>Transfers</u>	<u>Transfers</u> <u>From (To)</u> <u>Other Funds</u>
General Fund	\$ (1,623,828)
Capital Improvement Fund	1,939,462
Mesa Verde Country	384,512
Technology Fund	(111)
Lodgers Tax Fund	(256,260)
Shop Fund	(153,150)
Emergency Reserve Fund	(11)
Equipment Fund	(38,171)
Recreation Center Fund	(227,015)
Water Fund	4,000
City Community Network Fund	(25,426)
Solid Waste Collection Fund	(4,000)
Conservation Trust Fund	(2)
<b>Net Transfers</b>	<b>\$ -</b>

The City has reported the following internal charges between funds for the year ended December 31, 2016:

	<u>Received (Paid) - Net</u>										
	<u>Shop</u>				<u>Technology</u>		<u>Self Insurance</u>		<u>Police</u>	<u>CCN</u>	
<u>Administrative Charges</u>	<u>Admin Fee</u>	<u>Repairs</u>	<u>Overhead</u>	<u>Fuel</u>	<u>Computer</u>	<u>Telephone</u>	<u>Health</u>	<u>Dental</u>	<u>Dispatch</u>	<u>Fiber</u>	
General Fund	\$ 70,000	\$ (549,632)	\$ (68,961)	\$ (97,741)	\$ (351,411)	\$ (53,666)	\$ (1,236,480)	\$ (53,546)	\$ (262,250)	\$ (24,038)	\$ (2,627,725)
Shop Fund	-	677,835	114,935	147,189	(7,440)	(9,997)	(78,836)	1,205	-	(2,400)	842,491
Technology Fund	-	-	(3,448)	-	484,453	75,238	(31,757)	(4,152)	-	(726)	519,608
Street Improvement Fund	-	-	-	-	-	-	(17,727)	-	-	-	(17,727)
Grant Fund	-	-	-	-	-	-	-	(402)	-	-	(402)
Self Insured Health Fund	-	-	-	-	-	-	1,933,646	71,418	-	-	2,005,064
Airport Fund	-	(5,768)	-	(2,092)	(1,900)	-	(31,716)	648	-	-	(40,828)
Police Dispatch Fund	-	-	-	-	(24,180)	(1,578)	(154,970)	506	262,250	-	82,028
Recreation Center Fund	-	-	-	-	(20,460)	(5,788)	(89,818)	(1,324)	-	(6,086)	(123,476)
Water Fund	(60,000)	(41,135)	(33,331)	(11,643)	(65,960)	(3,157)	(141,923)	(5,412)	-	(1,200)	(363,761)
City Community Network Fund	-	-	(5,747)	(1,281)	(2,051)	-	(15,858)	324	-	34,450	9,837
Solid Waste Collection Fund	(10,000)	(81,300)	(3,448)	(34,432)	(11,051)	(1,052)	(134,561)	(9,265)	-	-	(285,109)
<b>Net Charges</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6: 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 \$306,808, \$295,263 and \$284,752 in 2016, 2015 and 2014, respectively. The City has no liability for this plan beyond its current annual contribution.

Police Officer Death and Disability Plan

The police officer death and disability plan is administered through the Fire and Police Pension Association (FPPA). This plan is a non-contributory plan. All full-time, paid police officers of the City are members of the Statewide Death and Disability Plan. Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the state legislature. The City's current contribution to the plan for 2016, 2015, and 2014 was \$26,138, \$24,052 and \$21,080, respectively. FPPA issues a publicly available financial report that includes financial statements and required supplementary information for the Statewide Death and Disability Plan.

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 2016, 2015, and 2014 was \$229,024, \$108,146, and \$107,070, respectively.

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.

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6: RETIREMENT COMMITMENTS (Continued)**

Cortez Old Hire Police Pension Plan

*Plan Description.* The Cortez Old Hire Pension Fund is a defined benefit, agent multiple-employer plan affiliated with the Colorado Fire and Police Pension Association (FPPA). Assets of the Plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund, an agent multiple-employer defined benefit pension Plan administered by FPPA.

*Description of Benefits.* The Plan provides retirement benefits for Members and beneficiaries according to Plan provisions as enacted and governed by the City Council.

Any officer who elects to retire on or after his normal retirement date (20 years of service and 55 years of age or upon completion of 25 years of service) shall be eligible for a monthly pension equal to one-half of his average monthly salary received one year before his retirement.

The plan also provides for cost of living adjustments and post-retirement death benefits. FPPA issues independent annual reports that may be obtained by calling FPPA at (303) 770-3772 in the Denver metro area and 1-800-332-FPPA (3772) from outside the metro area.

*Contributions.* The City funds the Plan per provisions in the Plan document and Colorado statutes. The City shall contribute amounts required to fund the benefits provided by the Plan on a sound actuarial basis. The City contributes to the Cortez Old Hire Pension Fund at a rate determined in the following manner: at least every three (3) years, the Cortez Old Hire Pension Fund shall have an actuarial study prepared to determine the funds required. The required funds will be paid annually from general revenues of the City into the Cortez Old Hire Pension Fund.

The Plan is administered by the City Council.

The financial statements of the Old Hire Plan are prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The investments are presented at fair value except for short-term investments that are recorded at cost, which approximates fair value.

Administrative costs of the Plan are paid from the pension fund (CRS 31-30.5-204(3)). There are no investments in, loans to, or leases with parties related to the Plan.

*Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At December 31, 2016, the City reported a net pension asset of \$101,757. The net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6: RETIREMENT COMMITMENTS** (Continued)

Cortez Old Hire Police Pension Plan (Continued)

For the year ended December 31, 2016, the City recognized no pension expense. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Net difference between projected and actual earnings on pension plan investments	\$ 13,680	\$ -
Total	\$ 13,680	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2017	\$ (3,865)
2018	(3,865)
2019	(3,864)
2020	(3,509)
Total	(13,680)

*Actuarial Assumptions.* The January 1, 2015 actuarial valuation was used to determine the Actuarially Determined Contribution for the fiscal year ending December 31, 2015. The valuation used the following actuarial assumption and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Amortization Period	130 Years*
Asset Valuation Method	5-Year Smoothed Market
*Includes Inflation at	3.00%
Salary increase, including wage inflation	N/A
Long-term investment Rate of Return	7.50%
Cost of Living Adjustments (COLA)	0.00%
Retirement Age	Any remaining actives are assumed to retire immediately
Mortality	Post-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment
	Disabled: RP2000 Disabled Mortality Table,
	All tables projected with Scale
* Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the	

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6: RETIREMENT COMMITMENTS** (Continued)

Cortez Old Hire Police Pension Plan (Continued)

*Actuarial Assumptions.* (Continued)

Long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

*Sensitivity of the City's the net pension liability to changes in the discount rate.* The following presents the City's net pension liability calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension asset (liability)	\$ 91,118	\$ 101,757	\$ 111,348

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial report.

Changes in net pension (asset) liability for the City's agent multiple-employer plan is listed below:

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6: RETIREMENT COMMITMENTS** (Continued)

Cortez Old Hire Police Pension Plan (Continued)

<b>Schedule of Changes in City's Net Pension (Asset) Liability</b>	
<u>Total Pension Liability</u>	<u>2016</u>
Interest	\$ 10,885
Differences between expected and actual experience	11,802
Changes of assumptions	15,275
Benefit payments	<u>(19,589)</u>
Net changes in total pension liability	18,373
Total Pension Liability - beginning	<u>154,756</u>
Total Pension Liability - ending (a)	<u>\$ 173,129</u>
<u>Plan Fiduciary Net Position</u>	
Net investment income	\$ 5,235
Benefit payments, including refunds of employee contributions	(19,589)
Administrative expense	<u>(772)</u>
Net change in plan fiduciary net position	(15,126)
Plan fiduciary net position - beginning	<u>290,012</u>
Plan fiduciary net position - ending (b)	<u>\$ 274,886</u>
City's net pension (asset) liability - ending (a)-(b)	<u>\$ (101,757)</u>

There were no changes in the benefit terms, assumptions or other inputs during the fiscal year.

*Membership.* As of the December 31, 2015 measurement date, pension plan membership consisted of one retiree beneficiary.

**NOTE 7: 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:

	<u>Airport</u>	<u>Recreation</u>	<u>Water</u>	<u>Hydro</u>	<u>City Community</u>	<u>Solid Waste</u>	<u>Non-Major</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Plant</u>	<u>Network</u>	<u>Collection</u>	<u>Enterprise</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
GAAP Basis Revenues	\$ 228,768	\$ 1,946,224	\$ 2,891,145	\$ 75,540	\$ 193,312	\$ 1,352,787	\$ 993,989
Capital Contributions	-	-	19,180	-	24,665	-	-
<b>Budget Basis Revenues</b>	<u>\$ 228,768</u>	<u>\$ 1,946,224</u>	<u>\$ 2,910,325</u>	<u>\$ 75,540</u>	<u>\$ 217,977</u>	<u>\$ 1,352,787</u>	<u>\$ 993,989</u>
GAAP Basis Expenses	\$ 487,542	\$ 1,563,457	\$ 2,245,485	\$ 93,792	\$ 366,456	\$ 1,163,788	\$ 739,395
Capital Outlay	17,910	-	729,226	-	65,228	-	-
Debt Service Principal	-	522,943	161,474	52,600	-	-	-
<b>Budget Basis Expenditure:</b>	<u>\$ 505,452</u>	<u>\$ 2,086,400</u>	<u>\$ 3,136,185</u>	<u>\$ 146,392</u>	<u>\$ 431,684</u>	<u>\$ 1,163,788</u>	<u>\$ 739,395</u>



**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8: 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 worker’s 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 worker’s 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:

	<u>Beginning</u>	<u>Claims</u>	<u>Claims</u>	<u>Ending</u>
<u>IBNR Claim Liability</u>	<u>Balance</u>	<u>Incurred</u>	<u>Paid</u>	<u>Balance</u>
12/31/2014	\$183,182	\$1,743,959	\$1,753,260	\$ 173,881
12/31/2015	173,881	1,721,958	1,543,711	352,128
12/31/2016	352,128	2,560,853	2,673,460	239,521

**NOTE 9: 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.

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve of \$366,772 was recorded in the Emergency Reserve - Tabor Fund.

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 9: COMMITMENTS AND CONTINGENCIES** (Continued)

Through the adoption of the 2017 budget the City has assigned the following resources:

<b><u>Budgeted Expenditures in Excess of Revenues</u></b>		
General Fund	\$	1,245,975
Water Fund		684,036
Hydro Plan Fund		86,957
Solid Waste Fund		216,189
Airport Fund		340,951
Police Dispatch Fund		73,819
Community Network Fund		2,168,676
Shop Fund		3,068
Technology Fund		127,262
Health Fund		627
Equipment Fund		374,592
Street Improvement Fund		731,831
Conservation Trust Fund		112,250
 <b><u>Insurance Loss Reserve</u></b>		
Equipment Fund	\$	200,000

**NOTE 10: DEFICIT FUND BALANCE AND BUDGET VIOLATION**

The Lodger’s Tax, City Community Network and Self-Insurance Health Funds have negative ending balances of \$26,996, \$70,860 and \$1,069,135. The Equipment, Airport, Hydro Plant and Self- Insurance Health Funds reported expenditures in excess of appropriations by \$61,178, \$3,386, \$3,397 and \$267,886. This may be a violation of state statute.

**NOTE 11: PRIOR PERIOD RESTATEMENT**

The City has restated the beginning capital assets and accumulated depreciation reflected in the prior year financial statements resulting in a decrease in net position in the amount of \$2,290,404. This restatement decreased governmental activities net position in the amount of \$2,430,037 and increased Business-type activities in the amount of \$139,633. Net restatements for Governmental and Business-type Activities, including amounts described above are as follows:

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 11: PRIOR PERIOD RESTATEMENT**

	<b>Governmental</b>
	<b>Activities</b>
Ending Net Position - 12/31/2015	\$ 27,741,904
Adjustment to Capital Assets and A/D	(2,432,643)
Internal Service - Technology Fund	2,606
<b>Beginning Net Position - 1/1/2016</b>	<b>\$ 25,311,868</b>
	<b>Business-type</b>
	<b>Activities</b>
Ending Net Position - 12/31/2015	\$ 27,400,507
Airport Fund	99,307
Recreation Center Fund	(72,538)
Water Fund	90,126
Hydro Plant Fund	(8,413)
City Community Network Fund	17,791
Solid Waste Collection Fund	13,360
<b>Beginning Net Position - 1/1/2016</b>	<b>\$ 27,540,140</b>

**NOTE 12: FRAUD DISCLOSURE**

During 2016, the City upgraded its automated accounting software to an improved, integrated system for governmental accounting and financial reporting. As a result, the City identified an embezzlement of cash that had existed for several years. This situation and its investigation caused these 2016 financial statements to be substantially delayed. Appropriate prosecution of the embezzler and extensive investigations by the City’s insurance company and by the Colorado Bureau of Investigation took place between 2016 and 2020. All but \$5,158 of the loss found by the City’s insurance company was covered by the City’s insurance policy. The 2016 accounting software upgrade along with internal controls are expected to prevent a recurrence of such fraud.

**NOTE 13: SPECIAL ITEM**

During the fiscal year, the City determined that a \$410,957 bad debt allowance should be recorded for amounts previously applied for and recorded as receivables in the City Community Network Fund related to Federal “e-rate” reimbursements. The City had not received payment for these reimbursement requests for several years. Due to the size of this allowance, the City has elected to report this adjustment as a special item for the financial statement presentation.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Pension Schedules Unaudited)**

**CITY OF CORTEZ, COLORADO**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION (ASSET) LIABILITY**

**Cortez Old Hire Police Pension Fund**

**Last 10 Fiscal Years<sup>(1)</sup>**

	<u>12/31/2016</u>
<u>Total Pension Liability</u>	
Interest	\$ 10,885
Differences between expected and actual experience	11,802
Changes of assumptions	15,275
Benefit payments	<u>(19,589)</u>
Net changes in total pension liability	18,373
Total Pension Liability - beginning	<u>154,756</u>
Total Pension Liability - ending (a)	<u>\$ 173,129</u>
<u>Plan Fiduciary Net Position</u>	
Net investment Income	\$ 5,235
Benefit payments, including refunds of employee contributions	(19,589)
Administrative expense	<u>(772)</u>
Net change in plan fiduciary net position	(15,126)
Plan fiduciary net position - beginning	<u>290,012</u>
Plan fiduciary net position - ending(b)	<u>\$ 274,886</u>
City's net pension (asset) liability - ending (a)-(b)	<u>\$ (101,757)</u>

Note: There were no factors that significantly affected trends in the amounts reported.

(1) - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

**CITY OF CORTEZ, COLORADO**

**SCHEDULE OF THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**

**Cortez Old Hire Police Pension Fund**

**Last 10 Fiscal Years<sup>(1)</sup>**

	<u>12/31/16</u>	<u>12/31/15</u>
Total Pension Liability	\$ 173,129	\$ 154,756
Plan's Fiduciary Net Position	<u>(274,886)</u>	<u>(290,012)</u>
Net Pension (Asset) Liability	<u>\$ (101,757)</u>	<u>\$ (135,256)</u>
Plan's Fiduciary Net Position as % of Total Pension Liability	<u>158.78%</u>	<u>187.40%</u>
Covered-Employee Payroll	<u>\$ -</u>	<u>\$ -</u>
Net Pension Liability as a % of Covered-employee Payroll	<u>N/A</u>	<u>N/A</u>

Note: There were no factors that significantly affected trends in the amounts reported.

(1) - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

**CITY OF CORTEZ, COLORADO**

**SCHEDULE OF ACTUARIAL DETERMINED AND ACTUAL CONTRIBUTIONS**

**Cortez Old Hire Police Pension Fund**

**Last 10 Fiscal Years<sup>(1)</sup>**

	<u>2014</u>	<u>2015</u>
Actuarially determined contributions	\$ -	\$ -
Actual contributions	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>

Note: See Note 7 of the Basic Financial Statements for significant methods and assumptions used in calculating the actuarially determined calculations. There were no factors that significantly affected trends in the amounts reported.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.



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

**CITY OF CORTEZ**  
**Budgetary Comparison Schedule -**  
**General Fund**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	2016				
	Original	Final		Var with	2015
	Budget	Budget	Actual	Fin Bud Pos/(Neg)	Actual
<b>REVENUES</b>					
Property and Sales Taxes	\$ 8,025,328	\$ 7,787,950	\$ 7,591,240	\$ (196,710)	\$ 7,392,888
Franchise Taxes	624,000	624,000	591,439	(32,561)	637,572
Licenses, Permits and Fees	226,880	392,250	270,637	(121,613)	129,901
Grant Revenue	2,160,000	1,964,167	1,938,709	(25,458)	134,978
Intergovernmental Revenue	1,388,341	1,623,642	1,504,600	(119,042)	1,554,174
Charges for Services	537,283	542,560	477,762	(64,798)	523,705
Interfund Charges	167,124	167,124	70,000	(97,124)	167,124
Fines and Forfeits	89,400	82,400	81,673	(727)	76,981
Donation	56,112	47,800	18,057	(29,743)	49,001
Investment Earnings	17,670	3,980	9,725	5,745	18,530
Miscellaneous Revenue	23,551	81,179	82,432	1,253	24,630
<b>Total Revenues</b>	<b>13,315,689</b>	<b>13,317,052</b>	<b>12,636,274</b>	<b>(680,778)</b>	<b>10,709,484</b>
<b>EXPENDITURES</b>					
General Government					
City Council	354,590	224,940	208,449	16,491	170,475
City Attorney	76,128	76,128	76,361	(233)	74,490
Human Resources	285,291	190,634	189,395	1,239	176,111
Municipal Court	147,196	132,948	125,130	7,818	123,189
City Manager	280,174	256,271	267,879	(11,608)	248,869
Finance Department	453,853	457,277	419,873	37,404	428,974
Passthrough Grants	20,000	21,000	31,409	(10,409)	17,332
Overhead	-	-	(880)	880	4,405
City Clerk	122,812	119,475	123,399	(3,924)	107,277
Grants Administrator	44,607	34,473	31,921	2,552	35,088
Special Events	121,327	108,788	103,085	5,703	124,150
<b>Total General Government</b>	<b>1,905,978</b>	<b>1,621,934</b>	<b>1,576,021</b>	<b>45,913</b>	<b>1,510,360</b>
General Services					
Administration	123,803	125,709	123,338	2,371	117,243
Capital Projects	2,025,000	2,825,000	229,523	2,595,477	2,333,364
Building Maintenance	236,323	226,167	221,269	4,898	206,416
City Hall Operations	99,975	99,975	58,509	41,466	39,194
General Services Capital	-	-	-	-	17,420
Welcome Center	131,774	121,841	121,421	420	127,499
Planning and Building	527,033	528,061	439,660	88,401	434,811
<b>Total General Services</b>	<b>3,143,908</b>	<b>3,926,753</b>	<b>1,193,720</b>	<b>2,733,033</b>	<b>3,275,947</b>

(Continued)  
See accompanying Independent Auditors' Report

CITY OF CORTEZ  
 Budgetary Comparison Schedule -  
 General Fund  
 Year Ended December 31, 2016  
 (With Comparative Totals for the Year Ended December 31, 2015)

	2016				
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	2015 Actual
(Continued)					
Public Safety					
Police Administration	483,695	489,271	488,356	915	416,298
Patrol	2,102,428	2,125,238	2,105,672	19,566	2,007,148
Police Support Services	213,341	214,026	197,877	16,149	198,400
Police Investigation	521,082	517,597	498,792	18,805	465,217
Police Corrections	130,500	130,500	99,750	30,750	118,524
Building Operations	169,801	171,801	120,409	51,392	185,385
Kennel Operations	223,899	224,381	195,547	28,834	153,855
Total Public Safety	<u>3,844,746</u>	<u>3,872,814</u>	<u>3,706,403</u>	<u>166,411</u>	<u>3,544,827</u>
Public Works					
P.W. Administration	277,772	285,703	273,441	12,262	270,365
Streets & Utilities	398,860	461,805	457,939	3,866	401,310
Traffic Services	151,500	151,500	155,008	(3,508)	147,074
Snow and Ice Removal	42,030	42,030	15,022	27,008	16,956
Street Cleaning	150,056	150,056	145,339	4,717	135,925
Total Public Works	<u>1,020,218</u>	<u>1,091,094</u>	<u>1,046,749</u>	<u>44,345</u>	<u>971,630</u>
Parks and Recreation					
Administration	99,951	99,892	100,300	(408)	94,343
Aquatics	147,393	154,180	174,202	(20,022)	154,894
Golf Course Administration	58,196	63,080	52,619	10,461	58,822
Golf Course Maintenance	441,647	431,844	434,452	(2,608)	417,460
City Parks	604,919	604,924	622,151	(17,227)	514,153
Recreation	129,420	86,692	89,461	(2,769)	103,672
Parks and Recreation Capital	227,600	93,096	85,363	7,733	14,526
Library	552,508	562,488	545,084	17,404	535,636
Total Parks and Recreation	<u>2,261,634</u>	<u>2,096,196</u>	<u>2,103,632</u>	<u>(7,436)</u>	<u>1,893,506</u>
Internal Charges	1,164,990	1,279,623	1,340,665	(61,042)	1,147,807
<b>Total Expenditures</b>	<u>13,341,474</u>	<u>13,888,414</u>	<u>10,967,190</u>	<u>2,921,224</u>	<u>12,344,077</u>
<b>Revenues In Excess (Deficiency) of Expenditures</b>	<u>(25,785)</u>	<u>(571,362)</u>	<u>1,669,084</u>	<u>2,240,446</u>	<u>(1,634,593)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	51,937	43,000	43,326	326	44,831
Transfers Out	(663,600)	(238,415)	(1,667,155)	(1,428,740)	(163,600)
<b>Net Other Financing Sources (Uses)</b>	<u>(611,663)</u>	<u>(195,415)</u>	<u>(1,623,829)</u>	<u>(1,428,414)</u>	<u>(118,769)</u>
<b>Change in Fund Balance</b>	<u>(637,448)</u>	<u>(766,777)</u>	<u>45,255</u>	<u>812,032</u>	<u>(1,753,362)</u>
<b>Fund Balance, Beginning</b>	<u>-</u>	<u>-</u>	<u>3,329,742</u>	<u>3,329,742</u>	<u>5,083,104</u>
<b>Fund Balance, Ending</b>	<u>\$ (637,448)</u>	<u>\$ (766,777)</u>	<u>\$ 3,374,997</u>	<u>\$ 4,141,774</u>	<u>\$ 3,329,742</u>

See accompanying Independent Auditors' Report

**CITY OF CORTEZ**  
**Budgetary Comparison Schedule -**  
**Capital Improvement Fund**  
**Year Ended December 31, 2016**

	<b>2016</b>			<b>Var with Fin Bud Pos/(Neg)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>EXPENDITURES</b>				
Other Capital	\$ -	\$ -	\$ 1,939,462	\$ (1,939,462)
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	1,939,462	1,939,462
<b>Change in Fund Balance</b>	-	-	-	-
Fund Balance, Beginning	-	-	-	-
<b>Fund Balance, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report

**CITY OF CORTEZ**  
**Budgetary Comparison Schedule -**  
**Street Improvement Fund**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	<b>2016</b>				<b>2015</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>REVENUES</b>					
Property and Sales Taxes	\$ 1,332,477	\$ 1,332,477	\$ 1,287,712	\$ (44,765)	\$ 1,255,796
Charges for Services	-	-	5,211	5,211	725
Investment Earnings	5,550	5,550	5,029	(521)	8,203
Miscellaneous Revenue	5,000	5,000	15,019	10,019	2,348
<b>Total Revenues</b>	<u>1,343,027</u>	<u>1,343,027</u>	<u>1,312,971</u>	<u>(30,056)</u>	<u>1,267,072</u>
<b>EXPENDITURES</b>					
Public Works					
Public Works Capital	<u>1,894,043</u>	<u>1,596,768</u>	<u>1,098,453</u>	<u>498,315</u>	<u>1,834,956</u>
<b>Revenues In Excess (Deficiency) of Expend.</b>	<u>(551,016)</u>	<u>(253,741)</u>	<u>214,518</u>	<u>468,259</u>	<u>(567,884)</u>
<b>Change in Fund Balance</b>	(551,016)	(253,741)	61,368	315,109	(567,884)
Fund Balance, Beginning	-	-	2,662,730	2,662,730	3,230,614
<b>Fund Balance, Ending</b>	<u>\$ (551,016)</u>	<u>\$ (253,741)</u>	<u>\$ 2,724,098</u>	<u>\$ 2,977,839</u>	<u>\$ 2,662,730</u>

See accompanying Independent Auditors' Report

**CITY OF CORTEZ**  
**Budgetary Comparison Schedule -**  
**Equipment Fund**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	<b>2016</b>				<b>2015</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>REVENUES</b>					
Property and Sales Taxes	\$ 319,715	\$ 319,715	\$ 321,928	\$ 2,213	\$ 311,917
Investment Earnings	700	700	5,316	4,616	731
Miscellaneous Revenue	1,000	1,000	4,885	3,885	5,799
<b>Total Revenues</b>	<u>321,415</u>	<u>321,415</u>	<u>332,129</u>	<u>10,714</u>	<u>318,447</u>
<b>EXPENDITURES</b>					
General Services					
Equipment	295,000	295,000	356,178	(61,178)	244,140
<b>Revenues In Excess (Deficiency) of Expend.</b>	26,415	26,415	(24,049)	(50,464)	74,307
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(500,000)	(100,000)	(38,171)	61,829	-
<b>Change in Fund Balance</b>	(473,585)	(73,585)	(62,220)	11,365	74,307
<b>Fund Balance, Beginning</b>	-	-	1,099,497	1,099,497	1,025,190
<b>Fund Balance, Ending</b>	<u>\$ (473,585)</u>	<u>\$ (73,585)</u>	<u>\$ 1,037,277</u>	<u>\$ 1,110,862</u>	<u>\$ 1,099,497</u>

See accompanying Independent Auditors' Report

***OTHER SUPPLEMENTARY INFORMATION***

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***COMBINING NONMAJOR GOVERNMENTAL FUNDS***

**CITY OF CORTEZ**  
**Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2016**  
**(With Comparative Totals for December 31, 2015)**

	<b>Lodger's Tax</b>		<b>Emergency</b>
	<b>Fund</b>	<b>Grant Fund</b>	<b>Reserve - TABOR</b>
	<b>Fund</b>	<b>Grant Fund</b>	<b>Fund</b>
<b>Assets</b>			
Cash in Checking	\$ (4,978)	\$ -	\$ 366,772
Accounts Receivable	9,982	-	-
Prepaid Expenses	-	-	-
<b>Total Assets</b>	<u>\$ 5,004</u>	<u>\$ -</u>	<u>\$ 366,772</u>
<b>Liabilities</b>			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-
Unearned Revenue	-	-	-
Interfund Payables	32,000	-	-
<b>Total Liabilities</b>	<u>32,000</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>			
Nonexpendable	-	-	-
Restricted	-	-	366,772
Assigned	(26,996)	-	-
<b>Total Fund Balance</b>	<u>(26,996)</u>	<u>-</u>	<u>366,772</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 5,004</u>	<u>\$ -</u>	<u>\$ 366,772</u>

See accompanying Independent Auditors' Report

Conservation Trust Fund	Mesa Verde Country® Visitor Info Bureau	Total	
		2016	2015
\$ 125,684	\$ 104,221	\$ 591,699	\$ 520,507
-	5,245	15,227	11,625
-	21,171	21,171	24,755
<u>\$ 125,684</u>	<u>\$ 130,637</u>	<u>\$ 628,097</u>	<u>\$ 557,343</u>
\$ -	\$ 1,971	\$ 1,971	\$ 5,010
-	3,342	3,342	2,786
-	96,128	96,128	-
-	-	32,000	32,000
<u>-</u>	<u>101,441</u>	<u>133,441</u>	<u>39,796</u>
-	21,171	21,171	24,755
125,684	-	492,456	434,400
-	8,025	(18,971)	58,392
<u>125,684</u>	<u>29,196</u>	<u>494,656</u>	<u>517,547</u>
<u>\$ 125,684</u>	<u>\$ 130,637</u>	<u>\$ 628,097</u>	<u>\$ 557,343</u>

**CITY OF CORTEZ**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	<b>Lodger's Tax</b>		<b>Emergency</b>
	<b>Fund</b>	<b>Grant Fund</b>	<b>Reserve - TABOR</b>
	<b>Fund</b>	<b>Grant Fund</b>	<b>Fund</b>
<b>Revenues</b>			
Property and Sales Taxes	\$ 226,612	\$ -	\$ -
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	-
Investment Earnings	-	-	92
Miscellaneous Revenue	-	-	-
Grant Revenue	-	-	-
<b>Total Revenues</b>	<u>226,612</u>	<u>-</u>	<u>92</u>
<b>Expenditures</b>			
General Government	179	-	-
Parks and Recreation	-	-	-
<b>Total Expenditures</b>	<u>179</u>	<u>-</u>	<u>-</u>
<b>Revenues in Excess (Def.) of Expend.</b>	<u>226,433</u>	<u>-</u>	<u>92</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	38,955	-	-
Transfers Out	(295,215)	-	(11)
<b>Net Other Financing Sources (Uses)</b>	<u>(256,260)</u>	<u>-</u>	<u>(11)</u>
<b>Change in Fund Balance</b>	<u>(29,827)</u>	<u>-</u>	<u>81</u>
<b>Fund Balance, Beginning</b>	<u>2,831</u>	<u>-</u>	<u>366,691</u>
<b>Fund Balance, Ending</b>	<u>\$ (26,996)</u>	<u>\$ -</u>	<u>\$ 366,772</u>

See accompanying Independent Auditors' Report

Conservation Trust Fund	Mesa Verde Country Visitor Info Bureau	Total	
		2016	2015
\$ -	\$ -	\$ 226,612	\$ 224,153
95,953	55,151	151,104	132,276
-	-	-	29,500
18	-	110	486
-	8,695	8,695	1,164
-	-	-	68,543
<u>95,971</u>	<u>63,846</u>	<u>386,521</u>	<u>456,122</u>
-	499,478	499,657	519,592
<u>37,994</u>	-	<u>37,994</u>	<u>39,397</u>
<u>37,994</u>	<u>499,478</u>	<u>537,651</u>	<u>558,989</u>
<u>57,977</u>	<u>(435,632)</u>	<u>(151,130)</u>	<u>(102,867)</u>
-	384,512	423,467	384,974
<u>(2)</u>	<u>-</u>	<u>(295,228)</u>	<u>(266,205)</u>
<u>(2)</u>	<u>384,512</u>	<u>128,239</u>	<u>118,769</u>
57,975	(51,120)	(22,891)	15,902
<u>67,709</u>	<u>80,316</u>	<u>517,547</u>	<u>501,645</u>
<u>\$ 125,684</u>	<u>\$ 29,196</u>	<u>\$ 494,656</u>	<u>\$ 517,547</u>

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***SPECIAL REVENUE FUNDS***

**CITY OF CORTEZ**  
**Budgetary Comparison Schedule -**  
**Lodger's Tax Fund**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	<b>2016</b>				<b>2015</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>REVENUES</b>					
Property and Sales Taxes	\$ 224,153	\$ 224,153	\$ 226,612	\$ 2,459	\$ 224,153
Investment Earnings	-	-	-	-	4
<b>Total Revenues</b>	<u>224,153</u>	<u>224,153</u>	<u>226,612</u>	<u>2,459</u>	<u>224,157</u>
<b>EXPENDITURES</b>					
General Government					
City Council	<u>275</u>	<u>192</u>	<u>179</u>	<u>13</u>	<u>192</u>
<b>Revenues In Excess (Deficiency) of Expend.</b>	<u>223,878</u>	<u>223,961</u>	<u>226,433</u>	<u>2,472</u>	<u>223,965</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	38,955	38,955	38,955	-	-
Transfers Out	<u>(272,849)</u>	<u>(265,743)</u>	<u>(295,215)</u>	<u>(29,472)</u>	<u>(266,205)</u>
<b>Net Other Financing Sources (Uses)</b>	<u>(233,894)</u>	<u>(226,788)</u>	<u>(256,260)</u>	<u>(29,472)</u>	<u>(266,205)</u>
<b>Change in Fund Balance</b>	(10,016)	(2,827)	(29,827)	(27,000)	(42,240)
<b>Fund Balance, Beginning</b>	-	-	2,831	2,831	45,071
<b>Fund Balance, Ending</b>	<u>\$ (10,016)</u>	<u>\$ (2,827)</u>	<u>\$ (26,996)</u>	<u>\$ (24,169)</u>	<u>\$ 2,831</u>

See accompanying Independent Auditors' Report



**CITY OF CORTEZ**  
**Budgetary Comparison Schedule -**  
**Grant Fund**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	<b>2016</b>				<b>2015</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	<b>Actual</b>
<b>REVENUES</b>					
Grant Revenue	\$ 6,050	\$ 6,050	\$ -	\$ (6,050)	\$ 68,543
<b>EXPENDITURES</b>					
General Government					
Passthrough Grant Expenses	<u>6,050</u>	<u>6,050</u>	<u>-</u>	<u>6,050</u>	<u>68,543</u>
<b>Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report

**CITY OF CORTEZ**  
**Budgetary Comparison Schedule -**  
**Emergency Reserve - TABOR Fund**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	<b>2016</b>				<b>2015</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>REVENUES</b>					
Investment Earnings	\$ -	\$ -	\$ 81	\$ 81	\$ 464
<b>Other Financing Sources (Uses)</b>					
Transfers Out	-	-	-	-	-
Change in Fund Balance	-	-	81	81	464
<b>Fund Balance, Beginning</b>	-	-	<u>366,691</u>	<u>366,691</u>	<u>366,227</u>
<b>Fund Balance, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,772</u>	<u>\$ 366,772</u>	<u>\$ 366,691</u>

See accompanying Independent Auditors' Report

**CITY OF CORTEZ**  
**Budgetary Comparison Schedule -**  
**Conservation Trust Fund**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	<b>2016</b>				<b>2015</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>REVENUES</b>					
Intergovernmental Revenue	\$ 85,000	\$ 85,000	\$ 95,953	\$ 10,953	\$ 82,276
Investment Earnings	-	-	18	18	18
<b>Total Revenues</b>	<u>85,000</u>	<u>85,000</u>	<u>95,971</u>	<u>10,971</u>	<u>82,294</u>
<b>EXPENDITURES</b>					
CTF Recreation Center	<u>142,000</u>	<u>38,080</u>	<u>37,996</u>	<u>84</u>	<u>39,397</u>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balance</b>	(57,000)	46,920	57,975	11,055	42,897
<b>Fund Balance, Beginning</b>	<u>-</u>	<u>-</u>	<u>67,709</u>	<u>67,709</u>	<u>24,812</u>
<b>Fund Balance, Ending</b>	<u>\$ (57,000)</u>	<u>\$ 46,920</u>	<u>\$ 125,684</u>	<u>\$ 78,764</u>	<u>\$ 67,709</u>

See accompanying Independent Auditors' Report

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***ENTERPRISE FUNDS***

**CITY OF CORTEZ**  
**Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**December 31, 2016**  
**(With Comparative Totals for December 31, 2015)**

	<b>Business-type</b>			
	<b>Activities</b>	<b>Total</b>		
	<b>Police Dispatch</b>			
	<b>Fund</b>	<b>2016</b>	<b>2015</b>	
<b>ASSETS</b>				
Current Assets				
Cash in Checking	224,667	\$ 224,667	\$ 219,029	
Prepaid Expenses	98	98	230	
<b>Total Current Assets</b>	<b>224,765</b>	<b>224,765</b>	<b>219,259</b>	
Capital Assets				
Capital Assets being depreciated	268,118	268,118	-	
<b>Total Assets</b>	<b>492,883</b>	<b>492,883</b>	<b>219,259</b>	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	6,348	6,348	(2,849)	
Accrued Payroll	15,006	15,006	13,767	
<b>Total Current Liabilities</b>	<b>21,354</b>	<b>21,354</b>	<b>10,918</b>	
Noncurrent Liabilities				
Accrued Compensated Absences	42,798	42,798	28,876	
<b>Total Liabilities</b>	<b>64,152</b>	<b>64,152</b>	<b>39,794</b>	
<b>NET POSITION</b>				
Net Investment in Capital Assets	268,118	268,118	-	
Unrestricted	160,613	160,613	179,465	
<b>Net Position, Ending</b>	<b>\$ 428,731</b>	<b>\$ 428,731</b>	<b>\$ 179,465</b>	

See accompanying Independent Auditors' Report

**CITY OF CORTEZ**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	<b>Business-type</b>		
	<b>Activities</b>	<b>Total</b>	
	<b>Police Dispatch</b>		
	<b>Fund</b>	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 556,324	\$ 556,324	\$ 460,105
Interfund Charges	262,250	262,250	266,580
Miscellaneous Revenue	175,380	175,380	35,000
<b>Total Operating Revenues</b>	<u>993,954</u>	<u>993,954</u>	<u>761,685</u>
<b>OPERATING EXPENSES</b>			
Police Support Services	721,058	721,058	719,142
Capital Outlay	15,539	15,539	-
Depreciation	6,547	6,547	5,039
Internal Charges	1,578	1,578	1,909
<b>Total Operating Expenses</b>	<u>744,722</u>	<u>744,722</u>	<u>726,090</u>
<b>Operating Income (Loss)</b>	<u>249,232</u>	<u>249,232</u>	<u>35,595</u>
<b>Other Revenues (Expenses)</b>			
Investment Earnings	34	34	84
<b>Change in Net Position</b>	<u>249,266</u>	<u>249,266</u>	<u>35,679</u>
<b>Net Position, Beginning</b>	<u>179,465</u>	<u>179,465</u>	<u>143,786</u>
<b>Net Position, Ending</b>	<u>\$ 428,731</u>	<u>\$ 428,731</u>	<u>\$ 179,465</u>

See accompanying Independent Auditors' Report

**CITY OF CORTEZ**  
**Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	<b>Business-type</b>		
	<b>Activities</b>	<b>Total</b>	
	<b>Police Dispatch</b>		
	<b>Fund</b>	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash flows from customers	\$ 731,704	\$ 731,704	\$ 497,054
Cash flows from internal activities	262,250	262,250	266,580
Cash paid to suppliers	(52,202)	(52,202)	(50,985)
Cash paid to/for benefit of employees	(661,483)	(661,483)	(669,878)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>280,269</u>	<u>280,269</u>	<u>42,771</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Capital asset acquisitions	(274,665)	(274,665)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	34	34	84
<b>CHANGE IN CASH</b>	5,638	5,638	42,855
<b>CASH AND EQUIVALENTS, Beginning</b>	219,029	219,029	176,174
<b>CASH AND EQUIVALENTS, Ending</b>	<u>\$ 224,667</u>	<u>\$ 224,667</u>	<u>\$ 219,029</u>
<b>CASH PER STATEMENT OF NET POSITION</b>			
Cash in Checking	<u>\$ 224,667</u>	<u>\$ 224,667</u>	<u>\$ 219,029</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 249,232	\$ 249,232	\$ 35,595
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	6,547	6,547	5,039
(Increase) Decrease in:			
Accounts Receivable	-	-	1,949
Prepaid Expenses	132	132	42
Increase (Decrease) in:			
Accounts Payable	9,197	9,197	(3,375)
Accrued Payroll	1,239	1,239	1,749
Accrued Compensated Absences	13,922	13,922	1,772
Net Reconciliation Adjustments	31,037	31,037	7,176
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 280,269</u>	<u>\$ 280,269</u>	<u>\$ 42,771</u>

See accompanying Independent Auditors' Report



CITY OF CORTEZ

Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual

Airport Fund

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	189,850	189,850	196,778	6,928	209,453
Miscellaneous Revenue	29,500	29,500	31,946	2,446	-
<b>Total Operating Revenues</b>	<u>219,350</u>	<u>219,350</u>	<u>228,724</u>	<u>9,374</u>	<u>209,453</u>
<b>OPERATING EXPENSES</b>					
Airport Operations	194,657	187,935	202,189	(14,254)	185,725
Capital Outlay	-	5,221	26,046	(20,825)	9,931
Depreciation	300,000	300,000	270,447	29,553	293,118
Internal Charges	4,500	10,000	7,860	2,140	1,868
<b>Total Operating Expenses</b>	<u>499,157</u>	<u>503,156</u>	<u>506,542</u>	<u>(3,386)</u>	<u>490,642</u>
<b>Operating Income (Loss)</b>	(279,807)	(283,806)	(277,818)	5,988	(281,189)
<b>Other Revenues (Expenses)</b>					
Investment Earnings	112	112	43	(69)	112
<b>Change in Net Position - Budget Basis</b>	<u>\$ (279,695)</u>	<u>\$ (283,694)</u>	<u>(277,775)</u>	<u>\$ 5,919</u>	<u>(281,077)</u>
<b>GAAP Basis Adjustments</b>					
Capital Outlay			17,910		-
<b>Change in Net Position - GAAP Basis</b>			<u>(259,865)</u>		<u>(281,077)</u>
<b>Net Position, Beginning</b>			7,961,834		8,242,911
Prior Period Restatement			99,307		-
<b>Net Position, Beginning (As Restated)</b>			<u>8,061,141</u>		<u>8,242,911</u>
<b>Net Position, Ending</b>			<u>\$ 7,801,276</u>		<u>\$ 7,961,834</u>

See accompanying Independent Auditors' Report

CITY OF CORTEZ

Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual

Police Dispatch Fund

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Intergovernmental Revenue	\$ 35,000	\$ 35,000	\$ -	\$ (35,000)	\$ -
Charges for Services	606,475	606,475	556,324	(50,151)	460,105
Interfund Charges	262,250	262,250	262,250	-	266,580
Miscellaneous Revenue	87,206	87,206	175,380	88,174	35,000
<b>Total Operating Revenues</b>	<u>990,931</u>	<u>990,931</u>	<u>993,954</u>	<u>3,023</u>	<u>761,685</u>
<b>OPERATING EXPENSES</b>					
Police Support Services	745,937	1,047,701	721,058	326,643	719,142
Capital Outlay	26,500	26,500	15,539	10,961	-
Depreciation	15,000	15,000	6,547	8,453	5,039
Internal Charges	-	-	1,578	(1,578)	1,909
<b>Total Operating Expenses</b>	<u>787,437</u>	<u>1,089,201</u>	<u>744,722</u>	<u>344,479</u>	<u>726,090</u>
<b>Operating Income (Loss)</b>	203,494	(98,270)	249,232	347,502	35,595
<b>Other Revenues (Expenses)</b>					
Investment Earnings	50	50	34	(16)	84
<b>Change in Net Position - GAAP Basis</b>	<u>\$ 203,544</u>	<u>\$ (98,220)</u>	249,266	<u>\$ 347,486</u>	35,679
<b>Net Position, Beginning</b>			179,465		143,786
<b>Net Position, Ending</b>			<u>\$ 428,731</u>		<u>\$ 179,465</u>

See accompanying Independent Auditors' Report

## CITY OF CORTEZ

## Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual

## Recreation Center Fund

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 488,100	\$ 488,100	\$ 525,131	\$ 37,031	\$ 531,178
Miscellaneous Revenue	-	-	523	523	-
<b>Total Operating Revenues</b>	<u>488,100</u>	<u>488,100</u>	<u>525,654</u>	<u>37,554</u>	<u>531,178</u>
<b>OPERATING EXPENSES</b>					
Recreation Center	989,639	1,036,132	985,849	50,283	961,549
Capital Outlay	87,500	105,000	-	105,000	13,872
Depreciation	252,000	252,000	233,475	18,525	248,010
Internal Charges	6,086	6,086	11,874	(5,788)	6,480
<b>Total Operating Expenses</b>	<u>1,335,225</u>	<u>1,399,218</u>	<u>1,231,198</u>	<u>168,020</u>	<u>1,229,911</u>
<b>Operating Income (Loss)</b>	<u>(847,125)</u>	<u>(911,118)</u>	<u>(705,544)</u>	<u>205,574</u>	<u>(698,733)</u>
<b>Other Revenues (Expenses)</b>					
Property and Sales Taxes	1,407,693	1,407,693	1,416,484	8,791	1,379,751
Investment Earnings	24,000	24,000	4,087	(19,913)	24,852
Debt Retirement	(605,188)	(605,188)	(631,275)	(26,087)	(626,427)
<b>Net Income (Loss) before Transfers</b>	<u>(20,620)</u>	<u>(84,613)</u>	<u>83,752</u>	<u>168,365</u>	<u>79,443</u>
<b>Transfers</b>					
Transfers Out	-	-	(227,015)	(227,015)	-
<b>Change in Net Position - Budget Basis</b>	<u>\$ (20,620)</u>	<u>\$ (84,613)</u>	<u>(143,263)</u>	<u>\$ (58,650)</u>	<u>79,443</u>
<b>GAAP Basis Adjustments</b>					
Capital Outlay			-		11,744
Debt Service Principal			522,943		507,711
<b>Total GAAP Basis Adjustments</b>			<u>522,943</u>		<u>519,455</u>
<b>Change in Net Position - GAAP Basis</b>			<u>379,680</u>		<u>598,898</u>
<b>Net Position, Beginning</b>			7,024,597		6,425,699
Prior Period Restatement			(72,538)		-
<b>Net Position, Beginning (As Restated)</b>			<u>6,952,059</u>		<u>6,425,699</u>
<b>Net Position, Ending</b>			<u>\$ 7,331,739</u>		<u>\$ 7,024,597</u>

See accompanying Independent Auditors' Report

CITY OF CORTEZ

Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual

Water Fund

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 2,519,900	\$ 2,519,900	\$ 2,885,522	\$ 365,622	\$ 2,258,840
Miscellaneous Revenue	26,400	26,400	(829)	(27,229)	-
<b>Total Operating Revenues</b>	<u>2,546,300</u>	<u>2,546,300</u>	<u>2,884,693</u>	<u>338,393</u>	<u>2,258,840</u>
<b>OPERATING EXPENSES</b>					
Administration	172,014	164,539	162,992	1,547	183,203
Filtration and Treatment	612,113	654,009	602,784	51,225	508,452
Transmission and Distribution	506,995	569,850	425,526	144,324	305,157
Meter Maintenance	15,400	13,900	16,911	(3,011)	110,125
Water Capital Projects	-	-	-	-	-
Capital Outlay	1,292,000	933,988	876,339	57,649	1,658,074
Depreciation	257,195	257,195	500,882	(243,687)	442,697
Internal Charges	244,829	246,837	150,466	96,371	236,176
<b>Total Operating Expenses</b>	<u>3,100,546</u>	<u>2,840,318</u>	<u>2,735,900</u>	<u>104,418</u>	<u>3,443,884</u>
<b>Operating Income (Loss)</b>	<u>(554,246)</u>	<u>(294,018)</u>	<u>148,793</u>	<u>442,811</u>	<u>(1,185,044)</u>
<b>Other Revenues (Expenses)</b>					
Grant Revenue	25,000	25,000	19,180	(5,820)	231,033
Investment Earnings	1,500	1,500	2,452	952	6,578
Debt Retirement	(497,679)	(439,055)	(405,164)	33,891	(369,141)
<b>Net Income (Loss) before Transfers</b>	<u>(1,025,425)</u>	<u>(706,573)</u>	<u>(234,739)</u>	<u>471,834</u>	<u>(1,316,574)</u>
<b>Transfers</b>					
Transfers In	-	-	4,000	4,000	-
<b>Change in Net Position - Budget Basis</b>	<u>\$ (1,025,425)</u>	<u>\$ (706,573)</u>	<u>(230,739)</u>	<u>\$ 475,834</u>	<u>(1,316,574)</u>
<b>GAAP Basis Adjustments</b>					
Capital Outlay			729,226		1,340,165
Debt Service Principal			161,474		138,814
<b>Total GAAP Basis Adjustments</b>			<u>890,700</u>		<u>1,478,979</u>
<b>Change in Net Position - GAAP Basis</b>			<u>659,961</u>		<u>162,405</u>
<b>Net Position, Beginning</b>			10,664,914		10,502,509
Prior Period Restatement			90,126		-
<b>Net Position, Beginning (As Restated)</b>			<u>10,755,040</u>		<u>10,502,509</u>
<b>Net Position, Ending</b>			<u>\$ 11,415,001</u>		<u>\$ 10,664,914</u>

See accompanying Independent Auditors' Report

CITY OF CORTEZ

Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual

Hydro Plant Fund

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 56,000	\$ 56,000	\$ 75,540	\$ 19,540	\$ 60,275
<b>OPERATING EXPENSES</b>					
Administration	7,750	7,750	11,592	(3,842)	4,951
Depreciation	65,802	65,802	65,357	445	65,802
<b>Total Operating Expenses</b>	<u>73,552</u>	<u>73,552</u>	<u>76,949</u>	<u>(3,397)</u>	<u>70,753</u>
<b>Operating Income (Loss)</b>	(17,552)	(17,552)	(1,409)	16,143	(10,478)
<b>Other Revenues (Expenses)</b>					
Debt Retirement	(69,405)	(69,405)	(69,443)	(38)	(68,434)
<b>Change in Net Position - Budget Basis</b>	<u>\$ (86,957)</u>	<u>\$ (86,957)</u>	<u>(70,852)</u>	<u>\$ 16,105</u>	<u>(78,912)</u>
<b>GAAP Basis Adjustments</b>					
Debt Service Principal			52,600		50,556
<b>Change in Net Position - GAAP Basis</b>			<u>(18,252)</u>		<u>(28,356)</u>
<b>Net Position, Beginning</b>			98,854		127,210
Prior Period Restatement			(8,413)		-
<b>Net Position, Beginning (As Restated)</b>			<u>90,441</u>		<u>127,210</u>
<b>Net Position, Ending</b>			<u>\$ 72,189</u>		<u>\$ 98,854</u>

See accompanying Independent Auditors' Report

## CITY OF CORTEZ

## Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual

## City Community Network Fund

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 291,928	\$ 291,928	\$ 158,862	\$ (133,066)	\$ 238,530
Interfund Charges	-	-	34,450	34,450	28,575
<b>Total Operating Revenues</b>	<u>291,928</u>	<u>291,928</u>	<u>193,312</u>	<u>(98,616)</u>	<u>267,105</u>
<b>OPERATING EXPENSES</b>					
Fiber Outside Plant	128,778	128,050	97,299	30,751	104,282
Fiber Administration	63,500	108,500	56,275	52,225	25,970
Fiber Inside Plant	99,550	99,550	91,184	8,366	51,111
Capital Outlay	2,222,000	137,000	65,228	71,772	75,380
Depreciation	90,000	90,000	87,738	2,262	85,808
Internal Charges	5,501	5,401	9,079	(3,678)	5,439
<b>Total Operating Expenses</b>	<u>2,609,329</u>	<u>568,501</u>	<u>406,803</u>	<u>161,698</u>	<u>347,990</u>
<b>Operating Income (Loss)</b>	<u>(2,317,401)</u>	<u>(276,573)</u>	<u>(213,491)</u>	<u>63,082</u>	<u>(80,885)</u>
<b>Other Revenues (Expenses)</b>					
Grant Revenue	1,175,000	1,175,000	24,665	(1,150,335)	-
<b>Net Income (Loss) before Transfers</b>	<u>(1,142,401)</u>	<u>898,427</u>	<u>(188,826)</u>	<u>(1,087,253)</u>	<u>(80,885)</u>
<b>Transfers</b>					
Transfers In	1,000,000	1,000,000	-	(1,000,000)	-
Transfers Out	-	-	(25,426)	(25,426)	-
<b>Net Transfers</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>(25,426)</u>	<u>(1,025,426)</u>	<u>-</u>
<b>Change in Net Position - Budget Basis</b>	<u>\$ (142,401)</u>	<u>\$ 1,898,427</u>	<u>(214,252)</u>	<u>\$ (2,112,679)</u>	<u>(80,885)</u>
<b>GAAP Basis Adjustments</b>					
Capital Outlay			65,228		-
<b>Change in Net Position - GAAP Basis</b>			<u>(149,024)</u>		<u>(80,885)</u>
<b>Special Item - Bad Debt Allowance</b>			<u>(410,957)</u>		<u>-</u>
<b>Net Position, Beginning</b>			471,330		552,215
Prior Period Restatement			17,791		-
<b>Net Position, Beginning (As Restated)</b>			<u>489,121</u>		<u>552,215</u>
<b>Net Position, Ending</b>			<u>\$ (70,860)</u>		<u>\$ 471,330</u>

See accompanying Independent Auditors' Report

## CITY OF CORTEZ

## Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual

## Solid Waste Collection Fund

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 1,206,514	\$ 1,206,514	\$ 1,349,814	\$ 143,300	\$ 1,180,429
Miscellaneous Revenue	-	-	1,912	1,912	14,500
<b>Total Operating Revenues</b>	<u>1,206,514</u>	<u>1,206,514</u>	<u>1,351,726</u>	<u>145,212</u>	<u>1,194,929</u>
<b>OPERATING EXPENSES</b>					
Administration	25,452	19,200	40,340	(21,140)	14,080
Collection	937,707	958,232	826,612	131,620	730,973
Recycling	140,148	136,196	124,212	11,984	146,625
Capital Outlay	-	-	-	-	167,874
Depreciation	40,000	40,000	37,017	2,983	27,410
Internal Charges	152,000	154,300	136,232	18,068	119,166
<b>Total Operating Expenses</b>	<u>1,295,307</u>	<u>1,307,928</u>	<u>1,164,413</u>	<u>143,515</u>	<u>1,206,128</u>
<b>Operating Income (Loss)</b>	<u>(88,793)</u>	<u>(101,414)</u>	<u>187,313</u>	<u>288,727</u>	<u>(11,199)</u>
<b>Other Revenues (Expenses)</b>					
Investment Earnings	1,800	1,800	1,061	(739)	1,811
<b>Net Income (Loss) before Transfers</b>	<u>(86,993)</u>	<u>(99,614)</u>	<u>188,374</u>	<u>287,988</u>	<u>(9,388)</u>
<b>Transfers</b>					
Transfers Out	-	(4,000)	(4,000)	-	-
<b>Change in Net Position - Budget Basis</b>	<u>\$ (86,993)</u>	<u>\$ (103,614)</u>	<u>184,374</u>	<u>\$ 287,988</u>	<u>(9,388)</u>
<b>GAAP Basis Adjustments</b>					
Capital Outlay			-		167,874
<b>Change in Net Position - GAAP Basis</b>			<u>184,374</u>		<u>158,486</u>
Net Position, Beginning			999,513		841,027
Prior Period Restatement			13,360		-
Net Position, Beginning (As Restated)			<u>1,012,873</u>		<u>841,027</u>
<b>Net Position, Ending</b>			<u>\$ 1,197,247</u>		<u>\$ 999,513</u>

See accompanying Independent Auditors' Report

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***INTERNAL SERVICE FUNDS***

**CITY OF CORTEZ**  
**Statement of Net Position**  
**Internal Service Funds**  
**December 31, 2016**  
**(With Comparative Totals for December 31, 2015)**

	Shop Fund	Technology Fund	Self-Insured Health Fund	Total	
				2016	2015
<b>ASSETS</b>					
Current Assets					
Cash in Checking	\$ 92,830	\$ 294,336	\$ 45,596	\$ 432,762	\$ 338,845
Petty Cash	152	-	-	152	152
Investments	-	-	-	-	200,922
Accounts Receivable	-	-	-	-	21,558
Interfund Receivable	250,000	-	-	250,000	-
Inventory	35,382	-	-	35,382	29,670
Prepaid Expenses	392	70	839	1,301	848
Total Current Assets	378,756	294,406	46,435	719,597	591,995
Capital Assets					
Other Assets	-	40,328	-	40,328	35,437
<b>Total Assets</b>	<b>378,756</b>	<b>334,734</b>	<b>46,435</b>	<b>759,925</b>	<b>627,432</b>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	10,665	19,948	239,521	270,134	375,834
Accrued Payroll	9,072	6,713	-	15,785	12,261
Interfund Payables	-	-	876,050	876,050	376,050
Total Current Liabilities	19,737	26,661	1,115,571	1,161,969	764,145
Noncurrent Liabilities					
Accrued Compensated Absences	22,507	10,194	-	32,701	35,168
<b>Total Liabilities</b>	<b>42,244</b>	<b>36,855</b>	<b>1,115,571</b>	<b>1,194,670</b>	<b>799,313</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	-	40,328	-	40,328	35,437
Unrestricted	336,512	257,551	(1,069,136)	(475,073)	(207,318)
<b>Total Net Position</b>	<b>\$ 336,512</b>	<b>\$ 297,879</b>	<b>\$ (1,069,136)</b>	<b>\$ (434,745)</b>	<b>\$ (171,881)</b>

See accompanying Independent Auditors' Report

**CITY OF CORTEZ**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Funds**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	Shop Fund	Technology Fund	Self-Insured Health Fund	Total	
				2016	2015
<b>OPERATING REVENUES</b>					
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -	\$ 3,720
Charges for Services	337	-	204,983	205,320	268,085
Interfund Charges	825,025	484,453	1,933,645	3,243,123	2,858,519
Miscellaneous Revenue	116,194	77,074	-	193,268	174,682
<b>Total Operating Revenues</b>	<u>941,556</u>	<u>561,527</u>	<u>2,138,628</u>	<u>3,641,711</u>	<u>3,305,006</u>
<b>OPERATING EXPENSES</b>					
General Government					
Finance Department	-	-	-	-	-
Other Expenses					
Health Claims	-	-	2,560,854	2,560,854	2,224,962
Shop	624,317	-	-	624,317	604,516
Building Overhead	111,229	-	-	111,229	140,175
Technology	-	469,057	-	469,057	407,538
Fiber Network	-	2,728	-	2,728	3,828
Telecommunications	-	74,682	-	74,682	42,904
Capital Outlay	9,750	31,443	-	41,193	102,647
Depreciation	-	17,690	-	17,690	11,924
Total Other Expenses	<u>745,296</u>	<u>595,600</u>	<u>2,560,854</u>	<u>3,901,750</u>	<u>3,538,494</u>
Internal Charges	-	6,278	-	6,278	7,331
<b>Total Operating Expenses</b>	<u>745,296</u>	<u>601,878</u>	<u>2,560,854</u>	<u>3,908,028</u>	<u>3,545,825</u>
<b>Operating Income (Loss)</b>	196,260	(40,351)	(422,226)	(266,317)	(240,819)
<b>Other Revenues (Expenses)</b>					
Investment Earnings	9	948	-	957	2,363
Transfers Out	-	(111)	-	(111)	-
<b>Change in Net Position</b>	<u>196,269</u>	<u>(39,514)</u>	<u>(422,226)</u>	<u>(265,471)</u>	<u>(238,456)</u>
<b>Net Position, Beginning</b>	140,243	334,786	(646,910)	(171,881)	66,575
Prior Period Restatement	-	2,607	-	2,607	-
<b>Net Position, Beginning (As Restated)</b>	<u>140,243</u>	<u>337,393</u>	<u>(646,910)</u>	<u>(169,274)</u>	<u>66,575</u>
<b>Net Position, Ending</b>	<u>\$ 336,512</u>	<u>\$ 297,879</u>	<u>\$ (1,069,136)</u>	<u>\$ (434,745)</u>	<u>\$ (171,881)</u>

See accompanying Independent Auditors' Report

**CITY OF CORTEZ**  
**Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	Shop Fund	Technology Fund	Self-Insured Health Fund	Total	
				2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash flows from customers	\$ 116,531	\$ 77,074	\$ 226,541	\$ 420,146	\$ 475,794
Cash flows from internal activities	825,025	484,453	1,933,645	3,243,123	2,858,519
Cash paid to suppliers	(408,588)	(355,011)	(840)	(764,439)	(810,843)
Cash paid to/for benefit of employees	(346,885)	(216,362)	(2,673,461)	(3,236,708)	(2,540,382)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>186,083</u>	<u>(9,846)</u>	<u>(514,115)</u>	<u>(337,878)</u>	<u>(16,912)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>					
Capital asset acquisitions	-	(19,975)	-	(19,975)	(28,690)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash (to) from Other Funds	(250,000)	(111)	500,000	249,889	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	9	948	-	957	2,363
Net cash invested	-	200,922	-	200,922	(554)
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>9</u>	<u>201,870</u>	<u>-</u>	<u>201,879</u>	<u>1,809</u>
<b>CHANGE IN CASH</b>	(63,908)	171,938	(14,115)	93,915	(43,793)
<b>CASH AND EQUIVALENTS, Beginning</b>	<u>156,890</u>	<u>122,397</u>	<u>59,710</u>	<u>338,997</u>	<u>382,789</u>
<b>CASH AND EQUIVALENTS, Ending</b>	<u>\$ 92,982</u>	<u>\$ 294,335</u>	<u>\$ 45,595</u>	<u>\$ 432,912</u>	<u>\$ 338,996</u>
<b>CASH PER BALANCE SHEET</b>					
Cash in Checking	\$ 92,830	\$ 294,336	\$ 45,596	\$ 432,762	\$ 338,845
Petty Cash	152	-	-	152	152
<b>Total Cash and Equivalents, Ending</b>	<u>\$ 92,982</u>	<u>\$ 294,336</u>	<u>\$ 45,596</u>	<u>\$ 432,914</u>	<u>\$ 338,997</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ 196,260	\$ (40,351)	\$ (422,226)	\$ (266,317)	\$ (240,819)
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	17,690	-	17,690	11,924
(Increase) Decrease in:					
Accounts Receivable	-	-	21,558	21,558	29,307
Inventory	(5,712)	-	-	(5,712)	(10,490)
Prepaid Expenses	79	307	(839)	(453)	201
Increase (Decrease) in:					
Accounts Payable	(6,301)	13,208	(112,608)	(105,701)	186,771
Accrued Payroll	1,293	2,231	-	3,524	1,598
Accrued Compensated Absences	464	(2,931)	-	(2,467)	4,596
Net Reconciliation Adjustments	(10,177)	30,505	(91,889)	(71,561)	223,907
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 186,083</u>	<u>\$ (9,846)</u>	<u>\$ (514,115)</u>	<u>\$ (337,878)</u>	<u>\$ (16,912)</u>

See accompanying Independent Auditors' Report

CITY OF CORTEZ

Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual

Shop Fund

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 1,000	\$ 1,000	\$ 337	\$ (663)	\$ 1,180
Interfund Charges	835,470	835,470	825,025	(10,445)	764,197
Miscellaneous Revenue	-	-	116,194	116,194	97,341
<b>Total Operating Revenues</b>	<u>836,470</u>	<u>836,470</u>	<u>941,556</u>	<u>105,086</u>	<u>862,718</u>
<b>OPERATING EXPENSES</b>					
Shop	767,654	759,204	624,317	134,887	604,517
Building Overhead	152,525	152,850	111,229	41,621	140,174
Capital Outlay	26,000	5,000	9,750	(4,750)	-
Total Other Expenses	<u>946,179</u>	<u>917,054</u>	<u>745,296</u>	<u>171,758</u>	<u>744,691</u>
Internal Charges	<u>10,240</u>	<u>2,800</u>	<u>-</u>	<u>2,800</u>	<u>-</u>
<b>Total Operating Expenses</b>	<u>956,419</u>	<u>919,854</u>	<u>745,296</u>	<u>174,558</u>	<u>744,691</u>
<b>Operating Income (Loss)</b>	<u>(119,949)</u>	<u>(83,384)</u>	<u>196,260</u>	<u>279,644</u>	<u>118,027</u>
<b>Other Revenues (Expenses)</b>					
Investment Earnings	<u>28</u>	<u>28</u>	<u>9</u>	<u>(19)</u>	<u>28</u>
<b>Change in Net Position</b>	<u>(119,921)</u>	<u>(83,356)</u>	<u>196,269</u>	<u>279,625</u>	<u>118,055</u>
<b>Net Position, Beginning</b>	<u>-</u>	<u>-</u>	<u>140,243</u>	<u>140,243</u>	<u>22,188</u>
<b>Net Position, Ending</b>	<u>\$ (119,921)</u>	<u>\$ (83,356)</u>	<u>\$ 336,512</u>	<u>\$ 419,868</u>	<u>\$ 140,243</u>

See accompanying Independent Auditors' Report

## CITY OF CORTEZ

## Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual

## Technology Fund

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Intergovernmental Revenue	\$ 8,740	\$ 8,740	\$ -	\$ (8,740)	\$ 3,720
Charges for Services	1,544	1,544	-	(1,544)	88
Interfund Charges	606,259	606,259	484,453	(121,806)	344,380
Miscellaneous Revenue	28,459	28,459	77,074	48,615	77,342
<b>Total Operating Revenues</b>	<u>645,002</u>	<u>645,002</u>	<u>561,527</u>	<u>(83,475)</u>	<u>425,530</u>
<b>OPERATING EXPENSES</b>					
General Government					
Finance Department	-	-	-	-	-
Building Overhead	-	-	-	-	-
Technology	417,996	531,845	469,057	62,788	407,538
Fiber Network	-	-	2,728	(2,728)	3,828
Telecommunications	61,500	66,500	74,682	(8,182)	42,904
Capital Outlay	191,356	121,356	51,418	69,938	131,336
Depreciation	7,825	7,825	17,690	(9,865)	11,925
Internal Charges	4,400	4,400	6,278	(1,878)	7,331
<b>Total Operating Expenses</b>	<u>683,077</u>	<u>731,926</u>	<u>621,853</u>	<u>110,073</u>	<u>604,862</u>
<b>Operating Income (Loss)</b>	<u>(38,075)</u>	<u>(86,924)</u>	<u>(60,326)</u>	<u>26,598</u>	<u>(179,332)</u>
<b>Other Revenues (Expenses)</b>					
Investment Earnings	2,285	2,285	948	(1,337)	2,285
<b>Transfers</b>					
Transfers Out	-	-	(111)	(111)	-
<b>Change in Net Position - Budget Basis</b>	<u>\$ (35,790)</u>	<u>\$ (84,639)</u>	<u>(59,489)</u>	<u>\$ 25,150</u>	<u>(177,047)</u>
<b>GAAP Basis Adjustments</b>					
Capital Outlay			19,975		28,690
<b>Change in Net Position - GAAP Basis</b>			<u>(39,514)</u>		<u>(148,357)</u>
<b>Net Position, Beginning</b>			334,787		483,144
Prior Period Restatement			2,606		-
<b>Net Position, Beginning (As Restated)</b>			<u>337,393</u>		<u>483,144</u>
<b>Net Position, Ending</b>			<u>\$ 297,879</u>		<u>\$ 334,787</u>

See accompanying Independent Auditors' Report

CITY OF CORTEZ  
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual  
Self-Insured Health Fund  
Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 177,568	\$ 177,568	\$ 204,983	\$ 27,415	\$ 266,817
Interfund Charges	2,034,960	2,034,960	1,933,645	(101,315)	1,749,942
<b>Total Operating Revenues</b>	2,212,528	2,212,528	2,138,628	(73,900)	2,016,759
<b>OPERATING EXPENSES</b>					
Health Claims	2,227,735	2,292,968	2,560,854	(267,886)	2,224,962
<b>Operating Income (Loss)</b>	(15,207)	(80,440)	(422,226)	(341,786)	(208,203)
<b>Other Revenues (Expenses)</b>					
Investment Earnings	49	49	-	(49)	49
<b>Change in Net Position</b>	(15,158)	(80,391)	(422,226)	(341,835)	(208,154)
<b>Net Position, Beginning</b>	-	-	(646,911)	(646,911)	(438,757)
<b>Net Position, Ending</b>	\$ (15,158)	\$ (80,391)	\$ (1,069,136)	\$ (988,745)	\$ (646,911)

See accompanying Independent Auditors' Report

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**STATISTICAL SECTION**

**CITY OF CORTEZ, CO**  
**SALES TAX REVENUE REFUNDING BONDS, SERIES 2011 (CO)**  
**CUSIP: 220538**

HISTORICAL MAXIMUM COVERAGE

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Recreation Sales Tax Collections	\$ 1,175,018	\$ 1,257,278	\$ 1,284,009	\$ 1,321,826	\$ 1,383,009	\$ 1,416,484
Maximum Annual Debt Service	693,355	693,355	693,355	615,188	612,237	605,188
Maximum Annual Coverage Factor	1.70x	1.81x	1.85x	2.15x	2.26x	2.34x
Combined Sales Tax Collections	8,653,171	9,258,303	9,455,147	9,733,620	10,184,164	11,367,140
Maximum Annual Coverage Factor	12.48x	13.35x	13.64x	15.82x	16.63x	18.78x

HISTORICAL SALES TAX COLLECTIONS

<u>Year</u>	<u>Gross Sales</u>	<u>Base Sales Tax</u>	<u>Recreational Sales Tax</u>	<u>Total Sales Tax</u>
2006	\$ 217,045,751	\$ 7,345,934	\$ 1,154,337	\$ 8,500,271
2007	233,203,226	7,892,786	1,240,269	9,133,055
2008	237,479,461	8,037,515	1,263,012	9,300,527
2009	228,467,308	7,732,498	1,215,081	8,947,579
2010	216,806,906	7,337,850	1,153,067	8,490,917
2011	220,949,864	7,478,153	1,175,017	8,653,170
2012	236,401,318	8,001,025	1,257,278	9,258,303
2013	241,427,528	8,171,138	1,284,009	9,455,147
2014	248,538,052	8,411,794	1,321,826	9,733,620
2015	251,460,840	8,801,155	1,383,009	10,184,164
2016	280,670,123	9,950,656	1,416,484	11,367,140

**CITY OF CORTEZ, CO**  
**SALES TAX REVENUE REFUNDING BONDS, SERIES 2011 (CO)**  
**CUSIP: 220538**

MONTHLY COLLECTION COMPARISONS

	12 Month Period Ended 12/31/13		12 Month Period Ended 12/31/14		12 Month Period Ended 12/31/15		12 Month Period Ended 12/31/16	
	Current		Current		Current		Current	
	Month	Year to Date	Month	Year to Date	Month	Year to Date	Month	Year to Date
January	\$ 653,997	\$ 653,997	\$ 622,574	\$ 622,574	\$ 632,556	\$ 632,556	\$ 34,399	\$ 34,399
February	645,276	1,299,273	664,887	1,287,462	714,250	1,346,806	746,955	781,354
March	763,768	2,063,040	739,139	2,026,601	905,883	2,252,689	793,437	1,574,791
April	720,262	2,783,302	680,044	2,706,644	794,354	3,047,043	948,990	2,523,781
May	811,422	3,594,724	864,500	3,571,145	887,602	3,934,645	881,642	3,405,423
June	838,440	4,433,164	858,431	4,429,575	921,991	4,856,636	940,698	4,346,121
July	869,699	5,302,863	92,945	5,350,520	931,476	5,788,112	1,054,530	5,400,651
August	850,301	6,153,164	1,001,583	6,352,103	984,323	6,772,435	1,109,404	6,510,055
September	846,555	6,999,719	837,675	7,189,778	889,788	7,662,223	1,001,831	7,511,886
October	785,823	7,785,542	779,664	7,969,442	826,921	8,489,144	980,667	8,492,552
November	772,191	8,557,733	966,620	8,936,062	725,916	9,215,060	953,572	9,446,125
December	897,414	9,455,147	797,559	9,733,620	969,098	10,184,158	1,921,015	11,367,140

**CITY OF CORTEZ, CO**  
**SALES TAX REVENUE REFUNDING BONDS, SERIES 2011 (CO)**  
**CUSIP: 220538**

HISTORICAL GENERAL FUND OPERATIONS

	2011	2012	2013	2014	2015	2016
<b>REVENUES:</b>						
Taxes-Assessments	6,878,903	7,383,659	7,442,377	7,692,052	8,030,460	8,182,679
Licenses and Permits	83,755	197,714	82,312	339,138	129,901	270,637
Intergovernmental	3,141,052	1,435,485	1,410,143	1,620,172	1,554,174	1,504,600
Charges for Services	533,547	529,043	526,636	563,625	690,829	547,762
Fine and Forfeits	85,317	90,220	80,419	83,951	76,981	81,673
Interest Income	30,906	14,375	14,334	14,765	18,530	9,725
Miscellaneous	164,514	22,210	33,074	105,705	24,630	82,432
Donation	-	37,093	63,086	47,877	49,001	18,057
Grant Revenue	-	154,304	160,334	148,242	134,978	1,938,709
<b>TOTAL REVENUES</b>	<b>10,917,994</b>	<b>9,864,103</b>	<b>9,812,715</b>	<b>10,615,527</b>	<b>10,709,484</b>	<b>12,636,274</b>
<b>EXPENDITURES:</b>						
General Government	4,177,628	1,978,455	3,088,766	3,156,388	6,497,446	2,773,528
Public Safety	3,099,140	4,070,047	3,439,521	3,654,284	3,811,407	3,706,404
Public Works	1,063,726	1,102,022	928,184	960,435	994,693	1,046,749
Culture/Recreation	2,202,447	1,795,989	1,827,213	1,793,906	1,893,506	2,099,844
Internal Charges	-	-	1,018,625	-	-	1,340,665
Capital Outlay	102,835	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>10,645,776</b>	<b>8,946,513</b>	<b>10,302,309</b>	<b>9,565,013</b>	<b>13,197,052</b>	<b>10,967,190</b>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	<b>272,218</b>	<b>917,590</b>	<b>(489,594)</b>	<b>1,050,514</b>	<b>(2,487,568)</b>	<b>1,669,084</b>
<b>OTHER FINANCING SOURCES(USES)</b>						
Transfers In	123,228	127,543	90,472	39,600	44,831	43,329
Transfers Out	(1,027,757)	(208,600)	(163,600)	(163,600)	(163,600)	(1,667,155)
<b>TOTAL</b>	<b>(904,529)</b>	<b>(81,057)</b>	<b>(73,128)</b>	<b>(124,000)</b>	<b>(118,769)</b>	<b>(1,623,826)</b>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES</b>	<b>(632,311)</b>	<b>836,533</b>	<b>(562,722)</b>	<b>926,514</b>	<b>(2,606,337)</b>	<b>45,258</b>
<b>FUND BALANCE,</b>						
Beginning	5,293,029	4,660,718	5,572,287	5,009,565	5,936,079	3,329,742
Prior Period Restatement	-	75,036	-	-	-	-
<b>FUND BALANCE, Ending</b>	<b>4,660,718</b>	<b>5,572,287</b>	<b>5,009,565</b>	<b>5,936,079</b>	<b>3,329,742</b>	<b>3,375,000</b>

**CITY OF CORTEZ, CO  
WATER FUND HISTORICAL OPERATIONS**

HISTORICAL WATER FUND OPERATIONS

	2011	2012	2013	2014	2015	2016
<b>OPERATING REVENUES:</b>						
Charges for Services	\$ 1,726,480	\$ 2,159,301	\$ 2,056,461	\$ 2,322,139	\$ 2,258,839	\$ 2,885,522
Other	151,885	(6,402)	9,998	10,770	-	(829)
Total Operating Revenues	<u>1,878,365</u>	<u>2,152,899</u>	<u>2,066,459</u>	<u>2,332,909</u>	<u>2,258,839</u>	<u>2,884,693</u>
<b>OPERATING EXPENSES:</b>						
Operations and services	1,137,501	980,543	1,172,140	1,629,441	2,082,748	1,859,561
Capital Outlay	60,076	179,389	488,647	50,586	1,361,134	876,339
Total Operating Expenses	<u>1,197,577</u>	<u>1,159,932</u>	<u>1,660,787</u>	<u>1,680,027</u>	<u>3,443,882</u>	<u>2,735,900</u>
Operating Income/(Loss)	680,788	992,967	405,672	652,882	(1,185,043)	148,793
<b>OTHER REVENUES (EXPENSES)</b>						
Grant Revenue	-	-	-	-	231,033	19,180
Interest Income	2,427	2,697	2,979	1,861	6,577	2,452
Debt Service – Interest	(256,167)	-	-	-	-	-
Debt Service – Principal	(107,210)	(369,206)	(369,185)	(369,162)	(369,141)	(405,164)
NET INCOME (LOSS) before transfers	<u>319,838</u>	<u>626,458</u>	<u>39,466</u>	<u>285,581</u>	<u>(1,316,574)</u>	<u>(234,739)</u>
<b>TRANSFERS</b>						
Transfers In	-	25,000	-	-	-	4,000
Transfers Out	-	(64,419)	-	-	-	-
Net Transfers	<u>-</u>	<u>(39,419)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Change in Net Position – Budget Basis	-	587,039	39,466	285,581	(1,316,574)	(230,739)
<b>GAAP BASIS ADJUSTMENTS</b>						
Capital Outlay	-	18,908	32,111	27,223	1,340,165	729,226
Depreciation	(446,891)	(442,131)	(433,635)	-	-	-
Debt Service Principal	107,210	120,091	126,013	132,246	138,814	161,474
<b>NET INCOME</b>	<u>(19,843)</u>	<u>283,907</u>	<u>(236,045)</u>	<u>445,050</u>	<u>162,405</u>	<u>659,961</u>
<b>NET ASSETS, Beginning</b>	10,922,928	10,085,947	10,369,854	10,133,809	10,502,509	10,664,914
Prior Period Adjustment	(817,138)	-	-	-	-	90,126
Net Assets, Beginning (As Restated)	<u>10,105,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS, Ending</b>	<u>\$ 10,085,947</u>	<u>\$ 10,369,854</u>	<u>\$ 10,133,809</u>	<u>\$ 10,578,859</u>	<u>\$ 10,664,914</u>	<u>\$ 11,415,001</u>

**CITY OF CORTEZ, CO**

**WATER FUND HISTORICAL DEBT RATIO**

WATER FUND DEBT RATIO

	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>						
Water Charges	\$ 1,703,868	\$ 2,041,578	\$ 1,920,994	\$ 2,188,896	\$ 2,153,447	\$ 2,697,338
Water Development Fees	118,280	25,410	16,595	97,515	70,537	169,820
Penalties, Connection and Other Charges	56,217	110,904	128,872	46,499	265,888	18,364
Investment Earnings	2,427	2,697	2,979	1,860	6,577	2,453
<b>Total Revenues</b>	<b>1,880,792</b>	<b>2,180,589</b>	<b>2,069,440</b>	<b>2,334,770</b>	<b>2,496,449</b>	<b>2,887,975</b>
Total Expenses	1,900,634	1,896,683	2,305,483	1,902,939	3,813,023	3,141,064
Less: Depreciation	(446,891)	(442,131)	(433,635)	(405,520)	(442,697)	(500,882)
Less: Capital Outlay	(51,443)	(160,303)	(468,149)	(23,395)	(1,340,165)	(876,339)
Less: Debt Service	(107,210)	(249,115)	(243,172)	(236,916)	(369,141)	(405,164)
Operating Expenses (int including depreciation)	1,295,090	1,045,134	1,160,527	1,237,108	1,661,020	1,358,679
<b>Net Revenues</b>	<b>\$ 585,702</b>	<b>\$ 1,135,455</b>	<b>\$ 908,913</b>	<b>\$ 1,097,662</b>	<b>\$ 835,429</b>	<b>\$ 1,529,296</b>

Annual Debt Service Requirement:						
2010 Colo Water Res & Power Dev Loan	\$ 27,247	\$ 27,247	\$ 27,247	\$ 27,247	\$ 27,247	\$ 27,247
1986 Colorado Water Conservation Board	72,506	72,506	72,506	72,506	72,506	72,506
2005 CO Dept of Local Affairs Water Loan	23,772	23,772	23,772	23,772	23,772	23,772
1986 Dolores Water Conservancy District	246,125	246,125	246,125	246,125	246,125	246,125
2015 Colorado Water Conservation Board	-	-	-	-	-	-
Total Annual Debt Service Requirement	369,650	369,650	369,650	369,650	369,650	369,650
Reserve Funding Requirements:						
2010 Colo Water Res & Power Dev Loan	41,127	41,127	41,127	41,127	41,127	41,127
<b>Total Annual Debt Service Requirement</b>	<b>\$ 410,777</b>	<b>\$ 410,777</b>	<b>\$ 410,777</b>	<b>\$ 410,777</b>	<b>\$ 410,777</b>	<b>\$ 410,777</b>

<b>Debt Coverage Ratio</b>	1	3	2	3	2	4
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**CITY OF CORTEZ, CO  
HISTORICAL HYDRO-PLANT FUND OPERATIONS**

HYDRO-PRODUCTION FUND DEBT RATIO

	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>						
Hydro-Production Credits	\$51,364	\$51,040	\$49,472	\$55,084	\$60,275	\$75,540
Energy Credits	\$59,455	\$37,321	\$17,174	\$0	\$0	\$0
<b>Total Revenues</b>	<u>\$110,819</u>	<u>\$88,361</u>	<u>\$66,646</u>	<u>\$55,084</u>	<u>\$60,275</u>	<u>\$75,540</u>
Total Expenses	\$165,183	\$124,876	\$89,809	\$88,682	\$88,631	\$146,392
Less Depreciation	(\$52,125)	(\$75,828)	(\$65,802)	(\$65,802)	(\$65,802)	(\$65,357)
Less Debt Service	(\$21,550)	(\$20,850)	(\$19,879)	(\$18,888)	(\$68,435)	(\$69,443)
Operating Expenses	\$91,508	\$28,198	\$4,128	\$3,992	(\$45,606)	\$11,592
<b>Net Revenues</b>	<u>\$19,311</u>	<u>\$60,163</u>	<u>\$62,518</u>	<u>\$51,092</u>	<u>\$105,881</u>	<u>\$63,948</u>

<b>Annual Debt Service Requirement</b>						
2009 CWRPDA Hydro Loan	\$69,405	\$69,405	\$69,405	\$69,405	\$68,435	\$68,435
<b>Total Annual Debt Service</b>	\$69,405	\$69,405	\$69,405	\$69,405	\$68,435	\$68,435

Debt Ratio Coverage	27.82%	86.68%	90.08%	73.61%	154.72%	93.44%
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**CITY OF CORTEZ, CO  
HISTORICAL HYDRO-PLANT FUND OPERATIONS**

HISTORICAL HYDRO-PLANT FUND OPERATIONS

	2011	2012	2013	2014	2015	2016
<b>OPERATING REVENUES:</b>						
Hydro-Production Credits	\$51,364	\$51,040	\$49,472	\$55,083	\$60,275	\$75,540
Energy Credits	59,455	37,320	17,177	-	-	-
Total Operating Revenues	<u>110,819</u>	<u>88,360</u>	<u>66,649</u>	<u>55,083</u>	<u>60,275</u>	<u>75,540</u>
<b>Operating Expenditures:</b>						
Operations and services	2,509	3,199	4,128	3,992	4,951	11,592
<b>Other Revenues(Expenses)</b>						
Debt Service Interest	(21,550)	(20,850)	(68,473)	(68,455)	(68,435)	(69,443)
Net Income/(Loss) before transfers	<u>86,760</u>	<u>64,311</u>	<u>(5,952)</u>	<u>(17,364)</u>	<u>(13,111)</u>	<u>(5,495)</u>
<b>Transfers</b>						
Transfers In	-	-	-	76,350	-	-
Transfers Out	(89,000)	(25,000)	-	-	-	-
Net Transfers	<u>(89,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>76,350</u>	<u>-</u>	<u>-</u>
<b>GAAP BASIS ADJUSTMENTS</b>						
Debt Service Principal	-	-	48,594	49,567	50,557	52,600
Depreciation	(52,125)	(75,828)	(65,802)	(65,802)	(65,802)	(65,357)
<b>Net Income</b>	<u>(54,365)</u>	<u>(36,517)</u>	<u>(23,160)</u>	<u>42,751</u>	<u>(28,356)</u>	<u>(18,252)</u>
Net Assets, Beginning	226,152	171,787	107,619	84,459	127,210	98,854
Prior Period Restatement	-	(27,651)	-	-	-	(8,413)
<b>Net Assets, Ending</b>	<u>\$171,787</u>	<u>\$107,619</u>	<u>\$84,459</u>	<u>\$127,210</u>	<u>\$98,854</u>	<u>\$72,189</u>