

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

For the Fiscal Year Ended
December 31, 2013



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By Justin L. Smith at 9:53 am, Sep 19, 2014

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INTRODUCTORY SECTION

CITY OF CORTEZ, COLORADO

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

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

TOWN STAFF

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

FINANCIAL SECTION

City of Cortez
Management Discussion and Analysis
December 31, 2013

As management of the City of Cortez, we offer readers of the City of Cortez financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the City of Cortez.

A. FINANCIAL HIGHLIGHTS

City of Cortez is in healthy financial condition.

Cortez's assets and deferred outflows exceeded its liabilities and deferred inflows by \$51,608,958, (i.e., net position at the end of 2013).

Governmental funds reported combined ending fund balance of \$9,956,686. This is a decrease of \$500,569 itemized by fund as follows:

General Fund	\$ (562,722)
Lodgers Tax Fund	\$ 18,521
Conservation Trust Fund	\$ 14,931
Equipment Fund	\$ 138,506
Street Improvement Fund	\$ (110,587)
Emergency Reserve Fund	\$ 679
Mesa Verde Country Visitor Info Bureau	\$ 103

General Fund revenues were relatively flat compared to 2012 showing a decrease of \$51,388. Sales tax increased by 2.13%. Licenses, Permits and Fees showed a decrease of \$115,402 due primarily to the enactment of an economic development incentive that abated 50% of building permit fees and use taxes on any new construction or remodel for any building that is under 10,000 square feet.

General Fund expenditures came in \$192,021 under budget. General Fund capital expenditures were \$902,617 of which \$743,491 was used to purchase 80 acres adjacent to the City Industrial Park. 60 acres was dedicated for the expansion of the Carpenter Natural Area and 20 acres for future industrial park expansion.

At December 31, 2013, the City's General Fund policy was to have an unreserved fund balance equal to at least 20% of the general fund operating appropriations. The fund balance is approximately 3.963 million dollars above this requirement.

The total long-term liabilities decreased by approximately \$662,000 during the 2013 fiscal year. There is no debt within the governmental funds.

The City received \$2,736,206 in grant revenue during 2013. \$175,133 of the grant funding assisted local non-profits who provide critical programs for juveniles and adult education, substance abuse treatment, and housing needs. \$2,247,066 in grant funding was used to subsidize airport improvements and the remaining \$314,006 was used to subsidize fiber to the business, police department equipment purchases, historical status designation to various residences on Montezuma Avenue, Victim Response Coordinator's salary, and the revision of the City's land use code.

City of Cortez
Management Discussion and Analysis
December 31, 2013

B. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities include general government, public safety, public works, and culture and recreation. The business type activities include water, recreation center, refuse, dispatch, shop, technology, and debt service interest.

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

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

City of Cortez
Management Discussion and Analysis
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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds are separated into the following major funds: general fund and street improvement fund. Minor funds included in governmental funds are: lodgers tax fund, conservation trust fund, equipment fund, emergency reserve fund, and the Mesa Verde Country Visitor Info Bureau which is a blended component unit of the City of Cortez. A blended component unit is one that is so intertwined with the City that it functions, for all practical purposes, as an integral part of the City.

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

Proprietary Funds - Proprietary funds are maintained as follows:

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

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

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

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

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

City of Cortez
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C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the close of 2013 total net position was \$51,608,958. By far the largest portion of net position is the investment in capital assets (net of related debt) of \$37,054,371 (71.81% of net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources need to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's governmental and business type net position for 2013 and 2012

Statement of Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current & other assets	\$ 11,299,018	\$ 11,637,286	\$ 6,014,049	\$ 5,456,370	\$ 17,313,067	\$ 17,093,656
Capital assets	16,200,030	15,420,192	30,455,724	29,215,269	46,655,754	44,635,461
Total assets	<u>27,499,048</u>	<u>27,057,478</u>	<u>36,469,773</u>	<u>34,671,639</u>	<u>63,968,821</u>	<u>61,729,117</u>
Deferred Outflows	-	-	116,700	-	116,700	-
Long-term liabilities	976,170	807,850	1,624,874	1,524,653	2,601,044	2,332,503
Other liabilities	518,879	-	9,085,853	9,598,992	9,604,732	9,598,992
Total liabilities	<u>1,495,049</u>	<u>807,850</u>	<u>10,710,727</u>	<u>11,123,645</u>	<u>12,205,776</u>	<u>11,931,495</u>
Deferred inflows of resources	<u>270,787</u>	<u>274,753</u>	<u>-</u>	<u>-</u>	<u>270,787</u>	<u>274,753</u>
Net position:						
Net investment in capital assets	16,200,030	15,420,192	20,854,341	19,080,407	37,054,371	34,500,599
Restricted	397,434	364,451	840,228	69,405	1,237,662	433,856
Unrestricted	9,135,748	9,952,146	4,181,177	4,398,180	13,316,925	14,350,326
Total Net Position	<u>\$ 25,733,212</u>	<u>\$ 25,736,789</u>	<u>\$ 25,875,746</u>	<u>\$ 23,547,992</u>	<u>\$ 51,608,958</u>	<u>\$ 49,284,781</u>

A portion of net position in governmental activities, \$397,434 (1.54%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,135,750 (36%) of net position, may be used to meet the government's ongoing obligations to citizens and creditors.

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Changes in Net Position - Governmental type activities show a slight decrease (\$94,523) which was, in large part, due to the City's land purchase in the amount of \$743,941. The general fund's expenditures exceeded revenues by \$489,594 as a result of the major land purchase. The street improvement fund expenditures exceeded revenues by \$110,587. The street improvement fund constructed \$1,457,319 in capital projects. Non-major funds accounted for an increase of \$172,740. Business-type activities increased the City's net position by \$2,327,750. Business-type activities that comprised the bulk of this increase are: airport fund \$1,932,198; recreation center fund \$388,219; and solid waste collection fund \$153,440. Other business-type activities including police dispatch fund, the hydro plant fund, the city community network, and the water fund showed a combined decrease of \$146,107.

Condensed Statement of Activity

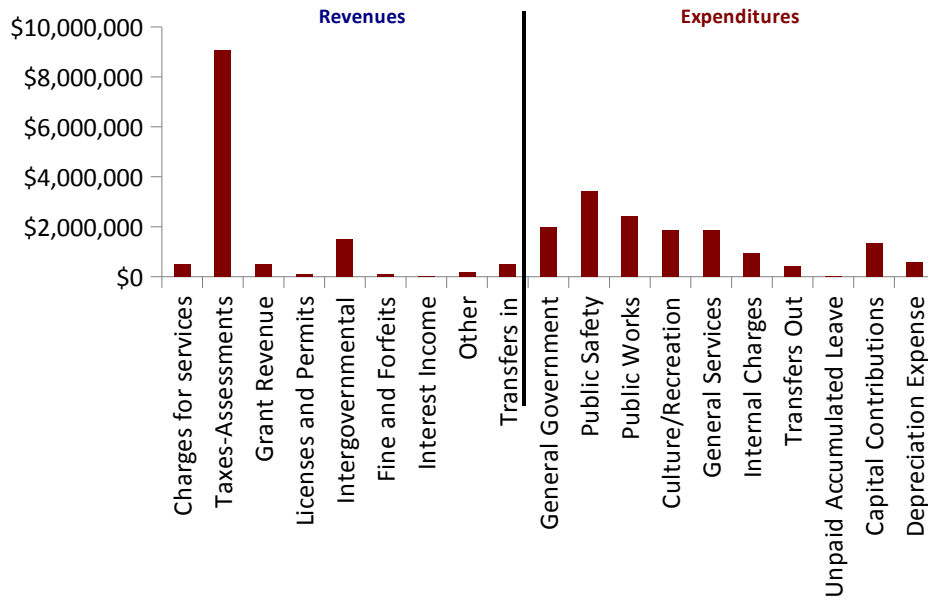
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 626,183	\$ 1,030,581	\$ 5,111,961	\$ 4,899,987	\$ 5,738,144	\$ 5,930,568
Operating Grants and Contributions	2,119,525	1,918,506	-	-	2,119,525	1,918,506
Capital Grants and Contributions	-	-	2,205,315	562,584	2,205,315	562,584
General revenues:						
Taxes:						
Property and Sales tax	8,455,644	8,354,814	1,273,501	1,257,278	9,729,145	9,612,092
Franchise Taxes	612,679	620,118	-	-	612,679	620,118
Interfund Charges	(156,793)	-	-	-	-	-
Investment Earnings	21,178	32,699	14,834	9,504	36,012	42,203
Miscellaneous Revenue	120,115	78,613	-	-	120,115	78,613
Total revenue	<u>11,798,531</u>	<u>12,035,331</u>	<u>8,605,611</u>	<u>6,729,353</u>	<u>20,560,935</u>	<u>18,764,684</u>
Expenses:						
General government	(1,263,520)	(1,857,624)	-	-	(1,263,520)	(1,857,624)
General Services	(1,935,460)	(1,407,476)	-	-	(1,935,460)	(1,407,476)
Public Safety	(3,578,053)	(4,278,228)	-	-	(3,578,053)	(4,278,228)
Public Works	(2,140,203)	(1,595,046)	-	-	(2,140,203)	(1,595,046)
Parks and Recreation	(1,876,590)	(1,663,976)	-	-	(1,876,590)	(1,663,976)
Internal Charges	(791,832)	-	-	-	-	-
Airport	-	-	(495,891)	(609,326)	(495,891)	(609,326)
Recreation	-	-	(1,422,450)	(1,302,146)	(1,422,450)	(1,302,146)
Water	-	-	(2,305,483)	(1,832,270)	(2,305,483)	(1,832,270)
Solid Waste Collection	-	-	(926,645)	(861,987)	(926,645)	(861,987)
Police Dispatch	-	-	(740,464)	(698,411)	(740,464)	(698,411)
Hydro Plant	-	-	(89,809)	(99,877)	(89,809)	(99,877)
City Community Network Fund	-	-	(297,117)	(444,026)	(297,117)	(444,026)
Total expenses	<u>(11,585,658)</u>	<u>(10,802,350)</u>	<u>(6,277,859)</u>	<u>(5,848,043)</u>	<u>(17,071,685)</u>	<u>(16,650,393)</u>
Transfers	-	146,423	-	(146,423)	-	-
Increase (decrease) in Net Position	<u>212,873</u>	<u>1,379,404</u>	<u>2,327,752</u>	<u>734,887</u>	<u>3,489,250</u>	<u>2,114,291</u>
Net position - Beginning	25,736,789	24,541,220	23,547,994	23,064,424	49,284,783	47,605,644
Prior Period Restatement	(216,450)	(183,835)	-	(251,317)	(216,450)	(435,152)
Net Position, Beginning (Restated)	<u>25,520,339</u>	<u>24,357,385</u>	<u>23,547,994</u>	<u>22,813,107</u>	<u>49,068,333</u>	<u>47,170,492</u>
Net position - Ending	<u>\$ 25,733,212</u>	<u>\$ 25,736,789</u>	<u>\$ 25,875,746</u>	<u>\$ 23,547,994</u>	<u>51,608,958</u>	<u>49,284,783</u>

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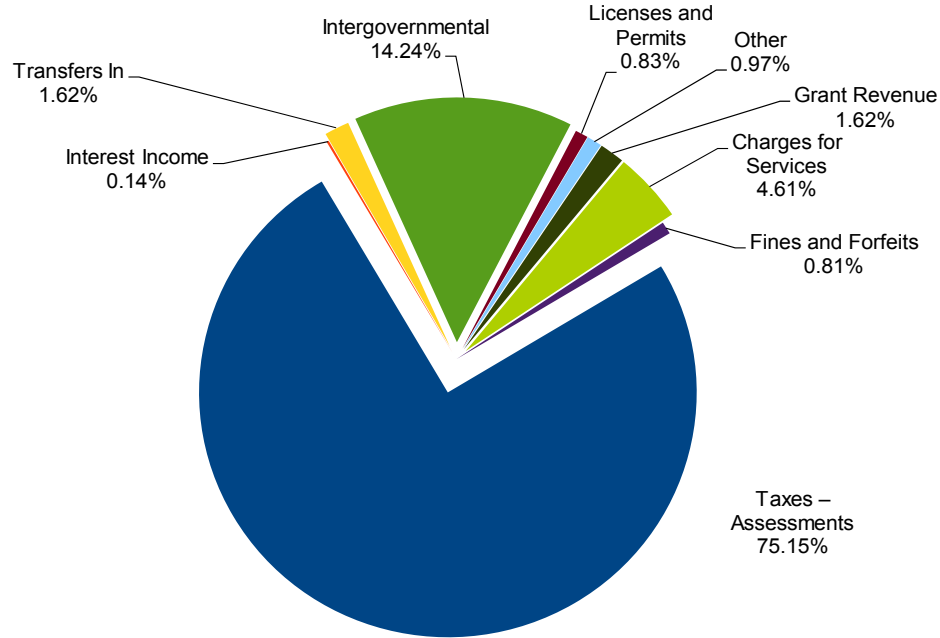
Governmental activities.

Governmental activities increased Cortez’s net position by \$3,576 thereby accounting for .42% of total increase in assets.

2013 Expense and Program Revenues – Governmental Activities



**City of Cortez
Management Discussion and Analysis
December 31, 2013**



Business Activities

Business-type activities for the year resulted in an increase of net position of \$2,327,753. Charges for services accounted for 73.4% of total revenues. Actual expenditures were \$6,277,859.

D. FINANCIAL ANALYSIS OF GOVERNMENT’S FUNDS

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

Governmental Funds – The focus of government funds is to provide information on near term inflows, outflows and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of 2013, the City’s governmental funds reported combined ending fund balances of \$9,956,686 a decrease of \$500,569 in comparison with the prior year. A portion of the fund balance is reserved to indicate that it is not available for new spending because it is already committed to meet a state constitution mandated emergency reserve of \$397,434. With the remaining \$9,135,749 is unrestricted.

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

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The general fund is the primary operating fund for the City of Cortez. At the end of 2013, \$4,896,814 of the fund balance was unreserved. This represents 97.75% of the total fund balance. The reserved portion of this fund balance for 2013 represents prepaid expenditures and inventory.

The Lodger's Tax fund accounts for lodger's tax revenues to promote tourism and commerce in the area. Primarily lodger's tax finances this fund. At the end of 2013 the Lodgers Tax fund unreserved balance was \$61,807 which was \$18,521 more than the previous year. The contributing factor to this increase was increase in lodger's tax collections. Lodger's tax revenue covered the contract with Mesa Verde Country V.I.B. and the mandatory 20% transfer to the General Fund for administration and city-wide beautification.

The Conservation Trust fund had a total fund balance at the end of 2013 of \$32,304. This fund accounts for State of Colorado lottery funds and is to be used for parks and recreation services and capital investment. The increase in fund balance of \$14,931 was due to an increase of lottery funds received by the State of Colorado.

The Equipment Fund accounts for the purchase of city equipment and its primary source of revenue is 3.07% of sales tax collections. At the end of 2013 the Equipment Fund had a fund balance of \$1,159,451 which was \$138,506 more than the previous year. \$203,059 was spent for the replacement of older equipment in the refuse, police department, public works, and parks and recreation. The largest expense was \$121,000 for a refuse collection truck.

The Street Improvement fund which accounts for 12.36% of sales tax collections and is used to improve the City's streets had a fund balance at the end of 2013 in the amount of \$3,252,574. This was a decrease of \$110,587 from 2012 year-end. \$668,993 was spent for the improvement and maintenance of the City's streets and \$287,163 was spent for the Broadway Median Beautification Project.

The Emergency Reserve fund had a fund balance of \$365,130 at the end of 2013 which was an increase of \$679 from the prior year. The Emergency Reserve fund is required by TABOR and is to be used only for specific emergencies and must be replaced, if used, within the next fiscal period. This fund balance is reserved. The increase for 2013 was due to investment earnings.

The Grant Fund is a new fund in 2013 and accounts for all grants that the City receives for the benefit of local non-profit organizations (Pass-Thru Grants). There is no fund balance because all revenues received are passed through to non-profits for expenses they incur in the provision of services to citizens in the area.

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

City of Cortez
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The City has nine proprietary funds, the Water Utility Fund, Airport Fund, Solid Waste Fund, Police Dispatch Fund, Recreation Center Fund, Shop Fund, Cortez Community Network Fund, Technology Fund, and Self-Insured Health Fund. Unrestricted net position of the proprietary funds at the end of 2013 amounts to \$4,248,016. The Water Utility Fund accounted for \$1,357,372 and the Recreation Center Fund accounted for \$2,000,517. Total net position increased by \$2,229,814 in comparison with the prior year.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between original budget and the final amended budget for General fund activities resulted in an overall increase in appropriations of \$175,842. This increase was a result of minor departmental adjustments.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Cortez's investment in capital assets for its governmental and business type activities as of December 31, 2013, amounts to \$46,655,754, an increase of \$2,020,293 from the prior year. Depreciation of \$1,686,779 was allocated in 2013. As required by GASB 34, the investment in capital assets includes land, buildings, building improvements, equipment, and infrastructure.

Long Term Debt. At the end of 2013, total bonded debt outstanding was \$4,245,000. This debt represents bonds secured solely by specific revenue sources (i.e., revenue bonds). During 2011 these bonds were refinanced in order to realize further savings in the repayment of these bonds. At the end of 2013, the only outstanding bonded debt was secured by sales tax revenue and was used for the construction and operations of the Cortez Recreation Center. The remaining outstanding debt not subject to voter approval is notes payable to the State of Colorado in the amount of \$472,180; the Dolores Water Conservancy Board in the amount of \$3,225,076; the Colorado Department of Local Affairs in the amount of \$210,696; and the Colorado Water Resources Power Dev. Authority in the amount of \$991,928 and the Drinking Water Revolving Fund for \$391,027. All debt was for Business-type activities. The City also had a liability at the end of 2013 for compensated absences in the amount of \$158,763 in the business type activities and 518,878 in the governmental type activities.

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

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

The City of Cortez has budgeted sales tax revenue conservatively for 2014 with an estimated increase of 2%.

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Capital plans for 2014 are budgeted for \$3,847,900. The largest capital project scheduled is \$2,100,000 for fiber expansion with a proposed grant in the amount of \$1,000,000 to offset this expense. There is also \$800,000 scheduled for improvements to the 80 acres purchased in 2013 at the Industrial Park (adjacent to the Service Center).

The City will continue to provide cost effective services and will strive to respond to any challenging economic conditions we may face.

H. REQUEST FOR INFORMATION

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

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

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City of Cortez, Colorado, as of and for the year ended December 31, 2013, 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 did not audit the financial statements of the Mesa Verde Country® Visitor Information Bureau, which represent .3 percent, .3 percent, and .7 percent, respectively, of the assets, net position, and revenues of the governmental activities and 1.7 percent, 2.9 percent, and 7 percent of the assets, fund balance/net position and total revenues and other financing sources of the aggregate remaining funds, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mesa Verde Country® Visitor Information Bureau, is based solely on the report of the other auditors. 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 and the report of other auditors, 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information – Management Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 33-35 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 36-58 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2014 on our consideration of the City of Cortez's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cortez's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Local Highway Finance Report* on pages 59 – 60 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.



Englewood, Colorado
May 19, 2014

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, 2013.

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Government-Wide Financial Statements

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City of Cortez, Colorado
Statement of Net Position
December 31, 2013

	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current Assets			
Cash in Checking	\$ 4,511,455	\$ 1,671,597	\$ 6,183,052
Petty Cash	3,906	1,941	5,847
Cash in Local Government Pools	1,736,099	319,902	2,056,001
Investments	2,637,216	2,184,831	4,822,047
Property Tax Receivable	105,489	-	105,489
Accounts Receivable	986,529	659,224	1,645,753
Special Assessment Receivable	164,232	-	164,232
Interfund Receivable	958,050	-	958,050
Intergovernmental Receivable	61,648	31,711	93,359
Inventory	64,313	295,852	360,165
Prepaid Expenses	70,081	8,763	78,844
Total Current Assets	11,299,018	5,173,821	16,472,839
Capital Assets			
Capital Assets not being depreciated	1,152,583	4,921,300	6,073,883
Capital Assets being depreciated	15,047,447	25,534,424	40,581,871
Total Capital Assets	16,200,030	30,455,724	46,655,754
Other Assets			
Restricted Cash	-	840,228	840,228
	<u>27,499,048</u>	<u>36,469,773</u>	<u>63,968,821</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES			
Deferred Charge on Refunding	-	116,700	116,700
	<u>-</u>	<u>116,700</u>	<u>116,700</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	461,754	162,607	624,361
Accrued Payroll	120,549	42,747	163,296
Deposits	15,414	1,781	17,195
Interfund Payables	378,453	582,000	960,453
Accrued Interest Payable	-	36,410	36,410
Unearned Revenue	-	125,036	125,036
Noncurrent Liabilities - Due within one year	-	674,293	674,293
Total Current Liabilities	976,170	1,624,874	2,601,044
Noncurrent Liabilities			
Accrued Compensated Absences	518,879	158,763	677,642
Notes and Loans Payable	-	8,927,090	8,927,090
Total Noncurrent Liabilities	518,879	9,085,853	9,604,732
Total Liabilities	1,495,049	10,710,727	12,205,776
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Unavailable Property Taxes	270,787	-	270,787
	<u>270,787</u>	<u>-</u>	<u>270,787</u>
NET POSITION			
Net Investment in Capital Assets	16,200,030	20,854,341	37,054,371
Restricted	397,434	840,228	1,237,662
Unrestricted	9,135,748	4,181,177	13,316,925
Net Position, Ending	\$ 25,733,212	\$ 25,875,746	\$ 51,608,958

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

City of Cortez, Colorado
Statement of Activities
Year Ended December 31, 2013

<u>Function/Program</u>	<u>Expenditures</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ (1,263,520)	\$ 67,850	\$ 1,229,544	\$ -
General Services	(1,935,460)	-	-	-
Public Safety	(3,578,053)	77,833	218,719	-
Public Works	(2,140,203)	50,434	539,520	-
Parks and Recreation	(1,876,590)	430,066	131,742	-
Internal Charges	(791,832)	-	-	-
Total Governmental Activities	<u>(11,585,658)</u>	<u>626,183</u>	<u>2,119,525</u>	<u>-</u>
Business-type Activities				
Airport	(495,891)	222,693	-	2,205,315
Recreation	(1,422,450)	527,158	-	-
Water	(2,305,483)	2,066,459	-	-
Solid Waste Collection	(926,645)	1,078,373	-	-
Police Dispatch	(740,464)	711,974	-	-
Hydro Plant	(89,809)	66,649	-	-
City Community Network Fund	(297,117)	438,655	-	-
Total Business-type Activities	<u>(6,277,859)</u>	<u>5,111,961</u>	<u>-</u>	<u>2,205,315</u>
Total Government	<u>\$ (17,863,517)</u>	<u>\$ 5,738,144</u>	<u>\$ 2,119,525</u>	<u>\$ 2,205,315</u>
General Revenues				
Property and Sales Taxes				
Franchise Taxes				
Interfund Charges				
Investment Earnings				
Miscellaneous Revenue				
Total General Revenues				
Change in Net Position				
Net Position, Beginning				
Prior Period Restatement				
Net Position, Beginning (As Restated)				
Net Position, Ending				

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

Net Revenue (Expense) and Changes in Net Position

Governmental	Business-type	
Activities	Activities	Total
\$ 33,874	\$ -	\$ 33,874
(1,935,460)	-	(1,935,460)
(3,281,501)	-	(3,281,501)
(1,550,249)	-	(1,550,249)
(1,314,782)	-	(1,314,782)
(791,832)	-	(791,832)
<u>(8,839,950)</u>	<u>-</u>	<u>(8,839,950)</u>
-	1,932,117	1,932,117
-	(895,292)	(895,292)
-	(239,024)	(239,024)
-	151,728	151,728
-	(28,490)	(28,490)
-	(23,160)	(23,160)
-	141,538	141,538
<u>-</u>	<u>1,039,417</u>	<u>1,039,417</u>
<u>(8,839,950)</u>	<u>1,039,417</u>	<u>(7,800,533)</u>
8,455,644	1,273,501	9,729,145
612,679	-	612,679
(156,793)	-	(156,793)
21,178	14,834	36,012
120,115	-	120,115
<u>9,052,823</u>	<u>1,288,335</u>	<u>10,341,158</u>
<u>212,873</u>	<u>2,327,752</u>	<u>2,540,625</u>
25,736,789	23,547,994	49,284,783
(216,450)	-	(216,450)
<u>25,520,339</u>	<u>23,547,994</u>	<u>49,068,333</u>
<u>\$ 25,733,212</u>	<u>\$ 25,875,746</u>	<u>\$ 51,608,958</u>

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Fund Financial Statements

City of Cortez, Colorado
Balance Sheet
Governmental Funds
December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

				Total	
				2013	2012
	General Fund	Street Improvement Fund	Nonmajor Funds		
Assets					
Cash in Checking	\$ 2,147,794	\$ 963,259	\$ 946,279	\$ 4,057,332	\$ 4,706,938
Petty Cash	3,754	-	-	3,754	2,732
Cash in Local Government Pools	234,994	984,274	516,831	1,736,099	2,734,405
Investments	1,532,439	704,054	200,000	2,436,493	1,130,744
Property Tax Receivable	105,489	-	-	105,489	100,541
Accounts Receivable	813,227	112,698	40,735	966,660	1,037,404
Special Assessment Receivable	57,794	106,438	-	164,232	173,825
Interfund Receivable	451,050	507,000	-	958,050	958,050
Intergovernmental Receivable	49,741	-	11,907	61,648	99,749
Inventory	44,850	-	-	44,850	4,993
Prepaid Expenses	67,901	85	-	67,986	28,083
Total Assets	\$ 5,509,033	\$ 3,377,808	\$ 1,715,752	\$ 10,602,593	\$ 10,977,464
Liabilities					
Accounts Payable	\$ 209,243	\$ 17,808	\$ 18,802	\$ 245,853	\$ 178,014
Accrued Payroll	110,462	988	-	111,450	63,155
Deposits	15,414	-	-	15,414	3,587
Unearned Revenue	-	-	2,403	2,403	700
Total Liabilities	335,119	18,796	21,205	375,120	245,456
Deferred Inflows of Financial Resources					
Unavailable Property Taxes	164,349	106,438	-	270,787	274,753
Fund Balance					
Nonexpendable	112,751	85	-	112,836	33,076
Restricted	-	-	397,434	397,434	364,451
Assigned	786,919	3,252,489	1,297,113	5,336,521	4,519,910
Unassigned	4,109,895	-	-	4,109,895	5,539,818
Total Fund Balance	5,009,565	3,252,574	1,694,547	9,956,686	10,457,255
Total Liabilities, Deferred Inflows and Fund Balance	\$ 5,509,033	\$ 3,377,808	\$ 1,715,752	\$ 10,602,593	\$ 10,977,464

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

City of Cortez, Colorado
Reconciliation of Governmental Fund Balance to
Governmental Activities Net Position
December 31, 2013

Governmental Fund Balance	\$ 9,956,686
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	27,879,280
Accumulated Depreciation	(12,847,990)
Earned but unpaid accumulated leave balances are not reported in the funds:	
Accrued Compensated Absences	(490,343)
Internal service funds are blended into governmental activities:	
Internal Service Fund Net Position	<u>82,996</u>
Governmental Activities Net Position	<u><u>\$ 25,733,212</u></u>

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

City of Cortez, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	Street Improvement			Total	
	General Fund	Fund	Nonmajor Funds	2013	2012
Revenues					
Property and Sales Taxes	\$ 6,829,698	\$ 1,159,092	\$ 466,854	\$ 8,455,644	\$ 8,354,814
Franchise Taxes	612,679	-	-	612,679	620,118
Licenses, Permits and Fees	82,312	-	-	82,312	197,714
Intergovernmental Revenue	1,410,143	-	157,157	1,567,300	1,520,396
Charges for Services	456,636	-	6,816	463,452	742,647
Interfund Charges	70,000	-	-	70,000	-
Fines and Forfeits	80,419	-	-	80,419	90,220
Investment Earnings	14,334	5,379	1,465	21,178	32,699
Donation	63,086	-	-	63,086	37,093
Miscellaneous Revenue	33,074	28,589	58,452	120,115	78,608
Grant Revenue	160,334	153,672	175,134	489,140	361,021
Total Revenues	<u>9,812,715</u>	<u>1,346,732</u>	<u>865,878</u>	<u>12,025,325</u>	<u>12,035,330</u>
Expenditures					
General Government	1,446,440	-	541,947	1,988,387	1,835,062
General Services	1,642,326	-	203,059	1,845,385	1,330,025
Public Safety	3,439,521	-	-	3,439,521	3,368,930
Public Works	928,184	1,457,319	-	2,385,503	1,703,369
Parks and Recreation	1,827,213	-	76,260	1,903,473	1,890,989
Internal Charges	1,018,625	-	-	1,018,625	701,117
Total Expenditures	<u>10,302,309</u>	<u>1,457,319</u>	<u>821,266</u>	<u>12,580,894</u>	<u>10,829,492</u>
Revenues in Excess (Deficiency) of Expenditures	<u>(489,594)</u>	<u>(110,587)</u>	<u>44,612</u>	<u>(555,569)</u>	<u>1,205,838</u>
Other Financing Sources (Uses)					
Transfers In	90,472	-	288,600	379,072	560,643
Transfers Out	(163,600)	-	(160,472)	(324,072)	(92,543)
Net Other Financing Sources (Uses)	<u>(73,128)</u>	<u>-</u>	<u>128,128</u>	<u>55,000</u>	<u>468,100</u>
Change in Fund Balance	<u>(562,722)</u>	<u>(110,587)</u>	<u>172,740</u>	<u>(500,569)</u>	<u>1,673,938</u>
Fund Balance, Beginning	<u>5,572,287</u>	<u>3,363,161</u>	<u>1,521,807</u>	<u>10,457,255</u>	<u>8,783,317</u>
Fund Balance, Ending	<u>\$ 5,009,565</u>	<u>\$ 3,252,574</u>	<u>\$ 1,694,547</u>	<u>\$ 9,956,686</u>	<u>\$ 10,457,255</u>

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

City of Cortez, Colorado
Reconciliation of Change in Governmental Fund Balance to
Change in Governmental Activities Net Position
Year Ended December 31, 2013

Change in Governmental Fund Balance	\$ (500,569)
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities:	
Capitalized nondepreciable assets	751,520
Capitalized depreciable assets	599,279
Depreciation expense	(564,366)
Earned but unpaid accumulated leave balances are not reported in the funds:	
Accrued Compensated Absences	24,947
Internal service funds are blended into governmental activities:	
Internal Service Fund Net Position	<u>(97,938)</u>
Change in Governmental Activities Net Position	<u><u>\$ 212,873</u></u>

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

City of Cortez, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2013
(With Comparative Totals for December 31, 2012)

	Business-type Activities			
	Recreation Center			Solid Waste
	Airport Fund	Fund	Water Fund	Collection Fund
ASSETS				
Current Assets				
Cash in Checking	\$ 177,328	\$ 133,355	\$ 694,157	\$ 264,002
Petty Cash	-	1,341	600	-
Cash in Local Government Pools	22	9	118,425	201,446
Investments	-	1,704,626	354,163	126,042
Accounts Receivable	5,788	125,724	135,222	106,475
Intergovernmental Receivable	31,711	-	-	-
Inventory	-	2,310	256,663	-
Prepaid Expenses	98	838	1,777	5,629
Total Current Assets	214,947	1,968,203	1,561,007	703,594
Capital Assets				
Capital Assets not being depreciated	718,874	-	4,202,426	-
Capital Assets being depreciated	7,469,896	7,797,165	8,526,668	-
Total Capital Assets	8,188,770	7,797,165	12,729,094	-
Other Assets				
Restricted Cash	-	424,500	346,323	-
Total Assets	8,403,717	10,189,868	14,636,424	703,594
DEFERRED OUTFLOW OF RESOURCES				
Deferred Charge on Refunding	-	116,700	-	-
LIABILITIES				
Current Liabilities				
Accounts Payable	845	24,085	35,192	22,375
Accrued Payroll	2,263	11,459	8,302	9,560
Deposits	-	1,781	-	-
Interfund Payables	-	-	-	-
Accrued Interest Payable	-	10,607	6,780	-
Unearned Revenue	-	9,823	115,213	-
Noncurrent Liabilities - Due within one year	-	492,481	132,246	-
Total Current Liabilities	3,108	550,236	297,733	31,935
Noncurrent Liabilities				
Accrued Compensated Absences	25,571	26,629	38,148	34,851
Notes and Loans Payable	-	3,817,995	4,166,734	-
Total Noncurrent Liabilities	25,571	3,844,624	4,204,882	34,851
Total Liabilities	28,679	4,394,860	4,502,615	66,786
NET POSITION				
Net Investment in Capital Assets	8,188,770	3,486,689	8,430,114	-
Restricted	-	424,500	346,323	-
Unrestricted	186,268	2,000,519	1,357,372	636,808
Net Position, Ending	\$ 8,375,038	\$ 5,911,708	\$ 10,133,809	\$ 636,808

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 Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>2013</u>	<u>2012</u>	
\$ 402,755	\$ 1,671,597	\$ 454,123	\$ 2,125,720	\$ 2,434,338	
-	1,941	152	2,093	1,273	
-	319,902	-	319,902	319,612	
-	2,184,831	200,723	2,385,554	1,555,998	
286,015	659,224	19,869	679,093	573,819	
-	31,711	-	31,711	21,329	
36,879	295,852	19,463	315,315	298,502	
421	8,763	2,095	10,858	89,753	
<u>726,070</u>	<u>5,173,821</u>	<u>696,425</u>	<u>5,870,246</u>	<u>5,294,624</u>	
-	4,921,300	-	4,921,300	4,921,300	
1,740,695	25,534,424	16,157	25,550,581	24,316,721	
<u>1,740,695</u>	<u>30,455,724</u>	<u>16,157</u>	<u>30,471,881</u>	<u>29,238,021</u>	
69,405	840,228	-	840,228	821,568	
<u>2,536,170</u>	<u>36,469,773</u>	<u>712,582</u>	<u>37,182,355</u>	<u>35,354,213</u>	
-	116,700	-	116,700	128,530	
80,110	162,607	215,901	378,508	187,179	
11,163	42,747	9,099	51,846	31,387	
-	1,781	-	1,781	1,050	
582,000	582,000	376,050	958,050	958,050	
19,023	36,410	-	36,410	38,623	
-	125,036	-	125,036	120,653	
49,566	674,293	-	674,293	662,010	
<u>741,862</u>	<u>1,624,874</u>	<u>601,050</u>	<u>2,225,924</u>	<u>1,998,952</u>	
33,564	158,763	28,536	187,299	153,481	
942,361	8,927,090	-	8,927,090	9,601,382	
975,925	9,085,853	28,536	9,114,389	9,754,863	
<u>1,717,787</u>	<u>10,710,727</u>	<u>629,586</u>	<u>11,340,313</u>	<u>11,753,815</u>	
748,768	20,854,341	16,157	20,870,498	18,974,629	
69,405	840,228	-	840,228	752,163	
210	4,181,177	66,839	4,248,016	4,002,136	
<u>\$ 818,383</u>	<u>\$ 25,875,746</u>	<u>\$ 82,996</u>	<u>\$ 25,958,742</u>	<u>\$ 23,728,928</u>	

City of Cortez, Colorado
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	Business-type Activities			Business-type Activities		
	Recreation		Solid Waste	Other	Total	
	Airport Fund	Center Fund	Water Fund	Collection Fund	Enterprise Funds	Enterprise Funds
OPERATING REVENUES						
Intergovernmental Revenue	\$ 20,268	\$ -	\$ -	\$ -	\$ 35,000	\$ 55,268
Charges for Services	202,425	527,158	2,056,461	1,078,373	833,549	4,697,966
Interfund Charges	-	-	-	-	261,524	261,524
Miscellaneous Revenue	-	-	9,998	-	87,205	97,203
Total Operating Revenues	<u>222,693</u>	<u>527,158</u>	<u>2,066,459</u>	<u>1,078,373</u>	<u>1,217,278</u>	<u>5,111,961</u>
OPERATING EXPENSES						
Health Claims	-	-	-	-	-	-
Shop	-	-	-	-	-	-
Building Overhead	-	-	-	-	-	-
Technology	-	-	-	-	-	-
Fiber Network	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-
Administration	-	-	169,562	24,545	29,312	223,419
Filtration and Treatment	-	-	464,475	-	-	464,475
Transmission and Distribution	-	-	273,345	-	-	273,345
Airport Operations	180,872	-	-	-	-	180,872
Meter Maintenance	-	-	138,436	-	-	138,436
Collection	-	-	-	694,023	-	694,023
Recycling	-	-	-	139,195	-	139,195
Fiber Outside Plant	-	-	-	-	135,846	135,846
Fiber Administration	-	-	-	-	410	410
Fiber Inside Plant	-	-	-	-	45,843	45,843
Water Capital Projects	-	-	11,613	-	-	11,613
Recreation Center	-	996,226	-	-	-	996,226
Police Support Services	-	-	-	-	722,757	722,757
Capital Outlay	44,810	36,520	456,536	-	3,538	541,404
Depreciation	266,810	251,693	433,635	-	163,680	1,115,818
Internal Charges	3,399	(488)	114,709	68,882	6,125	192,627
Total Operating Expenses	<u>495,891</u>	<u>1,283,951</u>	<u>2,062,311</u>	<u>926,645</u>	<u>1,107,511</u>	<u>5,876,309</u>
Operating Income (Loss)	<u>(273,198)</u>	<u>(756,793)</u>	<u>4,148</u>	<u>151,728</u>	<u>109,767</u>	<u>(764,348)</u>
Other Revenues (Expenses)						
Property and Sales Taxes	-	1,273,501	-	-	-	1,273,501
Investment Earnings	81	10,012	2,979	1,712	50	14,834
Interest Expense	-	(138,499)	(243,172)	-	(19,879)	(401,550)
Net Income (Loss) before Transfers	<u>(273,117)</u>	<u>388,221</u>	<u>(236,045)</u>	<u>153,440</u>	<u>89,938</u>	<u>122,437</u>
Transfers						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Net Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Contributions	<u>2,205,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,205,315</u>
Change in Fund Balance	<u>1,932,198</u>	<u>388,221</u>	<u>(236,045)</u>	<u>153,440</u>	<u>89,938</u>	<u>2,327,752</u>
Net Position, Beginning	<u>6,442,840</u>	<u>5,523,487</u>	<u>10,369,854</u>	<u>483,368</u>	<u>728,445</u>	<u>23,547,994</u>
Net Position, Ending	<u>\$ 8,375,038</u>	<u>\$ 5,911,708</u>	<u>\$ 10,133,809</u>	<u>\$ 636,808</u>	<u>\$ 818,383</u>	<u>\$ 25,875,746</u>

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

Govt Act.	Total	
Internal		
Service Funds	2013	2012
\$ 5,580	\$ 60,848	\$ 26,416
162,923	4,860,889	4,779,515
2,670,513	2,932,037	2,822,003
336	97,539	57,009
<u>2,839,352</u>	<u>7,951,313</u>	<u>7,684,943</u>
1,743,959	1,743,959	1,933,723
671,252	671,252	622,017
116,583	116,583	104,566
273,986	273,986	271,201
1,679	1,679	4,976
49,259	49,259	21,669
-	223,419	221,564
-	464,475	196,825
-	273,345	434,651
-	180,872	149,366
-	138,436	177,497
-	694,023	679,156
-	139,195	116,620
-	135,846	12,562
-	410	-
-	45,843	46,448
-	11,613	-
-	996,226	916,024
-	722,757	684,242
15,087	556,491	641,700
6,595	1,122,413	1,107,716
4,721	197,348	72,162
<u>2,883,121</u>	<u>8,759,430</u>	<u>8,414,685</u>
(43,769)	(808,117)	(729,742)
-	1,273,501	1,257,278
831	15,665	9,739
-	(401,550)	(406,020)
<u>(42,938)</u>	<u>79,499</u>	<u>131,255</u>
-	-	191,923
(55,000)	(55,000)	(231,423)
(55,000)	(55,000)	(39,500)
-	2,205,315	562,584
(97,938)	2,229,814	654,339
180,934	23,728,928	23,074,589
<u>\$ 82,996</u>	<u>\$ 25,958,742</u>	<u>\$ 23,728,928</u>

City of Cortez, Colorado
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	Business-type Activities			
	Recreation			Solid Waste
	Airport Fund	Center Fund	Water Fund	Collection Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash flows from customers	\$ 219,830	\$ 527,060	\$ 2,063,566	\$ 1,076,870
Cash flows from internal activities	-	-	-	-
Cash paid to suppliers	(127,201)	(486,757)	(980,691)	(361,082)
Cash paid to/for benefit of employees	(114,662)	(548,809)	(621,768)	(547,282)
Net Cash Provided (Used) by Operating Activities	<u>(22,033)</u>	<u>(508,506)</u>	<u>461,107</u>	<u>168,506</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital asset acquisitions	(2,172,695)	-	(32,110)	-
Debt payments	-	(487,403)	(126,010)	-
Grant proceeds	2,194,933	-	-	-
Interest paid	-	(127,484)	(243,638)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>22,238</u>	<u>(614,887)</u>	<u>(401,758)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Tax Revenue	-	1,273,501	-	-
Transfers (to) from Other Funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>1,273,501</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	81	10,012	2,979	1,712
Net cash invested	-	(600,707)	(2,084)	(26,042)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	<u>81</u>	<u>(590,695)</u>	<u>895</u>	<u>(24,330)</u>
CHANGE IN CASH	286	(440,587)	60,244	144,176
CASH AND EQUIVALENTS, Beginning	<u>177,064</u>	<u>999,792</u>	<u>1,099,261</u>	<u>321,272</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 177,350</u>	<u>\$ 559,205</u>	<u>\$ 1,159,505</u>	<u>\$ 465,448</u>
CASH PER BALANCE SHEET				
Cash in Checking	\$ 177,328	\$ 133,355	\$ 694,157	\$ 264,002
Petty Cash	-	1,341	600	-
Cash in Money Markets	22	9	118,425	201,446
Restricted Cash	-	424,500	346,323	-
Total Cash and Equivalents, Ending	<u>\$ 177,350</u>	<u>\$ 559,205</u>	<u>\$ 1,159,505</u>	<u>\$ 465,448</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (273,198)	\$ (756,793)	\$ 4,148	\$ 151,728
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	266,810	251,693	433,635	-
(Increase) Decrease in:				
Accounts Receivable	(2,863)	(4,203)	(3,171)	(1,503)
Interfund Receivable	-	-	-	-
Inventory	-	(487)	(5,600)	-
Prepaid Expenses	(16)	219	(293)	(930)
Increase (Decrease) in:				
Accounts Payable	(29,942)	(3,403)	19,894	4,160
Accrued Payroll	1,210	5,239	1,872	4,684
Deposits	-	731	-	-
Interfund Payables	-	-	-	-
Deferred Revenue	-	4,105	278	-
Accrued Compensated Absences	15,966	(5,607)	10,344	10,367
Net Reconciliation Adjustments	<u>251,165</u>	<u>248,287</u>	<u>456,959</u>	<u>16,778</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (22,033)</u>	<u>\$ (508,506)</u>	<u>\$ 461,107</u>	<u>\$ 168,506</u>

See accompanying Independent Auditors' Report

Business-type Activities		Govt Act.	Total	
Other	Total			
Enterprise	Enterprise	Internal		
Funds	Funds	Service Funds	2013	2012
\$ 881,898	\$ 4,769,224	\$ 149,160	\$ 4,918,384	\$ 5,437,952
261,524	261,524	2,670,513	2,932,037	2,888,607
(63,372)	(2,019,103)	1,297,293	(721,810)	(5,627,396)
<u>(811,272)</u>	<u>(2,643,793)</u>	<u>(3,962,995)</u>	<u>(6,606,788)</u>	<u>(3,385,402)</u>
<u>268,778</u>	<u>367,852</u>	<u>153,971</u>	<u>521,823</u>	<u>(686,239)</u>
(151,467)	(2,356,272)	-	(2,356,272)	(239,760)
(48,596)	(662,009)	-	(662,009)	(777,962)
-	2,194,933	-	2,194,933	569,185
<u>(20,811)</u>	<u>(391,933)</u>	<u>-</u>	<u>(391,933)</u>	<u>(418,519)</u>
<u>(220,874)</u>	<u>(1,215,281)</u>	<u>-</u>	<u>(1,215,281)</u>	<u>(867,056)</u>
-	1,273,501	-	1,273,501	1,257,278
-	-	(55,000)	(55,000)	(39,500)
-	<u>1,273,501</u>	<u>(55,000)</u>	<u>1,218,501</u>	<u>1,217,778</u>
50	14,834	831	15,665	9,739
-	(628,833)	(200,723)	(829,556)	(553,812)
<u>50</u>	<u>(613,999)</u>	<u>(199,892)</u>	<u>(813,891)</u>	<u>(544,073)</u>
47,954	(187,927)	(100,921)	(288,848)	(879,590)
<u>424,206</u>	<u>3,021,595</u>	<u>555,196</u>	<u>3,576,791</u>	<u>4,456,381</u>
\$ <u>472,160</u>	\$ <u>2,833,668</u>	\$ <u>454,275</u>	\$ <u>3,287,943</u>	\$ <u>3,576,791</u>
\$ 402,755	\$ 1,671,597	\$ 454,123	\$ 2,125,720	\$ 2,434,338
-	1,941	152	2,093	1,273
-	319,902	-	319,902	319,612
<u>69,405</u>	<u>840,228</u>	<u>-</u>	<u>840,228</u>	<u>821,568</u>
\$ <u>472,160</u>	\$ <u>2,833,668</u>	\$ <u>454,275</u>	\$ <u>3,287,943</u>	\$ <u>3,576,791</u>
\$ <u>109,767</u>	\$ <u>(764,348)</u>	\$ <u>(43,769)</u>	\$ <u>(808,117)</u>	\$ <u>(729,742)</u>
163,680	1,115,818	6,595	1,122,413	1,107,716
(73,856)	(85,596)	(19,679)	(105,275)	473,647
-	-	-	-	(21,446)
<u>(13,620)</u>	<u>(19,707)</u>	<u>2,894</u>	<u>(16,813)</u>	<u>(19,077)</u>
(69)	(1,089)	79,984	78,895	(9,045)
77,893	68,602	122,727	191,329	(1,707,498)
3,430	16,435	4,024	20,459	(3,454)
-	731	-	731	663
-	-	-	-	88,050
-	4,383	-	4,383	101,365
<u>1,553</u>	<u>32,623</u>	<u>1,195</u>	<u>33,818</u>	<u>32,582</u>
<u>159,011</u>	<u>1,132,200</u>	<u>197,740</u>	<u>1,329,940</u>	<u>43,503</u>
\$ <u>268,778</u>	\$ <u>367,852</u>	\$ <u>153,971</u>	\$ <u>521,823</u>	\$ <u>(686,239)</u>

City of Cortez, Colorado
Statement of Fiduciary Net Position
Court Bond Agency Fund
December 31, 2013
(With Comparative Totals for December 31, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash in Checking	\$ 4,807	\$ 5,337
FIDUCIARY NET POSITION		
Funds Held for Others	<u>\$ 4,807</u>	<u>\$ 5,337</u>

See accompanying Independent Auditors' Report

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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.

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, 2013

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

BASIS OF PRESENTATION (Continued)

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

Fund Financial Statements

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

GOVERNMENTAL FUNDS

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

PROPRIETARY FUNDS

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

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

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

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

The City reports the following Internal Service Funds:

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

FIDUCIARY FUND

The City reports the following fiduciary fund:

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

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide and Proprietary Fund Financial Statements

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

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

Governmental Fund Financial Statements

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

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

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

BUDGETS

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

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

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

CASH AND INVESTMENTS

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

PROPERTY TAXES

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

INVENTORY

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

CAPITAL ASSETS

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

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

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

The City capitalizes interest costs during construction; however none of the interest paid met the capitalization requirements during 2013.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

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.

The December 31, 2012 governmental activities net position has been restated to include \$216,450 of sick leave. The City's prior year financial statements included amounts for unused vacation time only.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows of financial resources and deferred inflows of financial resources, represent a usage or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until a future period. The government has two types of items, which arise under the full accrual basis of accounting for both types. The unavailable property taxes are reported as a deferred inflow for the governmental activities presentation. The other item, deferred charge on refunding, is reported in both the business-type activities statement of net position and in the proprietary funds statement of net position. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and will be recognized as an outflow or inflow of resources in the period that the amounts become recognizable as an expense or available, respectively. 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. In the case of the deferred outflow, the charge will be recognized proportionately as the outstanding principal is repaid.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

NET POSITION/FUND BALANCES

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

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

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

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

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

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

NET POSITION/FUND BALANCE FLOW ASSUMPTIONS

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

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.

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

ENCUMBRANCES

The City does not utilize encumbrance accounting.

NOTE 2: **DEPOSITS AND INVESTMENTS**

A summary of cash and investments as of December 31, 2013 follows:

Cash in Checking	\$ 6,183,052
Petty Cash	5,847
Cash in Local Government Pools	2,056,001
Total Government-wide Cash and Equivalents	8,244,900
Investments	4,822,047
Total Government-wide Unrestricted Cash and Investments	13,066,947
Government-wide Restricted Cash Equivalents	840,228
Fiduciary Cash Equivalents	4,807
Total Cash and Investments	<u><u>\$ 13,911,982</u></u>

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

Cash and Equivalent Deposits	\$ 7,033,934
Cash and Equivalent Investments	2,056,001
Total Cash and Equivalents	9,089,935
Bank Investments	2,080,929
Other Investments	2,741,118
Total Investments	4,822,047
Total Cash and Investments	<u><u>\$ 13,911,982</u></u>

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, 2013, all of the City's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

	Bank Balance	Carrying Balance
Cash and Equivalents		
FDIC Insured	\$ 433,838	\$ 433,838
PDPA Collateralized (1)	6,728,522	6,594,249
Petty Cash	-	5,847
Total Cash and Equivalents	7,162,360	7,033,934
Investments		
FDIC Insured Investments	2,028,501	2,028,501
PDPA Collateralized Investments (1)	50,000	52,428
Total Investments	2,078,501	2,080,929
Total Cash and Bank Deposits	\$ 9,240,861	\$ 9,114,863

(1) - Not held in City's Name

Investments

Credit Risk

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

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

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

Investments (Continued)

Credit Risk (Continued)

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

	Fair Value	Weighted Avg. Maturity In Years	% of Portfolio	Rating
Cash Equivalents				
Local Investment Pools	\$ 2,056,001	0.00	42.86%	AAAm
Investments				
U.S. Instrumentalities:				
FNMA	2,200,000	3.96	45.86%	AAA
FHLB	500,000	4.14	10.42%	AAA
Municipal Bonds	25,898	4.92	0.54%	AA-
Mutual Funds	15,220	0.00	0.32%	N/A
Total Nonequivalent Investments	2,741,118	3.98	57.14%	
Total Investments held by City	\$ 4,797,119	2.26	100.00%	

During the year ended December 31, 2013, the City invested funds in Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. They invest in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pool operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. This fund is rated AAAM by the Standard and Poor's Corporation.

Interest Rate Risk

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

Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in FNMA and FHLB securities. These investments are 45.86% and 10.42% 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, 2013, 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, 2013

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	\$ 424,500	\$ -	\$ 69,405	\$ 493,905
Restricted for O & M Reserve	-	346,323	-	346,323
Total	<u>\$ 424,500</u>	<u>\$ 346,323</u>	<u>\$ 69,405</u>	<u>\$ 840,228</u>

NOTE 3: CAPITAL ASSETS

A summary of changes in the governmental capital assets at December 31, 2013 follows:

	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/13</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 401,063	\$ 751,520	\$ -	\$ 1,152,583
Capital assets being depreciated				
Buildings	8,056,990	80,190	-	8,137,180
Machinery and equipment	6,944,170	226,129	-	7,170,299
Other improvements	4,591,203	5,820	-	4,597,023
Land improvements	526,813	-	-	526,813
Infrastructure	7,160,825	287,140	-	7,447,965
Internal service equipment	167,743	-	-	167,743
Total capital assets being depreciated	<u>27,447,744</u>	<u>599,279</u>	<u>-</u>	<u>28,047,023</u>
Less accumulated depreciation for:				
Buildings	2,419,877	148,201	-	2,568,078
Machinery and equipment	4,792,494	111,398	-	4,903,892
Other Improvements	3,735,636	139,941	-	3,875,577
Land improvements	69,479	9,567	-	79,046
Infrastructure	1,266,138	155,259	-	1,421,397
Internal service equipment	144,991	6,595	-	151,586
Total accumulated depreciation	<u>12,428,615</u>	<u>570,961</u>	<u>-</u>	<u>12,999,576</u>
Governmental activity capital assets, net	<u>\$ 15,420,192</u>	<u>\$ 779,838</u>	<u>\$ -</u>	<u>\$ 16,200,030</u>

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

General Government	\$ 96,565
General Services	91,526
Public Safety	167,724
Public Works	118,206
Parks and Recreation	90,345
Internal Service Fund	6,595
Total	<u>\$ 570,961</u>

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4: CAPITAL ASSETS (Continued)

A summary of business-type capital assets at December 31, 2013 follows:

	<u>Balance</u> <u>12/31/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/13</u>
Business-Type Activities:				
Capital Assets not being depreciated				
Land	\$ 718,874	\$ -	\$ -	\$ 718,874
Water Rights	4,202,426	-	-	4,202,426
Total capital assets not being depreciated	<u>4,921,300</u>	<u>-</u>	<u>-</u>	<u>4,921,300</u>
Capital assets being depreciated				
Buildings	15,329,154	-	-	15,329,154
Machinery and equipment	3,093,676	32,111	-	3,125,787
Other Improvements	1,033,236	-	-	1,033,236
Infrastructure	15,277,956	2,324,162	-	17,602,118
Total capital assets being depreciated	<u>34,734,022</u>	<u>2,356,273</u>	<u>-</u>	<u>37,090,295</u>
Less: Accumulated Depreciation				
Buildings	3,576,657	496,686	-	4,073,343
Machinery and equipment	2,038,572	151,419	-	2,189,991
Other Improvements	282,559	50,433	-	332,992
Infrastructure	4,542,265	417,280	-	4,959,545
Total Accumulated Depreciation	<u>10,440,053</u>	<u>1,115,818</u>	<u>-</u>	<u>11,555,871</u>
Business-type activity capital assets, net	<u>\$ 29,215,269</u>	<u>\$ 1,240,455</u>	<u>\$ -</u>	<u>\$ 30,455,724</u>

Depreciation expense was allocated to the funds as follows:

Airport Fund	\$ 266,810
Police Dispatch Fund	14,169
Recreation Center Fund	251,693
Water Fund	433,635
Hydro Plant Fund	65,802
Community Network Fund	83,709
Total	<u>\$ 1,115,818</u>

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2013.

	<u>Governmental Activities</u>					
	Balance	Additions	Reductions	Balance	Due within	Interest
	01/01/13			12/31/13		
Compensated Absences	\$ 326,181	\$ 193,398	\$ 701	\$ 518,878	\$ -	\$ -
	<u>Business-Type Activities</u>					
	Balance	Additions	Reductions	Balance	Due within	Interest
	01/01/13			12/31/13		
2011 Refunding Revenue Bonds - Rec	\$ 4,725,000	\$ -	\$ 480,000	\$ 4,245,000	\$ 485,000	\$ 134,073
2011 Premiums	72,879	-	7,404	65,475	7,481	(7,404)
1986 Colorado Water Cons Board	518,750	-	46,570	472,180	48,898	25,938
1986 Delores Water Conservancy Dist	3,272,773	-	47,697	3,225,076	50,588	197,961
2005 DOLA Water Loan	223,303	-	12,607	210,696	13,237	11,165
2010 CWRPDA Water Loan	410,166	-	19,139	391,027	19,523	8,108
2009 CWRPDA Hydro Loan	1,040,522	-	48,594	991,928	49,566	19,879
Compensated Absences	126,139	43,423	10,799	158,763	-	-
Total	\$ 10,389,532	\$ 43,423	\$ 672,810	\$ 9,760,145	\$ 674,293	\$ 389,720
2011 Bond Deferred Loss	\$ 128,530	\$ -	\$ 11,830	\$ 116,700	\$ 11,953	\$ 11,830

Notes/Loan Payable – Water Fund

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

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

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

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

Loan Payable – Hydro Plant Fund

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

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 5: LONG-TERM DEBT (Continued)

Loan Payable – Hydro Plant Fund (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2014	\$ 181,812	\$ 257,246	\$ 439,058
2015	189,371	249,688	439,059
2016	197,297	241,763	439,060
2017	205,613	233,448	439,061
2018	214,336	224,726	439,062
2019-2023	1,075,635	980,198	2,055,832
2024-2028	997,025	764,478	1,761,502
2029-2033	878,333	545,614	1,423,947
2034-2038	707,653	316,694	1,024,347
2039-2043	487,608	123,144	610,752
2044-2045	156,224	14,344	170,571
Total	<u>\$ 5,290,907</u>	<u>\$ 3,951,343</u>	<u>\$ 9,242,251</u>

Bonds Payable – Recreation Center Fund

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2014	\$ 485,000	\$ 124,888	\$ 609,888
2015	500,000	115,188	615,188
2016	500,000	105,188	605,188
2017	515,000	92,688	607,688
2018	535,000	77,238	612,238
2019-2021	1,710,000	121,100	1,831,100
Total	<u>\$ 4,245,000</u>	<u>\$ 636,290</u>	<u>\$ 4,881,290</u>

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 6: INTERFUND BALANCES

As of December 31, 2013, the City had the following inter-fund balances:

	<u>Due From (To)</u> <u>Other Funds</u>
General Fund	\$ 451,050
Street Improvement Fund	507,000
Self Insured Health Fund	(376,050)
City Community Network Fund	<u>(582,000)</u>
Net Balance	<u><u>\$ -</u></u>

During the year ended December 31, 2013, the City made the following routine transfers:

	<u>Transfers</u> <u>From (To)</u> <u>Other Funds</u>
General Fund	\$ (73,128)
Mesa Verde Country®	288,600
Lodgers Tax Fund	(160,472)
Technology Fund	<u>(55,000)</u>
Net Transfers	<u><u>\$ -</u></u>

During the year ended December 31, 2013, the City had the following administrative charges:

	<u>Received (Paid) - Net</u>								
	<u>Shop</u>		<u>Technology</u>		<u>Health Ins</u>		<u>Police</u>	<u>CCN</u>	
	<u>Admin Fee</u>	<u>Repairs & OH</u>	<u>Fuel</u>	<u>Computer</u>	<u>Telephone</u>	<u>Employer</u>	<u>Dispatch</u>	<u>Fiber</u>	
General Fund	\$ 70,000	\$ (501,611)	\$ (74,461)	\$ (215,760)	\$ (53,666)	\$ (998,650)	\$ (226,793)	\$ (24,319)	\$ (2,025,260)
Shop Fund	-	598,742	115,166	(7,440)	(9,997)	(70,286)	-	(2,400)	623,785
Technology Fund	-	(4,721)	-	344,380	75,238	(20,838)	-	(726)	393,333
Street Improvement Fund	-	-	-	-	-	(12,302)	-	-	(12,302)
Self Insured Health Fund	-	-	-	-	-	1,557,179	-	-	1,557,179
Airport Fund	-	(1,902)	(1,497)	(1,860)	-	(20,611)	-	-	(25,870)
Police Dispatch Fund	-	-	-	(24,180)	(1,578)	(130,124)	226,793	-	70,911
Recreation Center Fund	-	-	-	(20,460)	(5,788)	(70,293)	-	(6,086)	(102,627)
Water Fund	(60,000)	(43,012)	(11,697)	(65,960)	(3,157)	(116,548)	-	(1,200)	(301,574)
City Community Network Fund	-	(5,841)	(284)	(1,860)	-	(14,028)	-	34,731	12,718
Solid Waste Collection Fund	(10,000)	(41,655)	(27,227)	(6,860)	(1,052)	(103,499)	-	-	(190,293)
Net Charges	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 7: RETIREMENT COMMITMENTS

City Employee's Defined Contribution Plan

Effective June 25, 1996, the City of Cortez Pension Plan, a single-employer defined benefit plan, was converted to the City of Cortez Money Purchase Plan, a single employer defined contribution plan. Assets of \$169,344 were transferred to the new money accumulation pension plan and then to the respective employee accounts. The plan is administered by the ICMA Retirement Corporation. All permanent employees, including those covered by other City employee plans are required to participate in the plan. The plan provisions can be modified by the City Council. Contributions of 5% of gross salary are required from all participants and a matching contribution of 5% is made by the City to the plan. Contributions totaled \$280,592 in 2013. The City has no liability for this plan beyond its current annual contribution.

Police Officer Defined Benefit Plan

The police officer defined benefit plan is administered through the Fire and Police Pension Association (FPPA). This plan is an agent, multiple-employer public retirement system that acts as a common investment and administrative agent for employers of fire and police personnel. The City's current contribution to the plan for 2013 was \$20,025.

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 2013 was \$102,926.

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, 2013

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

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

	<u>Airport Fund</u>	<u>Recreation Fund</u>	<u>Water Fund</u>	<u>Solid Waste Collection Fund</u>	<u>Non-Major Enterprise Funds</u>
GAAP Basis Revenues	\$ 222,775	\$ 1,810,670	\$ 2,069,438	\$ 1,080,085	\$ 1,217,329
Capital Contributions	<u>2,205,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budget Basis Revenues	<u>\$ 2,428,090</u>	<u>\$ 1,810,670</u>	<u>\$ 2,069,438</u>	<u>\$ 1,080,085</u>	<u>\$ 1,217,329</u>
GAAP Basis Expenses	\$ 495,892	\$ 1,422,451	\$ 2,305,483	\$ 926,645	\$ 1,127,391
Depreciation	(266,810)	(251,693)	(433,635)	-	(163,680)
Capital Outlay	2,172,695	-	32,111	-	151,467
Debt Service Principal	<u>-</u>	<u>487,404</u>	<u>126,013</u>	<u>-</u>	<u>48,594</u>
Budget Basis Expenditures	<u>\$ 2,401,777</u>	<u>\$ 1,658,162</u>	<u>\$ 2,029,972</u>	<u>\$ 926,645</u>	<u>\$ 1,163,772</u>

NOTE 9: RISK MANAGEMENT

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

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

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

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

CITY OF CORTEZ, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 9: RISK MANAGEMENT (Continued)

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>
12/31/2012	\$ 290,724	\$ 1,933,723	\$ 1,848,354	\$ 85,369
12/31/2013	85,369	1,743,959	1,560,777	183,182

NOTE 10: COMMITMENTS AND CONTINGENCIES

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

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2013, the emergency reserve of \$365,130 was recorded in the Emergency Reserve - Tabor Fund.

Through the adoption of the 2014 budget the City has assigned the following resources:

<u>Budgeted Expenditures in Excess of Revenues</u>	
General Fund	\$ 786,919
Water Fund	10,091
Hydro Plan Fund	43,084
Airport Fund	240,562
Police Dispatch Fund	31,550
Recreation Center Fund	139,991
Community Network Fund	219,666
Shop Fund	128,453
Technology Fund	77,443
Equipment Fund	772,539
Lodgers Tax Fund	22,847
<u>Insurance Loss Reserve</u>	
Equipment Fund	\$ 200,000

NOTE 11: BUDGET VIOLATION

The street improvement, recreation fund and self insurance health fund expenditures exceeded their budgeted amounts by \$125,858, \$9,131 and \$61,106, respectively. This may be a violation of state statute.

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

City of Cortez, Colorado
Budgetary Comparison Schedule -
General Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				
	Original	Final	Actual	Var with	2012
	Budget	Budget		Fin Bud	Actual
			Pos/(Neg)		
REVENUES					
Property and Sales Taxes	\$ 6,750,230	\$ 6,977,267	\$ 6,829,698	\$ (147,569)	\$ 6,763,541
Franchise Taxes	589,057	566,754	612,679	45,925	620,118
Licenses, Permits and Fees	138,060	110,060	82,312	(27,748)	197,714
Grant Revenue	85,050	120,554	160,334	39,780	154,304
Intergovernmental Revenue	1,060,616	1,359,889	1,410,143	50,254	1,435,485
Charges for Services	532,245	461,942	456,636	(5,306)	529,043
Interfund Charges	70,000	70,000	70,000	-	-
Fines and Forfeits	98,500	76,500	80,419	3,919	90,220
Donation	42,500	53,782	63,086	9,304	37,093
Investment Earnings	13,000	13,000	14,334	1,334	14,375
Miscellaneous Revenue	29,230	31,000	33,074	2,074	22,210
Total Revenues	9,408,488	9,840,748	9,812,715	(28,033)	9,864,103
EXPENDITURES					
General Government					
City Council	328,463	328,164	178,218	149,946	298,535
City Attorney	67,850	67,850	67,798	52	62,036
Human Resources	198,881	193,825	192,703	1,122	160,594
Municipal Court	105,935	104,619	106,671	(2,052)	118,670
City Manager	241,284	234,334	239,382	(5,048)	224,181
Finance Department	429,818	389,276	401,334	(12,058)	342,654
Passthrough Grants	-	22,000	20,872	1,128	(367,547)
Overhead	24,250	-	3,682	(3,682)	24,697
City Clerk	91,056	90,422	88,508	1,914	102,039
Grants Administrator	45,718	46,696	44,859	1,837	39,061
Special Events	98,772	101,554	102,413	(859)	99,750
Total General Government	1,632,027	1,578,740	1,446,440	132,300	1,104,670
General Services					
Administration	102,490	101,935	102,207	(272)	119,046
Capital Projects	800,000	874,049	878,632	(4,583)	302,094
Building Maintenance	203,795	203,665	199,898	3,767	198,286
City Hall Operations	66,300	51,602	43,265	8,337	49,547
Welcome Center	129,912	126,332	118,955	7,377	119,532
Planning and Building	372,806	346,501	299,369	47,132	293,880
Total General Services	1,675,303	1,704,084	1,642,326	61,758	1,082,385

(Continued)
See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
General Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013			Var with Fin Bud Pos/(Neg)	2012 Actual
	Original Budget	Final Budget	Actual		
(Continued)					
Public Safety					
Police Administration	378,342	337,140	399,844	(62,704)	507,621
Patrol	1,784,382	1,949,797	1,888,268	61,529	1,780,847
Police Support Services	210,177	209,729	209,450	279	255,486
Police Investigation	415,533	432,257	423,726	8,531	395,007
Police Corrections	136,000	121,000	188,100	(67,100)	121,050
Building Operations	141,493	162,694	142,267	20,427	121,518
Kennel Operations	201,345	208,995	187,866	21,129	187,401
Total Public Safety	3,267,272	3,421,612	3,439,521	(17,909)	3,368,930
Public Works					
P.W. Administration	338,710	271,464	244,693	26,771	348,726
Building Inspection	-	-	24	(24)	(4,235)
Streets & Utilities	358,946	359,093	368,020	(8,927)	465,133
Traffic Services	144,000	150,713	160,960	(10,247)	135,836
Snow and Ice Removal	40,030	40,030	22,270	17,760	25,866
Street Cleaning	133,957	137,949	132,217	5,732	130,696
Total Public Works	1,015,643	959,249	928,184	31,065	1,102,022
Parks and Recreation					
Administration	115,219	91,807	91,715	92	116,035
Aquatics	128,554	131,633	187,502	(55,869)	139,831
Golf Course Administration	59,456	60,703	62,716	(2,013)	54,089
Golf Course Maintenance	361,630	359,761	343,992	15,769	332,829
City Parks	455,733	454,867	469,463	(14,596)	450,148
Recreation	124,818	123,709	106,677	17,032	114,601
Parks and Recreation Capital	106,000	88,707	23,985	64,722	21,910
Library	590,568	529,376	541,163	(11,787)	566,546
Total Parks and Recreation	1,941,978	1,840,563	1,827,213	13,350	1,795,989
Internal Charges	786,265	990,082	1,018,625	(28,543)	701,117
Total Expenditures	10,318,488	10,494,330	10,302,309	192,021	9,155,113
Revenues In Excess (Deficiency) of Expenditures	(910,000)	(653,582)	(489,594)	163,988	708,990
Other Financing Sources (Uses)					
Transfers In	274,505	105,000	90,472	(14,528)	127,543
Transfers Out	-	-	(163,600)	(163,600)	-
Net Other Financing Sources (Uses)	274,505	105,000	(73,128)	(178,128)	127,543
Change in Fund Balance	(635,495)	(548,582)	(562,722)	(14,140)	836,533
Fund Balance, Beginning	5,681,857	5,681,857	5,572,287	(109,570)	4,735,754
Fund Balance, Ending	\$ 5,046,362	\$ 5,133,275	\$ 5,009,565	\$ (123,710)	\$ 5,572,287

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
Street Improvement Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
REVENUES					
Property and Sales Taxes	\$ 1,145,389	\$ 1,184,377	\$ 1,159,092	\$ (25,285)	\$ 1,144,326
Grant Revenue	-	-	153,672	153,672	-
Charges for Services	-	-	-	-	160,550
Investment Earnings	5,700	5,200	5,379	179	15,557
Miscellaneous Revenue	14,000	9,900	28,589	18,689	39,103
Total Revenues	<u>1,165,089</u>	<u>1,199,477</u>	<u>1,346,732</u>	<u>147,255</u>	<u>1,359,536</u>
EXPENDITURES					
Public Works					
Public Works Capital	<u>1,869,445</u>	<u>1,331,461</u>	<u>1,457,319</u>	<u>(125,858)</u>	<u>601,347</u>
Change in Fund Balance	<u>(710,536)</u>	<u>(131,984)</u>	<u>(110,587)</u>	<u>21,397</u>	<u>758,189</u>
Fund Balance, Beginning	<u>1,513,243</u>	<u>1,513,243</u>	<u>3,363,161</u>	<u>1,849,918</u>	<u>2,604,972</u>
Fund Balance, Ending	<u>\$ 802,707</u>	<u>\$ 1,381,259</u>	<u>\$ 3,252,574</u>	<u>\$ 1,871,315</u>	<u>\$ 3,363,161</u>

See accompanying Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

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COMBINING NONMAJOR GOVERNMENTAL FUNDS

City of Cortez, Colorado
Balance Sheet
Nonmajor Governmental Funds
December 31, 2013
(With Comparative Totals for December 31, 2012)

	Lodger's Tax Fund	Grant Fund	Emergency Reserve - TABOR Fund
Assets			
Cash in Checking	\$ 51,808	\$ (2,396)	\$ 52,691
Cash in Local Government Pools	-	-	112,439
Investments	-	-	200,000
Accounts Receivable	9,999	2,744	-
Intergovernmental Receivable	-	11,907	-
Prepaid Expenses	-	-	-
Total Assets	<u>\$ 61,807</u>	<u>\$ 12,255</u>	<u>\$ 365,130</u>
Liabilities			
Accounts Payable	\$ -	\$ 12,255	\$ -
Unearned Revenue	-	-	-
Total Liabilities	<u>-</u>	<u>12,255</u>	<u>-</u>
Fund Balance			
Nonexpendable	-	-	-
Restricted	-	-	365,130
Assigned	61,807	-	-
Total Fund Balance	<u>61,807</u>	<u>-</u>	<u>365,130</u>
Total Liabilities and Fund Balance	<u>\$ 61,807</u>	<u>\$ 12,255</u>	<u>\$ 365,130</u>

See accompanying Independent Auditors' Report

Equipment Fund	Mesa Verde			Total	
	Conservation	Country®	Visitor	2013	2012
	Trust Fund	Info Bureau			
\$ 727,836	\$ 32,304	\$ 84,036	\$ 946,279	\$ 753,436	
404,392	-	-	516,831	516,362	
-	-	-	200,000	200,000	
27,992	-	-	40,735	36,077	
-	-	-	11,907	60,917	
-	-	-	-	607	
<u>\$ 1,160,220</u>	<u>\$ 32,304</u>	<u>\$ 84,036</u>	<u>\$ 1,715,752</u>	<u>\$ 1,567,399</u>	
\$ 769	\$ -	\$ 5,778	\$ 18,802	\$ 44,892	
-	-	2,403	2,403	700	
<u>769</u>	<u>-</u>	<u>8,181</u>	<u>21,205</u>	<u>45,592</u>	
-	-	-	-	607	
-	32,304	-	397,434	364,451	
<u>1,159,451</u>	<u>-</u>	<u>75,855</u>	<u>1,297,113</u>	<u>1,156,749</u>	
<u>1,159,451</u>	<u>32,304</u>	<u>75,855</u>	<u>1,694,547</u>	<u>1,521,807</u>	
<u>\$ 1,160,220</u>	<u>\$ 32,304</u>	<u>\$ 84,036</u>	<u>\$ 1,715,752</u>	<u>\$ 1,567,399</u>	

City of Cortez, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	Lodger's Tax		Emergency
	Fund	Grant Fund	Reserve - TABOR
	Fund	Grant Fund	Fund
Revenues			
Property and Sales Taxes	\$ 178,957	\$ -	\$ -
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	-
Investment Earnings	36	-	679
Miscellaneous Revenue	-	-	-
Grant Revenue	-	175,134	-
Total Revenues	<u>178,993</u>	<u>175,134</u>	<u>679</u>
Expenditures			
General Government	-	175,134	-
General Services	-	-	-
Parks and Recreation	-	-	-
Total Expenditures	<u>-</u>	<u>175,134</u>	<u>-</u>
Revenues in Excess (Def.) of Expend.	<u>178,993</u>	<u>-</u>	<u>679</u>
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(160,472)	-	-
Net Other Financing Sources (Uses)	<u>(160,472)</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	18,521	-	679
Fund Balance, Beginning	43,286	-	364,451
Fund Balance, Ending	<u>\$ 61,807</u>	<u>\$ -</u>	<u>\$ 365,130</u>

See accompanying Independent Auditors' Report

			<u>Total</u>		
Equipment Fund	Conservation Trust Fund	Mesa Verde		2013	2012
		Country®	Visitor Info Bureau		
\$ 287,897	\$ -	\$ -	\$ -	\$ 466,854	\$ 446,947
-	91,157	66,000	66,000	157,157	84,911
-	-	6,816	6,816	6,816	53,054
716	34	-	-	1,465	2,767
52,952	-	5,500	5,500	58,452	17,295
-	-	-	-	175,134	206,717
<u>341,565</u>	<u>91,191</u>	<u>78,316</u>	<u>78,316</u>	<u>865,878</u>	<u>811,691</u>
-	-	366,813	366,813	541,947	730,392
203,059	-	-	-	203,059	247,640
-	76,260	-	-	76,260	95,000
<u>203,059</u>	<u>76,260</u>	<u>366,813</u>	<u>366,813</u>	<u>821,266</u>	<u>1,073,032</u>
<u>138,506</u>	<u>14,931</u>	<u>(288,497)</u>	<u>(288,497)</u>	<u>44,612</u>	<u>(261,341)</u>
-	-	288,600	288,600	288,600	433,100
-	-	-	-	(160,472)	(92,543)
-	-	288,600	288,600	128,128	340,557
138,506	14,931	103	103	172,740	79,216
<u>1,020,945</u>	<u>17,373</u>	<u>75,752</u>	<u>75,752</u>	<u>1,521,807</u>	<u>1,442,591</u>
<u>\$ 1,159,451</u>	<u>\$ 32,304</u>	<u>\$ 75,855</u>	<u>\$ 75,855</u>	<u>\$ 1,694,547</u>	<u>\$ 1,521,807</u>

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SPECIAL REVENUE FUNDS

City of Cortez, Colorado
Budgetary Comparison Schedule -
Lodger's Tax Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
REVENUES					
Property and Sales Taxes	\$ 160,000	\$ 117,360	\$ 178,957	\$ 61,597	\$ 162,717
Investment Earnings	70	31	36	5	30
Total Revenues	<u>160,070</u>	<u>117,391</u>	<u>178,993</u>	<u>61,602</u>	<u>162,747</u>
Other Financing Sources (Uses)					
Transfers Out	<u>(35,000)</u>	<u>(35,742)</u>	<u>(160,472)</u>	<u>(124,730)</u>	<u>(32,543)</u>
Change in Fund Balance	70	(43,351)	18,521	61,872	5,204
Fund Balance, Beginning	<u>36,152</u>	<u>36,152</u>	<u>43,286</u>	<u>7,134</u>	<u>38,082</u>
Fund Balance, Ending	<u>\$ 36,222</u>	<u>\$ (7,199)</u>	<u>\$ 61,807</u>	<u>\$ 69,006</u>	<u>\$ 43,286</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
Grant Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
REVENUES					
Grant Revenue	\$ -	\$ 176,857	\$ 175,134	\$ (1,723)	\$ 206,717
EXPENDITURES					
General Government					
Passthrough Grant Expenses	-	176,857	175,134	1,723	206,717
Change in Fund Balance	-	-	-	-	-
Fund Balance, Beginning	-	-	-	-	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
Emergency Reserve - TABOR Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	Actual
REVENUES					
Investment Earnings	\$ -	\$ -	\$ 679	\$ 679	\$ 1,783
Fund Balance, Beginning	-	-	364,451	364,451	362,668
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,130</u>	<u>\$ 365,130</u>	<u>\$ 364,451</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
Equipment Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	2012 Actual
REVENUES					
Property and Sales Taxes	\$ 284,494	\$ 292,757	\$ 287,897	\$ (4,860)	\$ 284,230
Interfund Charges	25,000	-	-	-	-
Investment Earnings	500	900	716	(184)	922
Miscellaneous Revenue	1,500	1,500	52,952	51,452	11,295
Total Revenues	<u>311,494</u>	<u>295,157</u>	<u>341,565</u>	<u>46,408</u>	<u>296,447</u>
EXPENDITURES					
General Services					
Equipment	<u>236,000</u>	<u>246,000</u>	<u>203,059</u>	<u>42,941</u>	<u>247,640</u>
Revenues In Excess (Deficiency) of Expend.	75,494	49,157	138,506	89,349	48,807
Other Financing Sources (Uses)					
Transfers In	99,500	99,500	-	(99,500)	99,500
Transfers Out	<u>(61,535)</u>	<u>(40,000)</u>	-	<u>40,000</u>	<u>(60,000)</u>
Net Other Financing Sources (Uses)	<u>37,965</u>	<u>59,500</u>	-	<u>(59,500)</u>	<u>39,500</u>
Change in Fund Balance	113,459	108,657	138,506	29,849	88,307
Fund Balance, Beginning	<u>1,028,054</u>	<u>1,028,054</u>	<u>1,020,945</u>	<u>(7,109)</u>	<u>932,638</u>
Fund Balance, Ending	<u>\$ 1,141,513</u>	<u>\$ 1,136,711</u>	<u>\$ 1,159,451</u>	<u>\$ 22,740</u>	<u>\$ 1,020,945</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Budgetary Comparison Schedule -
Conservation Trust Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
REVENUES					
Intergovernmental Revenue	\$ 80,000	\$ 85,000	\$ 91,157	\$ 6,157	\$ 84,911
Investment Earnings	44	30	34	4	32
Total Revenues	80,044	85,030	91,191	6,161	84,943
EXPENDITURES					
CTF Recreation Center	75,000	76,500	76,260	240	95,000
Change in Fund Balance	5,044	8,530	14,931	6,401	(10,057)
Fund Balance, Beginning	6,474	6,474	17,373	10,899	27,430
Fund Balance, Ending	\$ 11,518	\$ 15,004	\$ 32,304	\$ 17,300	\$ 17,373

See accompanying Independent Auditors' Report

ENTERPRISE FUNDS

City of Cortez, Colorado
Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2013
(With Comparative Totals for December 31, 2012)

	Business-type Activities			Total	
	Police Dispatch Fund	Hydro Plant Fund	Community Network Fund	2013	2012
ASSETS					
Current Assets					
Cash in Checking	\$ 117,977	\$ (62,158)	\$ 346,936	\$ 402,755	\$ 354,801
Accounts Receivable	1,949	2,435	281,631	286,015	212,160
Inventory	-	-	36,879	36,879	23,259
Prepaid Expenses	123	-	298	421	352
Total Current Assets	120,049	(59,723)	665,744	726,070	590,572
Capital Assets					
Capital Assets being depreciated	17,163	1,085,727	637,805	1,740,695	1,752,907
Other Assets					
Restricted Cash	-	69,405	-	69,405	69,405
Total Assets	137,212	1,095,409	1,303,549	2,536,170	2,412,884
LIABILITIES					
Current Liabilities					
Accounts Payable	1,631	-	78,479	80,110	2,217
Accrued Payroll	9,877	-	1,286	11,163	7,733
Interfund Payables	-	-	582,000	582,000	582,000
Accrued Interest Payable	-	19,023	-	19,023	19,955
Noncurrent Liabilities - Due within one year	-	49,566	-	49,566	48,595
Total Current Liabilities	11,508	68,589	661,765	741,862	660,500
Noncurrent Liabilities					
Accrued Compensated Absences	26,819	-	6,745	33,564	32,011
Notes and Loans Payable	-	942,361	-	942,361	991,928
Total Noncurrent Liabilities	26,819	942,361	6,745	975,925	1,023,939
Total Liabilities	38,327	1,010,950	668,510	1,717,787	1,684,439
NET POSITION					
Net Investment in Capital Assets	17,163	93,800	637,805	748,768	712,384
Restricted	-	69,405	-	69,405	69,405
Unrestricted	81,722	(78,746)	(2,766)	210	(53,344)
Net Position, Ending	\$ 98,885	\$ 84,459	\$ 635,039	\$ 818,383	\$ 728,445

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	Business-type Activities			Total	
	City			2013	2012
	Police Dispatch Fund	Hydro Plant Fund	Community Network Fund		
OPERATING REVENUES					
Intergovernmental Revenue	\$ 35,000	\$ -	\$ -	\$ 35,000	\$ -
Charges for Services	362,976	66,649	403,924	833,549	728,725
Interfund Charges	226,793	-	34,731	261,524	195,142
Miscellaneous Revenue	87,205	-	-	87,205	122,208
Total Operating Revenues	<u>711,974</u>	<u>66,649</u>	<u>438,655</u>	<u>1,217,278</u>	<u>1,046,075</u>
OPERATING EXPENSES					
Administration	-	4,128	25,184	29,312	52,243
Fiber Outside Plant	-	-	135,846	135,846	12,562
Fiber Administration	-	-	410	410	-
Fiber Inside Plant	-	-	45,843	45,843	46,448
Police Support Services	722,757	-	-	722,757	684,242
Capital Outlay	3,538	-	-	3,538	258,837
Depreciation	14,169	65,802	83,709	163,680	167,132
Internal Charges	-	-	6,125	6,125	-
Total Operating Expenses	<u>740,464</u>	<u>69,930</u>	<u>297,117</u>	<u>1,107,511</u>	<u>1,221,464</u>
Operating Income (Loss)	<u>(28,490)</u>	<u>(3,281)</u>	<u>141,538</u>	<u>109,767</u>	<u>(175,389)</u>
Other Revenues (Expenses)					
Investment Earnings	50	-	-	50	92
Interest Expense	-	(19,879)	-	(19,879)	(20,850)
Net Income (Loss) before Transfers	<u>(28,440)</u>	<u>(23,160)</u>	<u>141,538</u>	<u>89,938</u>	<u>(196,147)</u>
Transfers					
Transfers In	-	-	-	-	60,000
Transfers Out	-	-	-	-	(25,000)
Change in Net Position	<u>(28,440)</u>	<u>(23,160)</u>	<u>141,538</u>	<u>89,938</u>	<u>(161,147)</u>
Net Position, Beginning	<u>127,325</u>	<u>107,619</u>	<u>493,501</u>	<u>728,445</u>	<u>889,592</u>
Net Position, Ending	<u>\$ 98,885</u>	<u>\$ 84,459</u>	<u>\$ 635,039</u>	<u>\$ 818,383</u>	<u>\$ 728,445</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	Business-type Activities			Total	
	Police Dispatch Fund	Hydro Plant Fund	City	2013	2012
			Community Network Fund		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash flows from customers	\$ 483,232	\$ 64,213	\$ 334,453	\$ 881,898	\$ 1,031,907
Cash flows from internal activities	226,793	-	34,731	261,524	195,142
Cash paid to suppliers	(65,795)	74,119	(71,696)	(63,372)	(685,242)
Cash paid to/for benefit of employees	(662,074)	(78,247)	(70,951)	(811,272)	(539,496)
Net Cash Provided (Used) by Operating Activities	<u>(17,844)</u>	<u>60,085</u>	<u>226,537</u>	<u>268,778</u>	<u>2,311</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Capital asset acquisitions	-	-	(151,467)	(151,467)	-
Debt payments	-	(48,596)	-	(48,596)	(47,641)
Interest paid	-	(20,811)	-	(20,811)	(21,764)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(69,407)</u>	<u>(151,467)</u>	<u>(220,874)</u>	<u>(69,405)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers (to) from Other Funds	-	-	-	-	35,000
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	50	-	-	50	92
CHANGE IN CASH	(17,794)	(9,322)	75,070	47,954	(32,002)
CASH AND EQUIVALENTS, Beginning	<u>135,771</u>	<u>16,569</u>	<u>271,866</u>	<u>424,206</u>	<u>456,208</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 117,977</u>	<u>\$ 7,247</u>	<u>\$ 346,936</u>	<u>\$ 472,160</u>	<u>\$ 424,206</u>
CASH PER BALANCE SHEET					
Cash in Checking	\$ 117,977	\$ (62,158)	\$ 346,936	\$ 402,755	\$ 354,801
Restricted Cash	-	69,405	-	69,405	69,405
Total Cash and Equivalents, Ending	<u>\$ 117,977</u>	<u>\$ 7,247</u>	<u>\$ 346,936</u>	<u>\$ 472,160</u>	<u>\$ 424,206</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ (28,490)	\$ (3,281)	\$ 141,538	\$ 109,767	\$ (175,389)
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	14,169	65,802	83,709	163,680	167,132
(Increase) Decrease in:					
Accounts Receivable	(1,949)	(2,436)	(69,471)	(73,856)	180,974
Inventory	-	-	(13,620)	(13,620)	(23,128)
Prepaid Expenses	(20)	-	(49)	(69)	(275)
Increase (Decrease) in:					
Accounts Payable	759	-	77,134	77,893	(153,721)
Accrued Payroll	2,879	-	551	3,430	1,619
Accrued Compensated Absences	(5,192)	-	6,745	1,553	5,099
Net Reconciliation Adjustments	<u>10,646</u>	<u>63,366</u>	<u>84,999</u>	<u>159,011</u>	<u>177,700</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (17,844)</u>	<u>\$ 60,085</u>	<u>\$ 226,537</u>	<u>\$ 268,778</u>	<u>\$ 2,311</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Airport Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
OPERATING REVENUES					
Intergovernmental Revenue	\$ 16,000	\$ 20,000	\$ 20,268	\$ 268	\$ 20,836
Charges for Services	190,550	212,960	202,425	(10,535)	201,173
Miscellaneous Revenue	-	-	-	-	(61,515)
Total Operating Revenues	<u>206,550</u>	<u>232,960</u>	<u>222,693</u>	<u>(10,267)</u>	<u>160,494</u>
OPERATING EXPENSES					
Airport Operations	182,755	176,127	180,872	(4,745)	149,366
Capital Outlay	2,553,471	2,582,098	2,217,505	364,593	421,974
Internal Charges	10,000	8,000	3,399	4,601	4,629
Total Operating Expenses	<u>2,746,226</u>	<u>2,766,225</u>	<u>2,401,776</u>	<u>364,449</u>	<u>575,969</u>
Operating Income (Loss)	<u>(2,539,676)</u>	<u>(2,533,265)</u>	<u>(2,179,083)</u>	<u>354,182</u>	<u>(415,475)</u>
Other Revenues (Expenses)					
Grant Revenue	2,405,950	2,423,299	2,205,315	(217,984)	562,584
Investment Earnings	350	100	81	(19)	104
Change in Net Position - Budget Basis	<u>\$ (133,376)</u>	<u>\$ (109,866)</u>	26,313	<u>\$ 136,179</u>	147,213
GAAP Basis Adjustments					
Capital Outlay			2,172,695		207,508
Depreciation			(266,810)		(240,864)
Total GAAP Basis Adjustments			<u>1,905,885</u>		<u>(33,356)</u>
Change in Net Position - GAAP Basis			1,932,198		113,857
Net Position, Beginning			6,442,840		6,328,983
Net Position, Ending			<u>\$ 8,375,038</u>		<u>\$ 6,442,840</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Police Dispatch Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
OPERATING REVENUES					
Intergovernmental Revenue	\$ -	\$ -	\$ 35,000	\$ 35,000	\$ -
Charges for Services	423,287	356,061	362,976	6,915	303,381
Interfund Charges	280,290	226,793	226,793	-	195,142
Miscellaneous Revenue	122,206	122,206	87,205	(35,001)	122,208
Total Operating Revenues	<u>825,783</u>	<u>705,060</u>	<u>711,974</u>	<u>6,914</u>	<u>620,731</u>
OPERATING EXPENSES					
Police Support Services	760,813	752,743	722,757	29,986	684,242
Capital Outlay	26,520	10,000	3,538	6,462	-
Internal Charges	-	-	-	-	-
Total Operating Expenses	<u>787,333</u>	<u>762,743</u>	<u>726,295</u>	<u>36,448</u>	<u>684,242</u>
Operating Income (Loss)	38,450	(57,683)	(14,321)	43,362	(63,511)
Other Revenues (Expenses)					
Investment Earnings	70	70	50	(20)	92
Change in Net Position - Budget Basis	<u>\$ 38,520</u>	<u>\$ (57,613)</u>	(14,271)	<u>\$ 43,342</u>	(63,419)
GAAP Basis Adjustments					
Depreciation			(14,169)		(14,169)
Change in Net Position - GAAP Basis			(28,440)		(77,588)
Net Position, Beginning			<u>127,325</u>		<u>204,913</u>
Net Position, Ending			<u>\$ 98,885</u>		<u>\$ 127,325</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Recreation Center Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
OPERATING REVENUES					
Charges for Services	\$ 525,500	\$ 524,834	\$ 527,158	\$ 2,324	\$ 509,750
Miscellaneous Revenue	-	-	-	-	2
Total Operating Revenues	<u>525,500</u>	<u>524,834</u>	<u>527,158</u>	<u>2,324</u>	<u>509,752</u>
OPERATING EXPENSES					
Recreation Center	947,295	986,607	996,226	(9,619)	889,478
Capital Outlay	45,000	36,520	36,520	-	13,345
Internal Charges	-	-	(488)	488	267
Total Operating Expenses	<u>992,295</u>	<u>1,023,127</u>	<u>1,032,258</u>	<u>(9,131)</u>	<u>903,090</u>
Operating Income (Loss)	(466,795)	(498,293)	(505,100)	(6,807)	(393,338)
Other Revenues (Expenses)					
Property and Sales Taxes	1,258,444	1,282,424	1,273,501	(8,923)	1,257,278
Investment Earnings	5,000	5,000	10,012	5,012	4,513
Debt Retirement	(614,488)	(614,888)	(625,903)	(11,015)	(608,227)
Net Income (Loss) before Transfers	182,161	174,243	152,510	(21,733)	260,226
Transfers					
Transfers Out	(33,336)	(6,086)	-	6,086	(26,546)
Change in Net Position - Budget Basis	<u>\$ 148,825</u>	<u>\$ 168,157</u>	152,510	<u>\$ (15,647)</u>	233,680
GAAP Basis Adjustments					
Capital Outlay			-		13,345
Debt Service Principal			487,404		472,172
Depreciation			(251,693)		(249,800)
Total GAAP Basis Adjustments			<u>235,711</u>		<u>235,717</u>
Change in Net Position - GAAP Basis			388,221		469,397
Net Position, Beginning			5,523,487		5,054,090
Net Position, Ending			<u>\$ 5,911,708</u>		<u>\$ 5,523,487</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Water Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
OPERATING REVENUES					
Charges for Services	\$ 2,128,573	\$ 2,132,971	\$ 2,056,461	\$ (76,510)	\$ 2,159,301
Miscellaneous Revenue	-	-	9,998	9,998	(6,402)
Total Operating Revenues	<u>2,128,573</u>	<u>2,132,971</u>	<u>2,066,459</u>	<u>(66,512)</u>	<u>2,152,899</u>
OPERATING EXPENSES					
Administration	188,848	195,573	169,562	26,011	153,952
Filtration and Treatment	527,728	492,341	464,475	27,866	196,825
Transmission and Distribution	341,481	352,875	273,345	79,530	434,651
Meter Maintenance	148,053	145,746	138,436	7,310	177,497
Water Capital Projects	-	465,000	11,613	453,387	-
Capital Outlay	225,000	20,000	488,647	(468,647)	179,389
Internal Charges	12,000	142,515	114,709	27,806	17,618
Total Operating Expenses	<u>1,443,110</u>	<u>1,814,050</u>	<u>1,660,787</u>	<u>153,263</u>	<u>1,159,932</u>
Operating Income (Loss)	685,463	318,921	405,672	86,751	992,967
Other Revenues (Expenses)					
Investment Earnings	1,200	2,000	2,979	979	2,697
Debt Retirement	(369,650)	(369,650)	(369,185)	465	(369,206)
Net Income (Loss) before Transfers	317,013	(48,729)	39,466	88,195	626,458
Transfers					
Transfers In	-	-	-	-	25,000
Transfers Out	(128,248)	-	-	-	(64,419)
Net Transfers	<u>(128,248)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,419)</u>
Change in Net Position - Budget Basis	<u>\$ 188,765</u>	<u>\$ (48,729)</u>	39,466	<u>\$ 88,195</u>	587,039
GAAP Basis Adjustments					
Capital Outlay			32,111		18,908
Debt Service Principal			126,013		120,091
Depreciation			(433,635)		(442,131)
Total GAAP Basis Adjustments			<u>(275,511)</u>		<u>(303,132)</u>
Change in Net Position - GAAP Basis			(236,045)		283,907
Net Position, Beginning			10,369,854		10,085,947
Net Position, Ending			<u>\$ 10,133,809</u>		<u>\$ 10,369,854</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Hydro Plant Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
OPERATING REVENUES					
Charges for Services	\$ 111,800	\$ 88,321	\$ 66,649	\$ (21,672)	\$ 88,360
OPERATING EXPENSES					
Administration	18,000	9,000	4,128	4,872	3,199
Capital Outlay	20,810	-	-	-	-
Depreciation	53,000	-	-	-	-
Total Operating Expenses	<u>91,810</u>	<u>9,000</u>	<u>4,128</u>	<u>4,872</u>	<u>3,199</u>
Operating Income (Loss)	19,990	79,321	62,521	(16,800)	85,161
Other Revenues (Expenses)					
Debt Retirement	(48,595)	(69,405)	(68,473)	932	(68,491)
Net Income (Loss) before Transfers	(28,605)	9,916	(5,952)	(15,868)	16,670
Transfers					
Transfers Out	(25,000)	-	-	-	(25,000)
Change in Net Position - Budget Basis	<u>\$ (53,605)</u>	<u>\$ 9,916</u>	(5,952)	<u>\$ (15,868)</u>	(8,330)
GAAP Basis Adjustments					
Debt Service Principal			48,594		47,641
Depreciation			(65,802)		(75,828)
Total GAAP Basis Adjustments			<u>(17,208)</u>		<u>(28,187)</u>
Change in Net Position - GAAP Basis			(23,160)		(36,517)
Net Position, Beginning			<u>107,619</u>		<u>144,136</u>
Net Position, Ending			<u>\$ 84,459</u>		<u>\$ 107,619</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
City Community Network Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
OPERATING REVENUES					
Charges for Services	\$ 236,785	\$ 517,460	\$ 403,924	\$ (113,536)	\$ 336,984
Interfund Charges	-	-	34,731	34,731	-
Total Operating Revenues	<u>236,785</u>	<u>517,460</u>	<u>438,655</u>	<u>(78,805)</u>	<u>336,984</u>
OPERATING EXPENSES					
Administration	61,300	80,000	25,184	54,816	49,044
Fiber Outside Plant	124,157	135,716	135,846	(130)	12,562
Fiber Administration	-	-	410	(410)	-
Fiber Inside Plant	147,534	114,048	45,843	68,205	46,448
Capital Outlay	72,000	185,000	151,467	33,533	258,837
Internal Charges	-	500	6,125	(5,625)	-
Total Operating Expenses	<u>404,991</u>	<u>515,264</u>	<u>364,875</u>	<u>150,389</u>	<u>366,891</u>
Net Income (Loss) before Transfers	(168,206)	2,196	73,780	71,584	(29,907)
Transfers					
Transfers In	60,000	40,000	-	(40,000)	60,000
Change in Net Position - Budget Basis	<u>\$ (108,206)</u>	<u>\$ 42,196</u>	73,780	<u>\$ 31,584</u>	30,093
GAAP Basis Adjustments					
Capital Outlay			151,467		-
Depreciation			(83,709)		(77,135)
Total GAAP Basis Adjustments			<u>67,758</u>		<u>(77,135)</u>
Change in Net Position - GAAP Basis			141,538		(47,042)
Net Position, Beginning			493,501		540,543
Net Position, Ending			<u>\$ 635,039</u>		<u>\$ 493,501</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Solid Waste Collection Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
OPERATING REVENUES					
Charges for Services	\$ 1,029,999	\$ 1,031,075	\$ 1,078,373	\$ 47,298	\$ 1,030,682
Miscellaneous Revenue	500	-	-	-	86
Total Operating Revenues	<u>1,030,499</u>	<u>1,031,075</u>	<u>1,078,373</u>	<u>47,298</u>	<u>1,030,768</u>
OPERATING EXPENSES					
Administration	18,350	18,350	24,545	(6,195)	15,369
Collection	747,829	792,484	694,023	98,461	679,156
Recycling	126,132	130,306	139,195	(8,889)	116,620
Internal Charges	50,000	128,602	68,882	59,720	49,648
Total Operating Expenses	<u>942,311</u>	<u>1,069,742</u>	<u>926,645</u>	<u>143,097</u>	<u>860,793</u>
Operating Income (Loss)	88,188	(38,667)	151,728	190,395	169,975
Other Revenues (Expenses)					
Investment Earnings	650	1,500	1,712	212	2,096
Net Income (Loss) before Transfers	88,838	(37,167)	153,440	190,607	172,071
Transfers					
Transfers Out	(188,102)	(100,000)	-	100,000	(142,004)
Change in Net Position - Budget Basis	<u>\$ (99,264)</u>	<u>\$ (137,167)</u>	153,440	<u>\$ 290,607</u>	30,067
GAAP Basis Adjustments					
Depreciation			-		(1,194)
Change in Net Position - GAAP Basis			153,440		28,873
Net Position, Beginning			483,368		454,495
Net Position, Ending			<u>\$ 636,808</u>		<u>\$ 483,368</u>

See accompanying Independent Auditors' Report

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INTERNAL SERVICE FUNDS

City of Cortez, Colorado
Statement of Net Position
Internal Service Funds
December 31, 2013
(With Comparative Totals for December 31, 2012)

	Shop Fund	Technology Fund	Self-Insured Health Fund	<u>Total</u>	
				2013	2012
ASSETS					
Current Assets					
Cash in Checking	\$ 142,218	\$ 252,120	\$ 59,785	\$ 454,123	\$ 555,044
Petty Cash	152	-	-	152	152
Investments	-	200,723	-	200,723	-
Accounts Receivable	-	-	19,869	19,869	190
Inventory	19,463	-	-	19,463	22,357
Prepaid Expenses	482	1,613	-	2,095	82,079
Total Current Assets	162,315	454,456	79,654	696,425	659,822
Capital Assets					
Other Assets	-	16,157	-	16,157	22,752
Total Assets	162,315	470,613	79,654	712,582	682,574
LIABILITIES					
Current Liabilities					
Accounts Payable	31,903	816	183,182	215,901	93,174
Accrued Payroll	5,771	3,328	-	9,099	5,075
Interfund Payables	-	-	376,050	376,050	376,050
Total Current Liabilities	37,674	4,144	559,232	601,050	474,299
Noncurrent Liabilities					
Accrued Compensated Absences	16,670	11,866	-	28,536	27,341
Total Liabilities	54,344	16,010	559,232	629,586	501,640
NET POSITION					
Net Investment in Capital Assets	-	16,157	-	16,157	22,752
Unrestricted	107,971	438,446	(479,578)	66,839	158,182
Total Net Position	\$ 107,971	\$ 454,603	\$ (479,578)	\$ 82,996	\$ 180,934

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	Shop Fund	Technology Fund	Self-Insured Health Fund	Total	
				2013	2012
OPERATING REVENUES					
Intergovernmental Revenue	\$ -	\$ 5,580	\$ -	\$ 5,580	\$ 5,580
Charges for Services	-	220	162,703	162,923	149,884
Interfund Charges	713,907	421,723	1,534,883	2,670,513	2,626,861
Miscellaneous Revenue	333	3	-	336	2,629
Total Operating Revenues	<u>714,240</u>	<u>427,526</u>	<u>1,697,586</u>	<u>2,839,352</u>	<u>2,784,954</u>
OPERATING EXPENSES					
Health Claims	-	-	1,743,959	1,743,959	1,933,723
Shop	671,252	-	-	671,252	622,017
Building Overhead	116,583	-	-	116,583	104,566
Technology	-	273,986	-	273,986	271,201
Fiber Network	-	1,679	-	1,679	4,976
Telecommunications	-	49,259	-	49,259	21,669
Capital Outlay	-	15,087	-	15,087	7,915
Depreciation	-	6,595	-	6,595	6,595
Internal Charges	-	4,721	-	4,721	-
Total Operating Expenses	<u>787,835</u>	<u>351,327</u>	<u>1,743,959</u>	<u>2,883,121</u>	<u>2,972,662</u>
Operating Income (Loss)	<u>(73,595)</u>	<u>76,199</u>	<u>(46,373)</u>	<u>(43,769)</u>	<u>(187,708)</u>
Other Revenues (Expenses)					
Investment Earnings	18	792	21	831	237
Net Income (Loss) before Transfers	<u>(73,577)</u>	<u>76,991</u>	<u>(46,352)</u>	<u>(42,938)</u>	<u>(187,471)</u>
Transfers					
Transfers In	-	-	-	-	106,923
Transfers Out	-	(55,000)	-	(55,000)	-
Change in Net Position	<u>(73,577)</u>	<u>21,991</u>	<u>(46,352)</u>	<u>(97,938)</u>	<u>(80,548)</u>
Net Position, Beginning	181,548	432,612	(433,226)	180,934	261,482
Net Position, Ending	<u>\$ 107,971</u>	<u>\$ 454,603</u>	<u>\$ (479,578)</u>	<u>\$ 82,996</u>	<u>\$ 180,934</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

				<u>Total</u>	
	<u>Shop Fund</u>	<u>Technology Fund</u>	<u>Self-Insured Health Fund</u>	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash flows from customers	\$ 523	\$ 5,803	\$ 142,834	\$ 149,160	\$ 401,963
Cash flows from internal activities	713,907	421,723	1,534,883	2,670,513	2,981,465
Cash paid to suppliers	(442,361)	(102,118)	1,841,772	1,297,293	(907,745)
Cash paid to/for benefit of employees	(312,652)	(162,425)	(3,487,918)	(3,962,995)	(2,294,139)
Net Cash Provided (Used) by Operating Activities	<u>(40,583)</u>	<u>162,983</u>	<u>31,571</u>	<u>153,971</u>	<u>181,544</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers (to) from Other Funds	-	(55,000)	-	(55,000)	106,923
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	18	792	21	831	237
Net cash invested	-	(200,723)	-	(200,723)	-
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	<u>18</u>	<u>(199,931)</u>	<u>21</u>	<u>(199,892)</u>	<u>237</u>
CHANGE IN CASH	(40,565)	(91,948)	31,592	(100,921)	288,704
CASH AND EQUIVALENTS, Beginning	<u>182,935</u>	<u>344,068</u>	<u>28,193</u>	<u>555,196</u>	<u>266,492</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 142,370</u>	<u>\$ 252,120</u>	<u>\$ 59,785</u>	<u>\$ 454,275</u>	<u>\$ 555,196</u>
CASH PER BALANCE SHEET					
Cash in Checking	\$ 142,218	\$ 252,120	\$ 59,785	\$ 454,123	\$ 555,044
Petty Cash	152	-	-	152	152
Total Cash and Equivalents, Ending	<u>\$ 142,370</u>	<u>\$ 252,120</u>	<u>\$ 59,785</u>	<u>\$ 454,275</u>	<u>\$ 555,196</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ (73,595)	\$ 76,199	\$ (46,373)	\$ (43,769)	\$ (187,708)
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	6,595	-	6,595	6,595
(Increase) Decrease in:					
Accounts Receivable	190	-	(19,869)	(19,679)	243,870
Interfund Receivable	-	-	-	-	(21,446)
Inventory	2,894	-	-	2,894	(1,777)
Prepaid Expenses	(80)	80,064	-	79,984	(7,479)
Increase (Decrease) in:					
Accounts Payable	25,516	(602)	97,813	122,727	(231,261)
Accrued Payroll	2,597	1,427	-	4,024	(963)
Interfund Payables	-	-	-	-	376,050
Accrued Compensated Absences	1,895	(700)	-	1,195	5,663
Net Reconciliation Adjustments	<u>33,012</u>	<u>86,784</u>	<u>77,944</u>	<u>197,740</u>	<u>369,252</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (40,583)</u>	<u>\$ 162,983</u>	<u>\$ 31,571</u>	<u>\$ 153,971</u>	<u>\$ 181,544</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Shop Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012 <u>Actual</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Var with Fin Bud Pos/(Neg)</u>	
OPERATING REVENUES					
Interfund Charges	\$ 818,151	\$ 824,128	\$ 713,907	\$ (110,221)	\$ 872,082
Miscellaneous Revenue	-	-	334	334	456
Total Operating Revenues	<u>818,151</u>	<u>824,128</u>	<u>714,241</u>	<u>(109,887)</u>	<u>872,538</u>
OPERATING EXPENSES					
Shop	712,787	705,622	671,252	34,370	622,017
Building Overhead	123,150	127,275	116,583	10,692	104,566
Total Operating Expenses	<u>835,937</u>	<u>832,897</u>	<u>787,835</u>	<u>45,062</u>	<u>726,583</u>
Operating Income (Loss)	<u>(17,786)</u>	<u>(8,769)</u>	<u>(73,594)</u>	<u>(64,825)</u>	<u>145,955</u>
Other Revenues (Expenses)					
Investment Earnings	150	25	18	(7)	16
Change in Net Position	<u>(17,636)</u>	<u>(8,744)</u>	<u>(73,576)</u>	<u>(64,832)</u>	<u>145,971</u>
Net Position, Beginning	30,815	30,815	181,548	150,733	35,577
Net Position, Ending	<u>\$ 13,179</u>	<u>\$ 22,071</u>	<u>\$ 107,972</u>	<u>\$ 85,901</u>	<u>\$ 181,548</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Technology Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
OPERATING REVENUES					
Intergovernmental Revenue	\$ 3,720	\$ 5,580	\$ 5,580	\$ -	\$ 5,580
Charges for Services	4,316	11,756	220	(11,536)	1,860
Interfund Charges	440,879	443,040	421,723	(21,317)	461,641
Miscellaneous Revenue	150	2,171	3	(2,168)	2,173
Total Operating Revenues	<u>449,065</u>	<u>462,547</u>	<u>427,526</u>	<u>(35,021)</u>	<u>471,254</u>
OPERATING EXPENSES					
Technology	310,444	284,766	273,986	10,780	271,201
Fiber Network	-	-	1,679	(1,679)	4,976
Telecommunications	61,500	61,500	49,259	12,241	21,669
Capital Outlay	49,000	19,000	15,087	3,913	7,915
Depreciation	6,100	6,700	6,595	105	6,595
Internal Charges	-	-	4,721	(4,721)	-
Total Operating Expenses	<u>427,044</u>	<u>371,966</u>	<u>351,327</u>	<u>20,639</u>	<u>312,356</u>
Operating Income (Loss)	<u>22,021</u>	<u>90,581</u>	<u>76,199</u>	<u>(14,382)</u>	<u>158,898</u>
Other Revenues (Expenses)					
Investment Earnings	150	150	792	642	203
Net Income (Loss) before Transfers	<u>22,171</u>	<u>90,731</u>	<u>76,991</u>	<u>(13,740)</u>	<u>159,101</u>
Transfers					
Transfers Out	-	(55,000)	(55,000)	-	-
Change in Net Position	<u>22,171</u>	<u>35,731</u>	<u>21,991</u>	<u>(13,740)</u>	<u>159,101</u>
Net Position, Beginning	264,129	264,129	432,612	168,483	273,511
Net Position, Ending	<u>\$ 286,300</u>	<u>\$ 299,860</u>	<u>\$ 454,603</u>	<u>\$ 154,743</u>	<u>\$ 432,612</u>

See accompanying Independent Auditors' Report

City of Cortez, Colorado
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual
Self-Insured Health Fund
Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
OPERATING REVENUES					
Charges for Services	\$ 94,212	\$ 148,960	\$ 162,703	\$ 13,743	\$ 148,024
Interfund Charges	1,624,313	1,734,915	1,534,883	(200,032)	1,400,061
Total Operating Revenues	<u>1,718,525</u>	<u>1,883,875</u>	<u>1,697,586</u>	<u>(186,289)</u>	<u>1,548,085</u>
OPERATING EXPENSES					
Health Claims	<u>1,510,000</u>	<u>1,682,943</u>	<u>1,743,959</u>	<u>(61,016)</u>	<u>1,933,723</u>
Operating Income (Loss)	208,525	200,932	(46,373)	(247,305)	(385,638)
Other Revenues (Expenses)					
Investment Earnings	<u>40</u>	<u>10</u>	<u>21</u>	<u>11</u>	<u>18</u>
Net Income (Loss) before Transfers	208,565	200,942	(46,352)	(247,294)	(385,620)
Transfers					
Transfers Out	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>	<u>225,000</u>	<u>-</u>
Change in Net Position	(16,435)	(24,058)	(46,352)	(22,294)	(385,620)
Net Position, Beginning	<u>234,285</u>	<u>234,285</u>	<u>(433,226)</u>	<u>(667,511)</u>	<u>(47,606)</u>
Net Position, Ending	<u>\$ 217,850</u>	<u>\$ 210,227</u>	<u>\$ (479,578)</u>	<u>\$ (689,805)</u>	<u>\$ (433,226)</u>

See accompanying Independent Auditors' Report

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STATE COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT	City or County:
	YEAR ENDING : December 2013

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

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,376,355
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	405,543
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	160,960
2. General fund appropriations	1,036,987	b. Snow and ice removal	22,270
3. Other local imposts (from page 2)	1,202,393	c. Other	131,069
4. Miscellaneous local receipts (from page 2)	191,109	d. Total (a. through c.)	314,299
5. Transfers from toll facilities		4. General administration & miscellaneous	80,400
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	1,272,757
a. Bonds - Original Issues		6. Total (1 through 5)	3,449,354
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	2,430,489	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	262,261	2. Notes:	
D. Receipts from Federal Government (from page 2)	658,970	a. Interest	
E. Total receipts (A.7 + B + C + D)	3,351,720	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highway	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	3,449,354

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

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	3,484,350	3,351,720	3,449,354		3,386,716

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy)
December 2013

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	4,507
b. Other local imposts:		b. Traffic Fines & Penalties	44,017
1. Sales Taxes	1,168,656	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	33,737	g. Other Misc. Receipts Cost Sharing	18,997
6. Total (1. through 5.)	1,202,393	h. Other Road & Bridge	123,588
c. Total (a. + b.)	1,202,393	i. Total (a. through h.)	191,109
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government:		D. Receipts from Federal Government:	
1. Highway-user taxes	255,140	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations		d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify) – Snow Removal	7,121	f. Other Federal Mineral Leasing	658,970
f. Total (a. through e.)	7,121	g. Total (a. through f.)	658,970
4. Total (1. + 2. + 3.f)	262,261	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		10,640	10,640
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		790,958	790,958
(4). System Enhancement & Operation		574,757	574,757
(5). Total Construction (1) + (2) + (3) + (4)	0	1,365,715	1,365,715
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,376,355	1,376,355
			(Carry forward to page 1)

Notes and Comments:

**CITY OF CORTEZ
CORTEZ, COLORADO**

SINGLE AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2013**



RECEIVED

By Justin L. Smith at 9:54 am, Sep 19, 2014

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Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

City Council
City of Cortez
Cortez, Colorado

Independent Auditors' Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cortez, as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the City of Cortez's basic financial statements, and have issued our report thereon dated May 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cortez's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cortez's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cortez's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cortez's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements of amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holscher, Mayberry + Company, LLC

Englewood, Colorado
May 19, 2014

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Trustees
City of Cortez
Cortez, Colorado

Independent Auditors' Report

Report on Compliance for Each Major Federal Program

We have audited the City of Cortez's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the of the City of Cortez major federal programs for the year ended December 31, 2013. The City of Cortez's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grant applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Cortez's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance on accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Cortez's compliance with those requirements and performing such other procedures as we considered necessary circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Cortez's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Cortez complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the City of Cortez is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Cortez's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cortez's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance*, is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency on internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City of Cortez as of and for the year ended December 31, 2013, and have issued our report thereon dated May 19, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Holscher, Mayberry + Company, LLC

Englewood, Colorado
May 19, 2014

City of Cortez, Colorado
Schedule of Findings and Questioned Costs
December 31, 2013

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes x no

Identification of major programs:

20.106 Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes x no

City of Cortez, Colorado
Schedule of Findings and Questioned Costs
December 31, 2013

II - Findings relating to the financial statement audit as required to be reported in accordance with generally accepted government auditing standards

A. Material Weaknesses in Internal Control

The audit did not disclose any material weaknesses in internal controls related to financial reporting.

B. Compliance Findings

The audit did not disclose any compliance findings with regards to financial reporting.

III - Findings and Questioned Costs for Federal Awards

A. Material Weaknesses in Internal Control

The audit did not disclose any material weaknesses to internal controls related to federal grant activity.

B. Compliance Findings

The audit did not disclose any compliance findings with regards to federal award activity.

City of Cortez
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Grantor and Program Title	Passthrough/Program ID #	Federal CFDA #	Federal Expenditures
United States Department of Justice			
Crime Victim Assistance		16.575	\$ 34,870
Passed through State of Colorado Division of Criminal Justice:			
Juvenile Accountability Block Grants	10-JB-L-22-402	16.523	24,331
Edward Byrne Memorial Justice Assistance Grant Program	2012-DJ-12-000054-03-4	16.738	<u>131,694</u>
Total United States Department of Justice			<u>190,895</u>
United States Department of Transportation			
Airport Improvement Program - Runway Shoulders	AIP-3-08-0011-28	20.106	58,986
Airport Improvement Program - Snowblower	AIP-3-08-0011-29	20.106	15,000
Airport Improvement Program - Wildlife Assessment	AIP-3-08-0011-30	20.106	20,236
Airport Improvement Program - Taxiway Shoulders/Ramp Repair	AIP-3-08-0011-31	20.106	<u>1,998,420</u>
Total United States Department of Transportation			<u>2,092,642</u>
Total Expenditures of Federal Awards			<u>\$ 2,283,537</u>

Note 1: Basis of Presentation

This schedule is prepared in accordance with U.S. generally accepted accounting principles. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

See the Accompanying Independent Auditors' Report.