

CITY OF CORTEZ  
CORTEZ, COLORADO

FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended  
December 31, 2014



**RECEIVED**

*By Justin L. Smith at 1:05 pm, Sep 23, 2015*

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## **INTRODUCTORY SECTION**

**CITY OF CORTEZ, COLORADO**

**LIST OF PRINCIPAL OFFICIALS**

**CITY COUNCIL**

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

**TOWN STAFF**

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

**FINANCIAL SECTION**

# City of Cortez

## Management's Discussion and Analysis

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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, 2014. 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.

The City's assets exceeded its liabilities by \$53,563,377 (i.e., net position at the end of 2014).

Governmental funds reported combined ending fund balance of \$10,693,528. This is an increase of \$736,842 itemized by fund as follows:

General Fund	\$926,514
Lodgers Tax Fund	(\$ 16,736)
Conservation Trust Fund	(\$ 7,492)
Equipment Fund	(\$134,261)
Street Improvement Fund	(\$ 21,960)
Emergency Reserve Fund	\$ 1,097
Mesa Verde Country Visitor Information Bureau	(\$ 10,320) **

\*\*Mesa Verde Country, as a component unit of the City, is included within the financial statements of the City.

General Fund revenues increased approximately 8% over 2014 showing an increase of \$802,812. Sales tax increased by 76%. Licenses, Permits and Fees showed an increase of \$256,826 even with the 2<sup>nd</sup> year 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. This included two large building permits with the construction of the new high school and the Hampton Inn.

General Fund expenditures came in \$667,070 under budget. General Fund capital expenditures were \$144,111 of which \$51,164 was used for fuel improvements to the new addition to the City Industrial Park. \$10,340 upgraded the Call Manager software and the remainder was used for small equipment purchases across departments.

At December 31, 2014 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 3.966 million dollars above this requirement.

The total long-term liabilities decreased by \$674,570 during the 2014 fiscal year. There is no debt within the governmental funds.

The City received \$239,034 in federal grant revenue during 2014. Approximately \$90,787 of the grant funding assisted local non-profits who provide critical programs for youth and adult education, and substance abuse treatment. The remaining grant amounts were used to supplement airport improvements.



# City of Cortez

## Management's Discussion and Analysis

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### B. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

# City of Cortez

## Management's 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

## Management's Discussion and Analysis

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### C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the close of 2014 total net position were \$53,563,377. By far the largest portion of net position is the investment in capital assets (net of related debt) of \$46,238,103 (71% 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 2014 and 2013:

#### Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
Current and Other Assets	11,627,283	11,299,018	6,415,960	6,014,049	18,043,243	17,313,067
Capital Assets Net	16,517,699	16,200,030	29,720,404	30,455,724	46,238,103	46,655,754
<b>Total Assets</b>	<b>28,144,982</b>	<b>27,499,048</b>	<b>36,136,364</b>	<b>36,469,773</b>	<b>64,281,346</b>	<b>63,968,821</b>
<b>DEFERRED OUTFLOWS OF FINANCIAL RESOURCES</b>						
Deferred Charge on Refunding	-	-	104,746	116,700	-	116,700
<b>LIABILITIES</b>						
Current Liabilities	584,689	976,170	1,002,044	1,624,874	1,586,733	2,601,044
Noncurrent Liabilities	561,683	518,879	8,403,709	9,085,853	8,965,392	9,604,732
<b>Total Liabilities</b>	<b>1,146,372</b>	<b>1,495,049</b>	<b>9,405,753</b>	<b>10,710,727</b>	<b>10,552,125</b>	<b>12,205,776</b>
<b>DEFERRED INFLOW OF FINANCIAL RESOURCES</b>						
Deferred Property Taxes	270,590	270,787	-	-	270,590	270,787
<b>NET POSITION</b>						
Net Investment in						
Capital Assets	16,517,699	16,200,030	20,793,313	20,854,341	37,311,012	37,054,371
Restricted	4,646,655	397,434	763,450	840,228	5,410,105	1,237,662
Unrestricted	5,563,666	9,135,748	5,278,594	4,181,177	10,842,260	13,316,925
<b>Total Net Position</b>	<b>26,728,020</b>	<b>25,733,212</b>	<b>26,835,357</b>	<b>25,875,746</b>	<b>53,563,377</b>	<b>51,608,958</b>

A portion of net position in governmental activities, \$4,646,655 (17.39%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,563,666 (21% of net position), may be used to meet the government's ongoing obligations to citizens and creditors.

# City of Cortez

## Management's Discussion and Analysis

### Changes in Net Position

Governmental-type activities show an increase of \$994,808. The following items contributed to this increase:

- 1) The General Fund exceeded the 2014 budgeted fund increase of \$415,680 by \$519,936. \$260,000 of this amount was in capital projects which will be deferred to 2015.
- 2) Non-major funds accounted for a decrease of the difference of which \$134,261 was for the purchase of capital equipment.

Business-type activities increased the City's net position by \$959,611. The following items contributed to this increase:

- 1) The following funds showed increases: recreation center \$513,991; water fund \$445,050; and solid waste collection 204,219.
- 2) Other business-type activities including police dispatch fund, the hydro plant fund, and the city community network fund showed a combined decrease of \$71,522.

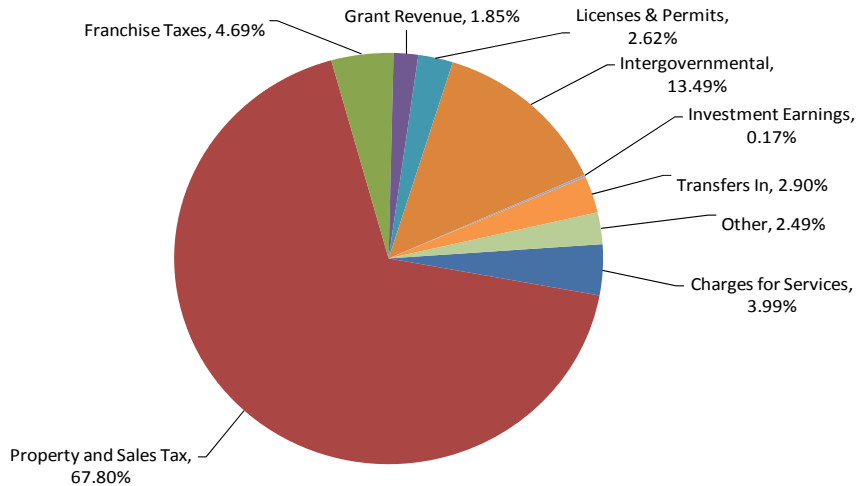
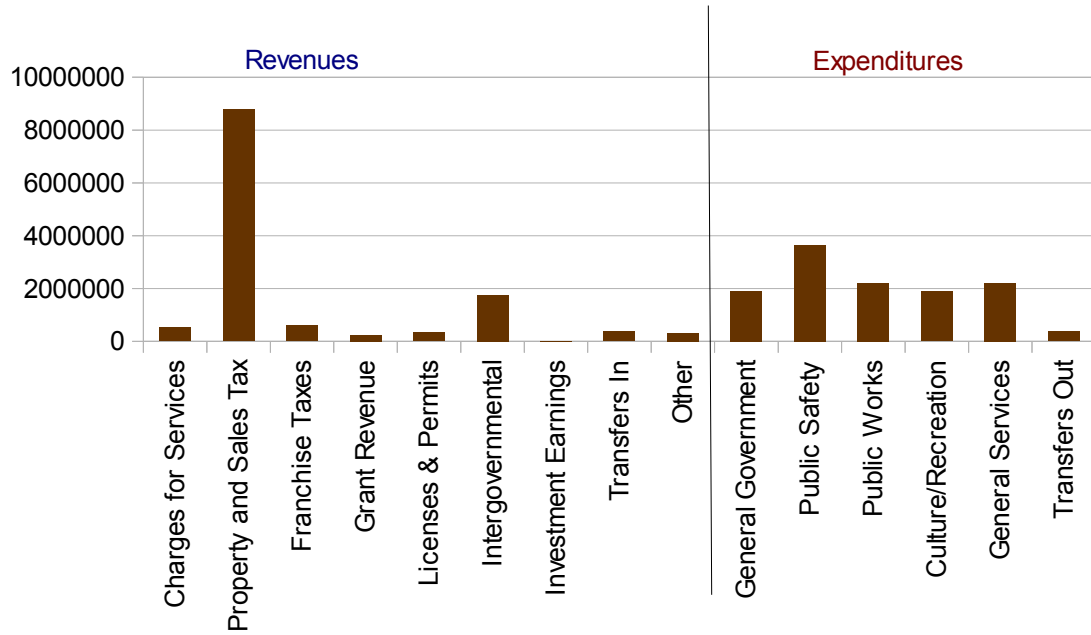
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges of services	941,373	626,183	5,375,080	5,111,961	6,316,453	5,738,144
Operating Grants and Contributions	2,033,636	2,119,525	-	-	2,033,636	2,119,525
Capital Grants and Contributions	-	-	502,431	2,205,315	502,431	2,205,315
General revenues:						
Taxes:						
Property and Sales tax	8,782,563	8,455,644	1,321,777	1,273,501	10,104,340	9,729,145
Franchise taxes	606,980	612,679	-	-	606,980	612,679
Interfund Charges	(213,300)	(156,793)	-	-	(213,300)	(156,793)
Investment earnings	22,010	21,178	23,481	14,834	45,491	36,012
Miscellaneous revenue	120,742	120,115	-	-	120,742	120,115
Total revenue	<u>12,294,004</u>	<u>11,798,531</u>	<u>7,222,769</u>	<u>8,605,611</u>	<u>19,516,773</u>	<u>20,404,142</u>
PROGRAM EXPENSES						
General Government	1,874,496	1,263,520	-	-	1,874,496	1,263,520
General Service	2,296,435	1,935,460	-	-	2,296,435	1,935,460
Public Safety	3,818,048	3,578,053	-	-	3,818,048	3,578,053
Public Works	1,678,387	2,140,203	-	-	1,678,387	2,140,203
Culture, Parks and Recreation	1,915,130	1,876,590	-	-	1,915,130	1,876,590
Internal Charges	(283,300)	791,832	-	-	(283,300)	791,832
Water Utility	-	-	1,889,720	495,891	1,889,720	495,891
Hydro Plant	-	-	88,682	1,422,450	88,682	1,422,450
Airport	-	-	821,708	2,305,483	821,708	2,305,483
Solid Waste	-	-	1,014,778	926,645	1,014,778	926,645
Police Dispatch	-	-	692,431	740,464	692,431	740,464
Recreation Center	-	-	1,386,478	89,809	1,386,478	89,809
Community Network	-	-	369,361	297,117	369,361	297,117
Total Expenses	<u>11,299,196</u>	<u>11,585,658</u>	<u>6,263,158</u>	<u>6,277,859</u>	<u>17,562,354</u>	<u>17,863,517</u>
Increase (decrease) in Net Position	994,808	212,873	959,611	2,327,752	1,954,419	2,540,625
Net Position, Beginning	<u>25,733,212</u>	<u>25,520,339</u>	<u>25,875,746</u>	<u>23,547,994</u>	<u>51,608,958</u>	<u>49,068,333</u>
<b>Net Position, Ending</b>	<u>26,728,020</u>	<u>25,733,212</u>	<u>26,835,357</u>	<u>25,875,746</u>	<u>53,563,377</u>	<u>51,608,958</u>

# City of Cortez Management's Discussion and Analysis

## Governmental Activities.

Governmental activities increased Cortez's net position by \$994,808 thereby accounting for .50% of total increase in assets.

### 2014 Expense and Program Revenues – Governmental Activities



# City of Cortez

## Management's Discussion and Analysis

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### Business Activities

Business-type activities for the year resulted in an increase of net position of \$959,611. Charges for services accounted for 80% of total revenues. Actual expenditures were \$6,263,158.

### 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 2014, the City's governmental funds reported combined ending fund balances of \$10,693,528 an increase of \$736,842 in comparison with the prior year. The City budgeted for an increase of \$249,350. Of the combined ending fund balances for all governmental funds 45.87% of this total amount, \$4,906,465, constitutes unreserved fund balance, which is available for appropriation at the City's discretion. The remainder 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 \$366,227.

The City has two major governmental funds. They are General, and Street Improvement, with five non-major governmental funds, Lodgers Tax, Conservation Trust, Equipment, Emergency Reserve, and Grants.

The general fund is the primary operating fund for the City of Cortez. At the end of 2014, \$4,906,465 of the fund balance was unreserved. This represents 82.66% of the total fund balance. The reserved portion of this fund balance for 2014 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 2014 the Lodgers Tax fund unreserved balance was \$45,071 which was \$16,736 less than the previous year. The contributing factor to this increase was an increase in the contract with Mesa Verde Country V.I.B. 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 2014 of \$24,812. This fund accounts for State of Colorado lottery funds and is to be used for parks and recreation services and capital investment. The decrease in fund balance of \$7,492 was due to projects expended from funds received by the State of Colorado.

# City of Cortez

## Management's Discussion and Analysis

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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 2014 the Equipment Fund had a fund balance of \$1,025,190 which was \$134,261 less than the previous year. \$440,978 was spent for the replacement of older equipment in the refuse, police department, public works, and parks and recreation. The largest expense was \$155,710 for a front end loader.

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 2014 in the amount of \$3,230,614. This was a decrease of \$21,960 from 2013 year-end. \$694,506 was spent for the improvement and maintenance of the City's streets and \$271,943 was spent for the Broadway Median Beautification Project, and the remainder was spent on the City's concrete "cost share" program.

The Emergency Reserve fund had a fund balance of \$366,227 at the end of 2014 which was an increase of \$1,097 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 2014 was due to investment earnings.

The Grant Fund 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.

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 2014 amounts to \$5,278,594. The Water Utility Fund accounted for \$2,036,303 and the Recreation Center Fund accounted for \$2,295,398. Total net position increased by \$959,611 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 decrease in appropriations of \$788,474. This decrease was a result of deferring the service center expansion project to 2015 and various department 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, 2014, amounts to \$46,238,103, a decrease of \$417,651 from the prior year. \$1,252,906 in capital assets were added and \$130,288 in capital assets were sold. Depreciation of \$1,670,559 was allocated in 2014. As required by GASB 34, the investment in capital assets includes land, buildings, building improvements, equipment, and infrastructure.

# City of Cortez

## Management's Discussion and Analysis

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/14</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,152,583	\$ -	\$ -	\$ 1,152,583
Capital assets being depreciated				
Buildings	8,137,180	22,226	-	8,159,406
Machinery and equipment	7,170,299	561,289	45,698	7,685,890
Other improvements	4,597,023	4,188	-	4,601,211
Land improvements	526,813	-	-	526,813
Infrastructure	7,447,965	258,072	-	7,706,037
Internal service equipment	167,743	10,340	-	178,083
Total capital assets being depreciated	<u>28,047,023</u>	<u>856,115</u>	<u>45,698</u>	<u>28,857,440</u>
Less accumulated depreciation for:				
Buildings	2,568,078	148,201	-	2,716,279
Machinery and equipment	4,903,892	77,901	45,698	4,936,095
Other Improvements	3,875,577	139,693	-	4,015,270
Land improvements	79,046	9,566	-	88,612
Infrastructure	1,421,397	155,259	-	1,576,656
Internal service equipment	151,586	7,826	-	159,412
Total accumulated depreciation	<u>12,999,576</u>	<u>538,446</u>	<u>45,698</u>	<u>13,492,324</u>
<b>Governmental activity capital assets, net</b>	<b><u>\$ 16,200,030</u></b>	<b><u>\$ 317,669</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,517,699</u></b>

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/14</u>
<b>Business-Type Activities:</b>				
Capital Assets not being depreciated				
Land	\$ 718,874	\$ -	\$ -	\$ 718,874
Water Rights	4,202,426	-	-	4,202,426
Total capital assets not being depreciated	<u>4,921,300</u>	<u>-</u>	<u>-</u>	<u>4,921,300</u>
Capital assets being depreciated				
Buildings	15,329,154	-	-	15,329,154
Machinery and equipment	3,125,787	152,127	84,590	3,193,324
Other Improvements	1,033,236	12,406	-	1,045,642
Infrastructure	17,602,118	232,260	-	17,834,378
Total capital assets being depreciated	<u>37,090,295</u>	<u>396,793</u>	<u>84,590</u>	<u>37,402,498</u>
Less: Accumulated Depreciation				
Buildings	4,073,343	496,685	-	4,570,028
Machinery and equipment	2,189,991	142,357	84,590	2,247,758
Other Improvements	332,992	51,673	-	384,665
Infrastructure	4,959,545	441,398	-	5,400,943
Total Accumulated Depreciation	<u>11,555,871</u>	<u>1,132,113</u>	<u>84,590</u>	<u>12,603,394</u>
<b>Business-type activity capital assets, net</b>	<b><u>\$ 30,455,724</u></b>	<b><u>\$ (735,320)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 29,720,404</u></b>



## City of Cortez Management's Discussion and Analysis

Long Term Debt. At the end of 2014, total bonded debt outstanding was \$3,760,000. 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 2014, 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 \$423,282; the Dolores Water Conservancy Board in the amount of \$3,174,488; the Colorado Department of Local Affairs in the amount of \$197,459; and the Colorado Water Resources Power Dev. Authority in the amount of \$942,361 and the Drinking Water Revolving Fund for \$371,504. All debt was for Business-type activities. The City also had a liability at the end of 2014 for compensated absences in the amount of \$173,701.

### Governmental Activities

	Balance			Balance 12/31/14	Due within one year	Interest Expense
	01/01/14	Additions	Reductions			
<b>Compensated Absences</b>	<b>\$ 518,878</b>	<b>\$ 43,119</b>	<b>\$ 313</b>	<b>\$ 561,684</b>	<b>\$ -</b>	<b>\$ -</b>

### Business-Type Activities

	Balance			Balance 12/31/14	Due within one year	Interest Expense
	01/01/14	Additions	Reductions			
2011 Refunding Revenue Bonds - Rec	\$ 4,245,000	\$ -	\$ 485,000	\$ 3,760,000	\$ 500,000	\$ 128,563
2011 Premiums	65,475	-	7,480	57,995	7,712	(7,480)
1986 Colorado Water Cons Board	472,180	-	48,898	423,282	51,342	23,408
1986 Delores Water Conservancy Dist	3,225,076	-	50,588	3,174,488	53,656	195,537
2005 DOLA Water Loan	210,696	-	13,237	197,459	13,899	10,314
2010 CWRPDA Water Loan	391,027	-	19,523	371,504	19,916	7,658
2009 CWRPDA Hydro Loan	991,928	-	49,567	942,361	50,558	18,888
Compensated Absences	158,763	15,215	277	173,701	-	-
<b>Total</b>	<b>\$ 9,760,145</b>	<b>\$ 15,215</b>	<b>\$ 674,570</b>	<b>\$ 9,100,790</b>	<b>\$ 697,083</b>	<b>\$ 376,888</b>
2011 Bond Deferred Loss	<b>\$ 116,700</b>	<b>\$ -</b>	<b>\$ 11,954</b>	<b>\$ 104,746</b>	<b>\$ 12,323</b>	<b>\$ 11,954</b>

## 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 once again budgeted sales tax revenue conservatively for 2015 with an estimated increase of 2.5%.

Capital plans for 2015 are budgeted for \$6,553,667. These plans include development of the northern 20 acres of the 4 corners property into an industrial park which should result in turnkey parcels for development, the city-wide implementation of AMR (automated meter reading), and the completion of the fiber to the business project. The City will complete a major undertaking in 2015 in Paradise Village, which will include replacement of all water lines, asphalt, curb, gutter and sidewalks and through an IGA with the Sanitation District the District will replace all sewer mains in Paradise Village as well.

# City of Cortez

## Management's Discussion and Analysis

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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

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

### INDEPENDENT AUDITORS' REPORT

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City of Cortez, Colorado, as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Auditors' Responsibility***

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

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

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

#### ***Opinions***

In our opinion, based on our audit 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2014. 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 – M11 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 July 17, 2015 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 and *Statistical Section* on pages 61 – 67, 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  
July 17, 2015

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### ***BASIC FINANCIAL STATEMENTS***

The Basic Financial Statements provide a financial overview of the City's operations. These financial statements present the financial position, operating results, and cash flows, where applicable, of government-wide operations as well as all governmental activities and business-type activities as of December 31, 2014.

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**Government-Wide Financial Statements**

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**City of Cortez, Colorado**  
**Statement of Net Position**  
**December 31, 2014**

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>ASSETS</b>			
Current Assets			
Cash in Checking	\$ 5,328,965	\$ 2,272,012	\$ 7,600,977
Petty Cash	4,921	1,941	6,862
Cash in Local Government Pools	1,737,252	320,114	2,057,366
Investments	2,369,063	2,385,768	4,754,831
Property Tax Receivable	108,369	-	108,369
Accounts Receivable	1,043,999	745,613	1,789,612
Special Assessment Receivable	160,396	-	160,396
Interfund Balances	716,212	(716,212)	-
Intergovernmental Receivable	54,544	298,959	353,503
Inventory	69,839	267,015	336,854
Prepaid Expenses	33,723	7,895	41,618
Total Current Assets	<u>11,627,283</u>	<u>5,583,105</u>	<u>17,210,388</u>
Capital Assets			
Capital Assets not being depreciated	1,152,583	4,921,300	6,073,883
Capital Assets being depreciated	15,365,116	24,799,104	40,164,220
Total Capital Assets	<u>16,517,699</u>	<u>29,720,404</u>	<u>46,238,103</u>
Other Assets			
Restricted Cash	-	832,855	832,855
	<u>28,144,982</u>	<u>36,136,364</u>	<u>64,281,346</u>
<b>DEFERRED OUTFLOWS OF FINANCIAL RESOURCES</b>			
Deferred Charge on Refunding	-	104,746	104,746
	<u>-</u>	<u>104,746</u>	<u>104,746</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	419,737	91,180	510,917
Accrued Payroll	145,050	54,118	199,168
Deposits	19,902	4,584	24,486
Accrued Interest Payable	-	34,173	34,173
Unearned Revenue	-	120,906	120,906
Noncurrent Liabilities - Due within one year	-	697,083	697,083
Total Current Liabilities	<u>584,689</u>	<u>1,002,044</u>	<u>1,586,733</u>
Noncurrent Liabilities			
Accrued Compensated Absences	561,683	173,701	735,384
Notes and Loans Payable	-	8,230,008	8,230,008
Total Noncurrent Liabilities	<u>561,683</u>	<u>8,403,709</u>	<u>8,965,392</u>
<b>Total Liabilities</b>	<u>1,146,372</u>	<u>9,405,753</u>	<u>10,552,125</u>
<b>DEFERRED INFLOWS OF FINANCIAL RESOURCES</b>			
Deferred Property Taxes	270,590	-	270,590
	<u>270,590</u>	<u>-</u>	<u>270,590</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	16,517,699	20,793,313	37,311,012
Restricted	4,646,655	763,450	5,410,105
Unrestricted	5,563,666	5,278,594	10,842,260
<b>Net Position, Ending</b>	<u>\$ 26,728,020</u>	<u>\$ 26,835,357</u>	<u>\$ 53,563,377</u>

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

**City of Cortez, Colorado**  
**Statement of Activities**  
**Year Ended December 31, 2014**

<u>Function/Program</u>	<u>Expenditures</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General Government	\$ 1,874,496	\$ 140,763	\$ 1,346,124	\$ -
General Services	2,296,435	-	-	-
Public Safety	3,818,048	86,841	206,284	-
Public Works	1,678,387	265,218	373,260	-
Parks and Recreation	1,915,130	448,551	107,968	-
Internal Charges	(283,300)	-	-	-
<b>Total Governmental Activities</b>	<u>11,299,196</u>	<u>941,373</u>	<u>2,033,636</u>	<u>-</u>
<b>Business-type Activities</b>				
Airport	821,708	187,117	-	502,431
Recreation	1,386,478	559,007	-	-
Water	1,889,720	2,332,909	-	-
Solid Waste Collection	1,014,778	1,217,197	-	-
Police Dispatch	692,431	737,230	-	-
Hydro Plant	88,682	55,083	-	-
City Community Network Fund	369,361	286,537	-	-
<b>Total Business-type Activities</b>	<u>6,263,158</u>	<u>5,375,080</u>	<u>-</u>	<u>502,431</u>
<b>Total Government</b>	<u>\$ 17,562,354</u>	<u>\$ 6,316,453</u>	<u>\$ 2,033,636</u>	<u>\$ 502,431</u>
<b>General Revenues</b>				
Property and Sales Taxes				
Franchise Taxes				
Interfund Charges				
Investment Earnings				
Miscellaneous Revenue				
<b>Total General Revenues</b>				
<b>Change in Net Position</b>				
Net Position, Beginning				
<b>Net Position, Ending</b>				

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

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

<b>Governmental</b>	<b>Business-type</b>	
<b>Activities</b>	<b>Activities</b>	<b>Total</b>
\$ (387,609)	\$ -	\$ (387,609)
(2,296,435)	-	(2,296,435)
(3,524,923)	-	(3,524,923)
(1,039,909)	-	(1,039,909)
(1,358,611)	-	(1,358,611)
283,300	-	283,300
<u>(8,324,187)</u>	<u>-</u>	<u>(8,324,187)</u>
-	(132,160)	(132,160)
-	(827,471)	(827,471)
-	443,189	443,189
-	202,419	202,419
-	44,799	44,799
-	(33,599)	(33,599)
-	(82,824)	(82,824)
<u>-</u>	<u>(385,647)</u>	<u>(385,647)</u>
<u>(8,324,187)</u>	<u>(385,647)</u>	<u>(8,709,834)</u>
8,782,563	1,321,777	10,104,340
606,980	-	606,980
(213,300)	-	(213,300)
22,010	23,481	45,491
120,742	-	120,742
<u>9,318,995</u>	<u>1,345,258</u>	<u>10,664,253</u>
994,808	959,611	1,954,419
25,733,212	25,875,746	51,608,958
<u>\$ 26,728,020</u>	<u>\$ 26,835,357</u>	<u>\$ 53,563,377</u>

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## **Fund Financial Statements**

City of Cortez, Colorado  
Balance Sheet  
Governmental Funds  
December 31, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

	Street Improvement			Total	
	General Fund	Fund	Nonmajor Funds	2014	2013
<b>Assets</b>					
Cash in Checking	\$ 3,208,887	\$ 960,412	\$ 777,029	\$ 4,946,328	\$ 4,057,332
Petty Cash	4,069	-	700	4,769	3,754
Cash in Local Government Pools	235,150	984,927	517,175	1,737,252	1,736,099
Investments	1,264,641	704,054	200,000	2,168,695	2,436,493
Property Tax Receivable	108,369	-	-	108,369	105,489
Accounts Receivable	820,552	126,167	46,415	993,134	966,659
Special Assessment Receivable	57,794	102,602	-	160,396	164,232
Interfund Receivable	593,245	507,000	-	1,100,245	958,050
Intergovernmental Receivable	38,937	-	15,607	54,544	61,648
Inventory	50,659	-	-	50,659	44,850
Prepaid Expenses	30,952	188	1,534	32,674	67,986
<b>Total Assets</b>	<u>\$ 6,413,255</u>	<u>\$ 3,385,350</u>	<u>\$ 1,558,460</u>	<u>\$ 11,357,065</u>	<u>\$ 10,602,592</u>
<b>Liabilities</b>					
Accounts Payable	\$ 160,116	\$ 49,601	\$ 20,958	\$ 230,675	\$ 245,852
Accrued Payroll	129,170	2,533	2,684	134,387	111,450
Deposits	19,902	-	-	19,902	15,414
Unearned Revenue	-	-	-	-	2,403
Interfund Payables	-	-	7,983	7,983	-
<b>Total Liabilities</b>	<u>309,188</u>	<u>52,134</u>	<u>31,625</u>	<u>392,947</u>	<u>375,119</u>
<b>Deferred Inflows of Financial Resources</b>					
Deferred Property Taxes	167,988	102,602	-	270,590	270,787
<b>Fund Balance</b>					
Nonexpendable	81,611	188	1,534	83,333	112,836
Restricted	-	3,230,426	1,416,229	4,646,655	3,650,008
Assigned	948,003	-	109,072	1,057,075	924,496
Unassigned	4,906,465	-	-	4,906,465	5,269,346
<b>Total Fund Balance</b>	<u>5,936,079</u>	<u>3,230,614</u>	<u>1,526,835</u>	<u>10,693,528</u>	<u>9,956,686</u>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<u>\$ 6,413,255</u>	<u>\$ 3,385,350</u>	<u>\$ 1,558,460</u>	<u>\$ 11,357,065</u>	<u>\$ 10,602,592</u>

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



**City of Cortez, Colorado**  
**Reconciliation of Governmental Fund Balance to**  
**Governmental Activities Net Position**  
**December 31, 2014**

<b>Governmental Fund Balance</b>	\$ 10,693,528
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	28,679,357
Accumulated Depreciation	(13,332,912)
Earned but unpaid accumulated leave balances are not reported in the funds:	
Accrued Compensated Absences	(531,111)
Internal service funds are blended into governmental activities:	
Internal Service Fund Net Position	<u>66,575</u>
<b>Governmental Activities Net Position</b>	<u><u>\$ 26,728,020</u></u>

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

**City of Cortez, Colorado**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	Street Improvement			Total	
	General Fund	Fund	Nonmajor Funds	2014	2013
<b>Revenues</b>					
Property and Sales Taxes	\$ 7,085,072	\$ 1,203,031	\$ 494,460	\$ 8,782,563	\$ 8,455,644
Franchise Taxes	606,980	-	-	606,980	612,679
Licenses, Permits and Fees	339,138	-	-	339,138	82,312
Intergovernmental Revenue	1,620,172	-	126,553	1,746,725	1,567,300
Charges for Services	493,625	-	24,659	518,284	463,452
Interfund Charges	70,000	-	-	70,000	70,000
Fines and Forfeits	83,951	-	-	83,951	80,419
Investment Earnings	14,765	5,612	1,633	22,010	21,178
Donation	47,877	-	-	47,877	63,086
Miscellaneous Revenue	105,705	7,645	7,392	120,742	120,115
Grant Revenue	148,242	-	90,792	239,034	489,140
<b>Total Revenues</b>	<u>10,615,527</u>	<u>1,216,288</u>	<u>745,489</u>	<u>12,577,304</u>	<u>12,025,325</u>
<b>Expenditures</b>					
General Government	1,399,430	-	507,163	1,906,593	1,988,387
General Services	1,756,958	-	440,978	2,197,936	2,598,664
Public Safety	3,654,284	-	-	3,654,284	3,666,314
Public Works	960,435	1,238,248	-	2,198,683	2,424,056
Parks and Recreation	1,793,906	-	89,060	1,882,966	1,903,473
<b>Total Expenditures</b>	<u>9,565,013</u>	<u>1,238,248</u>	<u>1,037,201</u>	<u>11,840,462</u>	<u>12,580,894</u>
<b>Revenues in Excess (Deficiency) of Expenditures</b>	<u>1,050,514</u>	<u>(21,960)</u>	<u>(291,712)</u>	<u>736,842</u>	<u>(555,569)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	39,600	-	336,170	375,770	379,072
Transfers Out	(163,600)	-	(212,170)	(375,770)	(324,072)
<b>Net Other Financing Sources (Uses)</b>	<u>(124,000)</u>	<u>-</u>	<u>124,000</u>	<u>-</u>	<u>55,000</u>
<b>Change in Fund Balance</b>	926,514	(21,960)	(167,712)	736,842	(500,569)
Fund Balance, Beginning	5,009,565	3,252,574	1,694,547	9,956,686	10,457,255
<b>Fund Balance, Ending</b>	<u>\$ 5,936,079</u>	<u>\$ 3,230,614</u>	<u>\$ 1,526,835</u>	<u>\$ 10,693,528</u>	<u>\$ 9,956,686</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, 2014**

<b>Change in Governmental Fund Balance</b>	\$ 736,842
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities:	
Capitalized depreciable assets	845,775
Depreciation expense	(530,620)
Earned but unpaid accumulated leave balances are not reported in the funds:	
Accrued Compensated Absences	(40,768)
Internal service funds are blended into governmental activities:	
Internal Service Fund Net Position	<u>(16,421)</u>
<b>Change in Governmental Activities Net Position</b>	<u>\$ 994,808</u>

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

**City of Cortez, Colorado**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2014**  
**(With Comparative Totals for December 31, 2013)**

	<b>Business-type Activities</b>				
	<b>Recreation</b>			<b>Hydro Plant</b>	<b>Solid Waste</b>
	<b>Airport Fund</b>	<b>Center Fund</b>	<b>Water Fund</b>	<b>Fund</b>	<b>Collection Fund</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash in Checking	\$ 2,829	\$ 230,969	\$ 1,315,331	\$ -	\$ 346,284
Petty Cash	-	1,341	600	-	-
Cash in Local Government Pools	22	9	118,503	-	201,580
Investments	-	1,905,623	355,145	-	125,000
Accounts Receivable	844	148,159	147,605	-	116,166
Intergovernmental Receivable	298,959	-	-	-	-
Inventory	-	1,847	231,856	-	-
Prepaid Expenses	288	933	3,060	-	3,022
<b>Total Current Assets</b>	<b>302,942</b>	<b>2,288,881</b>	<b>2,172,100</b>	<b>-</b>	<b>792,052</b>
<b>Capital Assets</b>					
Capital Assets not being depreciated	718,874	-	4,202,426	-	-
Capital Assets being depreciated	7,384,728	7,572,296	8,119,414	1,019,925	120,244
<b>Total Capital Assets</b>	<b>8,103,602</b>	<b>7,572,296</b>	<b>12,321,840</b>	<b>1,019,925</b>	<b>120,244</b>
<b>Other Assets</b>					
Restricted Cash	-	376,000	387,450	69,405	-
<b>Total Assets</b>	<b>8,406,544</b>	<b>10,237,177</b>	<b>14,881,390</b>	<b>1,089,330</b>	<b>912,296</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred Charge on Refunding	-	104,746	-	-	-
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable	1,921	30,141	37,833	-	20,507
Accrued Payroll	2,874	13,820	12,683	-	11,254
Deposits	-	4,584	-	-	-
Interfund Payables	132,525	-	-	1,687	-
Accrued Interest Payable	-	9,810	6,292	18,071	-
Unearned Revenue	-	6,322	114,584	-	-
Noncurrent Liabilities - Due within one year	-	507,712	138,813	50,558	-
<b>Total Current Liabilities</b>	<b>137,320</b>	<b>572,389</b>	<b>310,205</b>	<b>70,316</b>	<b>31,761</b>
<b>Noncurrent Liabilities</b>					
Accrued Compensated Absences	26,313	33,552	40,755	-	39,508
Notes and Loans Payable	-	3,310,283	4,027,921	891,804	-
<b>Total Noncurrent Liabilities</b>	<b>26,313</b>	<b>3,343,835</b>	<b>4,068,676</b>	<b>891,804</b>	<b>39,508</b>
<b>Total Liabilities</b>	<b>163,633</b>	<b>3,916,224</b>	<b>4,378,881</b>	<b>962,120</b>	<b>71,269</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	8,103,602	3,754,301	8,155,106	77,563	120,244
Restricted	-	376,000	387,450	-	-
Unrestricted	139,309	2,295,398	1,959,953	49,647	720,783
<b>Net Position, Ending</b>	<b>\$ 8,242,911</b>	<b>\$ 6,425,699</b>	<b>\$ 10,502,509</b>	<b>\$ 127,210</b>	<b>\$ 841,027</b>

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

<u>Business-type Activities</u>		<u>Govt Act.</u>	<u>Total</u>		
<u>Other Enterprise</u>	<u>Total Enterprise</u>	<u>Internal</u>			
<u>Funds</u>	<u>Funds</u>	<u>Service Funds</u>	<u>2014</u>	<u>2013</u>	
\$ 376,599	\$ 2,272,012	\$ 382,637	\$ 2,654,649	\$ 2,125,720	
-	1,941	152	2,093	2,093	
-	320,114	-	320,114	319,902	
-	2,385,768	200,368	2,586,136	2,385,554	
332,839	745,613	50,865	796,478	679,093	
-	298,959	-	298,959	31,711	
33,312	267,015	19,180	286,195	315,315	
592	7,895	1,049	8,944	10,858	
<u>743,342</u>	<u>6,299,317</u>	<u>654,251</u>	<u>6,953,568</u>	<u>5,870,246</u>	
-	4,921,300	-	4,921,300	4,921,300	
582,497	24,799,104	18,671	24,817,775	25,550,581	
<u>582,497</u>	<u>29,720,404</u>	<u>18,671</u>	<u>29,739,075</u>	<u>30,471,881</u>	
-	832,855	-	832,855	840,228	
<u>1,325,839</u>	<u>36,852,576</u>	<u>672,922</u>	<u>37,525,498</u>	<u>37,182,355</u>	
-	104,746	-	104,746	116,700	
778	91,180	189,062	280,242	378,508	
13,487	54,118	10,663	64,781	51,846	
-	4,584	-	4,584	1,781	
582,000	716,212	376,050	1,092,262	958,050	
-	34,173	-	34,173	36,410	
-	120,906	-	120,906	125,036	
-	697,083	-	697,083	674,293	
<u>596,265</u>	<u>1,718,256</u>	<u>575,775</u>	<u>2,294,031</u>	<u>2,225,924</u>	
33,573	173,701	30,572	204,273	187,299	
-	8,230,008	-	8,230,008	8,927,090	
<u>33,573</u>	<u>8,403,709</u>	<u>30,572</u>	<u>8,434,281</u>	<u>9,114,389</u>	
<u>629,838</u>	<u>10,121,965</u>	<u>606,347</u>	<u>10,728,312</u>	<u>11,340,313</u>	
582,497	20,793,313	18,671	20,811,984	20,870,498	
-	763,450	-	763,450	840,228	
113,504	5,278,594	47,904	5,326,498	4,248,016	
<u>\$ 696,001</u>	<u>\$ 26,835,357</u>	<u>\$ 66,575</u>	<u>\$ 26,901,932</u>	<u>\$ 25,958,742</u>	

**City of Cortez, Colorado**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>Business-type Activities</b>				
	<b>Recreation</b>			<b>Hydro Plant</b>	<b>Solid Waste</b>
	<b>Airport Fund</b>	<b>Center Fund</b>	<b>Water Fund</b>	<b>Fund</b>	<b>Collection Fund</b>
<b>OPERATING REVENUES</b>					
Intergovernmental Revenue	\$ 23,757	\$ -	\$ -	\$ -	\$ -
Charges for Services	160,935	558,144	2,322,139	55,083	1,185,262
Interfund Charges	-	-	-	-	-
Miscellaneous Revenue	2,425	863	10,770	-	31,935
<b>Total Operating Revenues</b>	<u>187,117</u>	<u>559,007</u>	<u>2,332,909</u>	<u>55,083</u>	<u>1,217,197</u>
<b>OPERATING EXPENSES</b>					
Health Claims	-	-	-	-	-
Shop	-	-	-	-	-
Building Overhead	-	-	-	-	-
Technology	-	-	-	-	-
Fiber Network	-	-	-	-	-
Telecommunications	-	-	-	-	-
Administration	-	-	320,755	3,992	129,393
Filtration and Treatment	-	-	397,421	-	-
Transmission and Distribution	-	-	317,684	-	-
Airport Operations	192,315	-	-	-	-
Meter Maintenance	-	-	159,103	-	-
Collection	-	-	-	-	760,768
Recycling	-	-	-	-	116,601
Fiber Outside Plant	-	-	-	-	-
Fiber Administration	-	-	-	-	-
Fiber Inside Plant	-	-	-	-	-
Water Capital Projects	-	-	-	-	-
Recreation Center	-	1,000,301	-	-	-
Police Support Services	-	-	-	-	-
Capital Outlay	358,370	4,788	23,363	-	-
Depreciation	271,023	252,626	434,478	65,802	8,016
<b>Total Operating Expenses</b>	<u>821,708</u>	<u>1,257,715</u>	<u>1,652,804</u>	<u>69,794</u>	<u>1,014,778</u>
<b>Operating Income (Loss)</b>	(634,591)	(698,708)	680,105	(14,711)	202,419
<b>Other Revenues (Expenses)</b>					
Property and Sales Taxes	-	1,321,777	-	-	-
Investment Earnings	33	19,685	1,861	-	1,800
Interest Expense	-	(128,763)	(236,916)	(18,888)	-
<b>Net Income (Loss) before Transfers</b>	(634,558)	513,991	445,050	(33,599)	204,219
<b>Transfers</b>					
Transfers In	-	-	-	76,350	-
Transfers Out	-	-	(76,350)	-	-
<b>Net Transfers</b>	-	-	(76,350)	76,350	-
<b>Capital Contributions</b>	502,431	-	-	-	-
<b>Change in Fund Balance</b>	(132,127)	513,991	368,700	42,751	204,219
Net Position, Beginning	8,375,038	5,911,708	10,133,809	84,459	636,808
<b>Net Position, Ending</b>	<u>\$ 8,242,911</u>	<u>\$ 6,425,699</u>	<u>\$ 10,502,509</u>	<u>\$ 127,210</u>	<u>\$ 841,027</u>

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

<u>Business-type Activities</u>		<u>Govt Act.</u>	<u>Total</u>	
<b>Other</b>				
<b>Enterprise</b>	<b>Total Enterprise</b>	<b>Internal Service</b>		
<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ 23,757	\$ 5,580	\$ 29,337	\$ 60,848
584,969	4,866,532	157,631	5,024,163	4,860,890
316,592	316,592	2,786,222	3,102,814	2,932,037
122,206	168,199	57,025	225,224	97,539
<u>1,023,767</u>	<u>5,375,080</u>	<u>3,006,458</u>	<u>8,381,538</u>	<u>7,951,314</u>
-	-	1,721,958	1,721,958	1,743,959
-	-	785,936	785,936	671,252
-	-	111,082	111,082	120,088
-	-	345,827	345,827	273,986
-	-	96	96	1,679
-	-	10,048	10,048	49,259
66,266	520,406	-	520,406	407,010
-	397,421	-	397,421	464,475
-	317,684	-	317,684	273,345
-	192,315	-	192,315	184,271
-	159,103	-	159,103	138,436
-	760,768	-	760,768	694,023
-	116,601	-	116,601	139,195
154,007	154,007	-	154,007	141,971
12,736	12,736	-	12,736	410
40,111	40,111	-	40,111	45,843
-	-	-	-	11,613
-	1,000,301	-	1,000,301	995,739
680,308	680,308	-	680,308	722,757
8,195	394,716	42,509	437,225	556,491
100,169	1,132,114	7,825	1,139,939	1,122,413
<u>1,061,792</u>	<u>5,878,591</u>	<u>3,025,281</u>	<u>8,903,872</u>	<u>8,759,431</u>
(38,025)	(503,511)	(18,823)	(522,334)	(808,117)
-	1,321,777	-	1,321,777	1,273,501
102	23,481	2,402	25,883	15,665
-	(384,567)	-	(384,567)	(401,550)
<u>(37,923)</u>	<u>457,180</u>	<u>(16,421)</u>	<u>440,759</u>	<u>79,499</u>
-	76,350	-	76,350	-
-	(76,350)	-	(76,350)	(55,000)
-	-	-	-	(55,000)
-	502,431	-	502,431	2,205,315
(37,923)	959,611	(16,421)	943,190	2,229,814
733,924	25,875,746	82,996	25,958,742	23,728,928
<u>\$ 696,001</u>	<u>\$ 26,835,357</u>	<u>\$ 66,575</u>	<u>\$ 26,901,932</u>	<u>\$ 25,958,742</u>

City of Cortez, Colorado  
Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

	Business-type Activities				
		Recreation		Hydro Plant	Solid Waste
	Airport Fund	Center Fund	Water Fund	Fund	Collection Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash flows from customers	\$ 192,061	\$ 533,071	\$ 2,319,897	\$ 57,518	\$ 1,207,506
Cash flows from internal activities	132,525	-	-	1,687	-
Cash paid to suppliers	(412,639)	(433,626)	(588,852)	68,633	(415,511)
Cash paid to/for benefit of employees	(135,807)	(552,952)	(596,322)	(72,625)	(584,161)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(223,860)</u>	<u>(453,507)</u>	<u>1,134,723</u>	<u>55,213</u>	<u>207,834</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>					
Capital asset acquisitions	(185,855)	(27,757)	(27,223)	-	(128,260)
Debt payments	-	(492,481)	(132,246)	(49,565)	-
Grant proceeds	235,183	-	-	-	-
Interest paid	-	(117,606)	(237,404)	(19,840)	-
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<u>49,328</u>	<u>(637,844)</u>	<u>(396,873)</u>	<u>(69,405)</u>	<u>(128,260)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Tax Revenue	-	1,321,777	-	-	-
Transfers (to) from Other Funds	-	-	(76,350)	76,350	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>-</u>	<u>1,321,777</u>	<u>(76,350)</u>	<u>76,350</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	33	19,685	1,861	-	1,800
Net cash invested	-	(200,997)	(982)	-	1,042
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>33</u>	<u>(181,312)</u>	<u>879</u>	<u>-</u>	<u>2,842</u>
<b>CHANGE IN CASH</b>	<u>(174,499)</u>	<u>49,114</u>	<u>662,379</u>	<u>62,158</u>	<u>82,416</u>
<b>CASH AND EQUIVALENTS, Beginning</b>	<u>177,350</u>	<u>559,205</u>	<u>1,159,505</u>	<u>7,247</u>	<u>465,448</u>
<b>CASH AND EQUIVALENTS, Ending</b>	<u>\$ 2,851</u>	<u>\$ 608,319</u>	<u>\$ 1,821,884</u>	<u>\$ 69,405</u>	<u>\$ 547,864</u>
<b>CASH PER BALANCE SHEET</b>					
Cash in Checking	\$ 2,829	\$ 230,969	\$ 1,315,331	\$ -	\$ 346,284
Petty Cash	-	1,341	600	-	-
Cash in Money Markets	22	9	118,503	-	201,580
Restricted Cash	-	376,000	387,450	69,405	-
<b>Total Cash and Equivalents, Ending</b>	<u>\$ 2,851</u>	<u>\$ 608,319</u>	<u>\$ 1,821,884</u>	<u>\$ 69,405</u>	<u>\$ 547,864</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ (634,591)	\$ (698,708)	\$ 680,105	\$ (14,711)	\$ 202,419
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	271,023	252,626	434,478	65,802	8,016
(Increase) Decrease in:					
Accounts Receivable	4,944	(22,435)	(12,383)	2,435	(9,691)
Interfund Receivable	-	-	-	-	-
Inventory	-	463	24,807	-	-
Prepaid Expenses	(190)	(95)	(1,283)	-	2,607
Increase (Decrease) in:					
Accounts Payable	1,076	6,056	2,640	-	(1,868)
Accrued Payroll	611	2,361	4,381	-	1,694
Deposits	-	2,803	-	-	-
Interfund Payables	132,525	-	-	1,687	-
Deferred Revenue	-	(3,501)	(629)	-	-
Accrued Compensated Absences	742	6,923	2,607	-	4,657
Net Reconciliation Adjustments	410,731	245,201	454,618	69,924	5,415
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (223,860)</u>	<u>\$ (453,507)</u>	<u>\$ 1,134,723</u>	<u>\$ 55,213</u>	<u>\$ 207,834</u>

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



Business-type Activities		Govt Act.	Total	
Other				
Enterprise	Total Enterprise	Internal Service	2014	2013
Funds	Funds	Funds		
\$ 657,916	\$ 4,967,969	\$ 189,240	\$ 5,157,209	\$ 4,918,384
316,592	450,804	2,786,222	3,237,026	2,932,037
(348,448)	(2,130,443)	898,471	(1,231,972)	(721,810)
(686,778)	(2,628,645)	(3,937,836)	(6,566,481)	(6,606,788)
<u>(60,718)</u>	<u>659,685</u>	<u>(63,903)</u>	<u>595,782</u>	<u>521,823</u>
(27,698)	(396,793)	(10,340)	(407,133)	(2,356,272)
-	(674,292)	-	(674,292)	(662,009)
-	235,183	-	235,183	2,194,933
-	(374,850)	-	(374,850)	(391,933)
<u>(27,698)</u>	<u>(1,210,752)</u>	<u>(10,340)</u>	<u>(1,221,092)</u>	<u>(1,215,281)</u>
-	1,321,777	-	1,321,777	1,273,501
-	-	-	-	(55,000)
-	<u>1,321,777</u>	-	<u>1,321,777</u>	<u>1,218,501</u>
102	23,481	2,402	25,883	15,665
-	(200,937)	355	(200,582)	(829,556)
<u>102</u>	<u>(177,456)</u>	<u>2,757</u>	<u>(174,699)</u>	<u>(813,891)</u>
(88,314)	593,254	(71,486)	521,768	(288,848)
464,913	2,833,668	454,275	3,287,943	3,576,791
<u>\$ 376,599</u>	<u>\$ 3,426,922</u>	<u>\$ 382,789</u>	<u>\$ 3,809,711</u>	<u>\$ 3,287,943</u>
\$ 376,599	\$ 2,272,012	\$ 382,637	\$ 2,654,649	\$ 2,125,720
-	1,941	152	2,093	2,093
-	320,114	-	320,114	319,902
-	832,855	-	832,855	840,228
<u>\$ 376,599</u>	<u>\$ 3,426,922</u>	<u>\$ 382,789</u>	<u>\$ 3,809,711</u>	<u>\$ 3,287,943</u>
<u>\$ (38,025)</u>	<u>\$ (503,511)</u>	<u>\$ (18,823)</u>	<u>\$ (522,334)</u>	<u>\$ (808,117)</u>
100,169	1,132,114	7,825	1,139,939	1,122,413
(49,259)	(86,389)	(30,996)	(117,385)	(105,275)
-	-	-	-	-
3,567	28,837	283	29,120	(16,813)
(171)	868	1,046	1,914	78,895
(79,332)	(71,428)	(26,838)	(98,266)	191,329
2,324	11,371	1,564	12,935	20,459
-	2,803	-	2,803	731
-	134,212	-	134,212	-
-	(4,130)	-	(4,130)	4,383
9	14,938	2,036	16,974	33,818
<u>(22,693)</u>	<u>1,163,196</u>	<u>(45,080)</u>	<u>1,118,116</u>	<u>1,329,940</u>
<u>\$ (60,718)</u>	<u>\$ 659,685</u>	<u>\$ (63,903)</u>	<u>\$ 595,782</u>	<u>\$ 521,823</u>

**City of Cortez, Colorado**  
**Statement of Fiduciary Net Position**  
**Court Bond Agency Fund**  
**December 31, 2014**  
**(With Comparative Totals for December 31, 2013)**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash in Checking	\$ 5,045	\$ 4,807
<b>FIDUCIARY NET POSITION</b>		
Funds Held for Others	\$ 5,045	\$ 4,807

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

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**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, 2014**

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

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

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

***Fund Financial Statements***

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

**GOVERNMENTAL FUNDS**

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

The City reports the following major governmental funds:

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

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

Street Improvement Fund – This fund accounts for the 12.36% of the City's sales tax collections (1/2 cent) that are to be used to improve the City's streets.

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, 2014**

**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.
- Hydro Plant Fund – This fund accounts for the operations of the City's hydroelectric power plant.
- Solid Waste Collection Fund – This fund accounts for the collection and disposal of the City's solid waste refuse.

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

- Police Dispatch Fund – This fund accounts for the City provided county-wide dispatch services.
- 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, 2014**

**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, 2014**

**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, 2014**

**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 2014.



**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**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.

***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.

***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.

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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

***NET POSITION/FUND BALANCES*** (Continued)

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.

***ENCUMBRANCES***

The City does not utilize encumbrance accounting.

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**NOTE 2: DEPOSITS AND INVESTMENTS**

A summary of cash and investments as of December 31, 2014 follows:

Cash in Checking	\$ 7,600,977
Petty Cash	6,862
Cash in Local Government Pools	<u>2,057,366</u>
Total Government-wide Cash and Equivalents	9,665,205
Investments	<u>4,754,831</u>
Total Government-wide Unrestricted Cash and Investments	14,420,036
Government-wide Restricted Cash Equivalents	832,855
Fiduciary Cash Equivalents	<u>5,045</u>
<b>Total Cash and Investments</b>	<b><u>\$ 15,257,936</u></b>

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

Cash and Equivalent Deposits	\$ 8,445,740
Cash and Equivalent Investments	<u>2,057,366</u>
Total Cash and Equivalents	<u>10,503,106</u>
Bank Investments	1,812,651
Other Investments	<u>2,942,179</u>
Total Investments	<u>4,754,830</u>
<b>Total Cash and Investments</b>	<b><u>\$ 15,257,936</u></b>

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**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, 2014, 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.

	<b>Bank Balance</b>	<b>Carrying Balance</b>
Cash and Equivalents		
FDIC Insured	\$ 421,438	\$ 421,438
PDPA Collateralized (1)	8,351,975	8,017,440
Petty Cash	-	6,862
Total Cash and Equivalents	8,773,413	8,445,740
Investments		
FDIC Insured Investments	1,766,824	1,766,824
PDPA Collateralized Investments (1)	50,000	45,827
Total Investments	1,816,824	1,812,651
<b>Total Cash and Bank Deposits</b>	<b>\$ 10,590,237</b>	<b>\$ 10,258,391</b>

(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, 2014**

**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:

	<b>Fair Value</b>	<b>Weighted Avg. Maturity In Years</b>	<b>% of Portfolio</b>	<b>Rating</b>
Cash Equivalents				
Local Investment Pools	\$ 2,057,366	0.00	41.15%	AAAm
Investments				
U.S. Instrumentalities:				
FNMA	1,500,000	3.12	30.00%	AAA
FHLB	900,000	3.69	18.00%	AAA
FHLMC	500,000	4.91	10.00%	AAA
Municipal Bonds	25,000	3.92	0.50%	AA-
Mutual Funds	17,179	0.00	0.34%	N/A
Total Nonequivalent Investments	2,942,179	3.61	58.85%	
<b>Total Investments held by City</b>	<b>\$ 4,999,545</b>	<b>2.35</b>	<b>100.00%</b>	

During the year ended December 31, 2014, 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, FHLB, and FHLMC securities. These investments are 30%, 18%, and 10% of the City's total investments, respectively.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2014, 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, 2014**

**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	\$ 376,000	\$ -	\$ 69,405	\$ 445,405
Restricted for O & M Reserve	-	387,450	-	387,450
<b>Total</b>	<b><u>\$ 376,000</u></b>	<b><u>\$ 387,450</u></b>	<b><u>\$ 69,405</u></b>	<b><u>\$ 832,855</u></b>

**NOTE 3: CAPITAL ASSETS**

A summary of changes in the governmental capital assets at December 31, 2014 follows:

	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/14</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,152,583	\$ -	\$ -	\$ 1,152,583
Capital assets being depreciated				
Buildings	8,137,180	22,226	-	8,159,406
Machinery and equipment	7,170,299	561,289	45,698	7,685,890
Other improvements	4,597,023	4,188	-	4,601,211
Land improvements	526,813	-	-	526,813
Infrastructure	7,447,965	258,072	-	7,706,037
Internal service equipment	167,743	10,340	-	178,083
Total capital assets being depreciated	<u>28,047,023</u>	<u>856,115</u>	<u>45,698</u>	<u>28,857,440</u>
Less accumulated depreciation for:				
Buildings	2,568,078	148,201	-	2,716,279
Machinery and equipment	4,903,892	77,901	45,698	4,936,095
Other Improvements	3,875,577	139,693	-	4,015,270
Land improvements	79,046	9,566	-	88,612
Infrastructure	1,421,397	155,259	-	1,576,656
Internal service equipment	151,586	7,826	-	159,412
Total accumulated depreciation	<u>12,999,576</u>	<u>538,446</u>	<u>45,698</u>	<u>13,492,324</u>
<b>Governmental activity capital assets, net</b>	<b><u>\$ 16,200,030</u></b>	<b><u>\$ 317,669</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,517,699</u></b>

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

General Government	\$ 85,442
General Services	98,499
Public Safety	163,764
Public Works	98,532
Parks and Recreation	84,383
Internal Service Fund	7,826
Total	<u>\$ 538,446</u>

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**NOTE 4: CAPITAL ASSETS (Continued)**

A summary of business-type capital assets at December 31, 2014 follows:

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/14</u>
<b>Business-Type Activities:</b>				
Capital Assets not being depreciated				
Land	\$ 718,874	\$ -	\$ -	\$ 718,874
Water Rights	<u>4,202,426</u>	<u>-</u>	<u>-</u>	<u>4,202,426</u>
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	3,125,787	152,127	84,590	3,193,324
Other Improvements	1,033,236	12,406	-	1,045,642
Infrastructure	<u>17,602,118</u>	<u>232,260</u>	<u>-</u>	<u>17,834,378</u>
Total capital assets being depreciated	<u>37,090,295</u>	<u>396,793</u>	<u>84,590</u>	<u>37,402,498</u>
Less: Accumulated Depreciation				
Buildings	4,073,343	496,685	-	4,570,028
Machinery and equipment	2,189,991	142,357	84,590	2,247,758
Other Improvements	332,992	51,673	-	384,665
Infrastructure	<u>4,959,545</u>	<u>441,398</u>	<u>-</u>	<u>5,400,943</u>
Total Accumulated Depreciation	<u>11,555,871</u>	<u>1,132,113</u>	<u>84,590</u>	<u>12,603,394</u>
<b>Business-type activity capital assets, net</b>	<b><u>\$ 30,455,724</u></b>	<b><u>\$ (735,320)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 29,720,404</u></b>

Depreciation expense was allocated to the funds as follows:

Airport Fund	\$ 271,023
Police Dispatch Fund	12,124
Recreation Center Fund	252,626
Water Fund	434,476
Hydro Plant Fund	65,802
Community Network Fund	88,046
Solid Waste Collection Fund	<u>8,016</u>
Total	<u>\$ 1,132,113</u>

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended December 31, 2014.

	<u>Governmental Activities</u>					
	Balance			Balance	Due within	Interest
	<u>01/01/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14</u>	<u>one year</u>	<u>Expense</u>
<b>Compensated Absences</b>	<b>\$ 518,878</b>	<b>\$ 43,119</b>	<b>\$ 313</b>	<b>\$ 561,684</b>	<b>\$ -</b>	<b>\$ -</b>
	<u>Business-Type Activities</u>					
	Balance			Balance	Due within	Interest
	<u>01/01/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14</u>	<u>one year</u>	<u>Expense</u>
2011 Refunding Revenue Bonds - Rec	\$ 4,245,000	\$ -	\$ 485,000	\$ 3,760,000	\$ 500,000	\$ 128,563
2011 Premiums	65,475	-	7,480	57,995	7,712	(7,480)
1986 Colorado Water Cons Board	472,180	-	48,898	423,282	51,342	23,408
1986 Delores Water Conservancy Dist	3,225,076	-	50,588	3,174,488	53,656	195,537
2005 DOLA Water Loan	210,696	-	13,237	197,459	13,899	10,314
2010 CWRPDA Water Loan	391,027	-	19,523	371,504	19,916	7,658
2009 CWRPDA Hydro Loan	991,928	-	49,567	942,361	50,558	18,888
Compensated Absences	158,763	15,215	277	173,701	-	-
<b>Total</b>	<b>\$ 9,760,145</b>	<b>\$ 15,215</b>	<b>\$ 674,570</b>	<b>\$ 9,100,790</b>	<b>\$ 697,083</b>	<b>\$ 376,888</b>
2011 Bond Deferred Loss	<b>\$ 116,700</b>	<b>\$ -</b>	<b>\$ 11,954</b>	<b>\$ 104,746</b>	<b>\$ 12,323</b>	<b>\$ 11,954</b>

**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, 2014**

**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>
2015	\$ 189,371	\$ 249,688	\$ 439,055
2016	197,297	241,763	439,055
2017	205,613	233,448	439,055
2018	214,336	224,726	439,055
2019	223,493	215,570	439,055
2020-2024	1,049,084	934,247	1,983,276
2025-2029	1,015,431	722,305	1,737,655
2030-2034	662,985	418,167	1,081,152
2035-2039	707,653	316,694	1,024,347
2040-2044	487,608	123,144	610,752
2045	156,224	14,344	170,571
<b>Total</b>	<b><u>\$ 5,109,095</u></b>	<b><u>\$ 3,694,096</u></b>	<b><u>\$ 8,803,028</u></b>

**Bonds Payable – Recreation Center Fund**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2015	\$ 500,000	\$ 115,188	\$ 609,888
2016	500,000	105,188	615,188
2017	515,000	92,688	605,188
2018	535,000	77,238	607,688
2019	550,000	59,850	612,238
2020-2021	1,160,000	61,250	1,831,100
<b>Total</b>	<b><u>\$ 3,760,000</u></b>	<b><u>\$ 511,402</u></b>	<b><u>\$ 4,881,290</u></b>

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**NOTE 6: INTERFUND BALANCES**

The City has recorded the following routine operating transfers for the year ended December 31, 2014:

	<u>Due From (To)</u> <u>Other Funds</u>
General Fund	\$ 593,245
Grant Fund	(7,983)
Street Improvement Fund	507,000
Self Insured Health Fund	(376,050)
Airport Fund	(132,525)
Hydro Plant Fund	(1,687)
City Community Network Fund	<u>(582,000)</u>
<b>Net Balance</b>	<b><u>\$ -</u></b>

The City has reported the following amounts due and payable within one year between funds as of December 31, 2014:

	<u>Transfers</u> <u>From (To)</u> <u>Other Funds</u>
General Fund	\$ (124,000)
Mesa Verde Country®	336,170
Lodgers Tax Fund	(212,170)
Water Fund	(76,350)
Hydro Plant Fund	<u>76,350</u>
<b>Net Transfers</b>	<b><u>\$ -</u></b>

The City has reported the following internal charges between funds for the year ended December 31, 2014:

	Received (Paid) - Net									
	Shop				Technology		Health Ins	Police	CCN	
	Admin Fee	Repairs	Overhead	Fuel	Computer	Telephone	Employer	Dispatch	Fiber	Net
<b>Administrative Charges</b>										
General Fund	\$ 70,000	\$(105,741)	\$ (26,685)	\$ (472,579)	\$ (215,760)	\$ (53,666)	\$ (1,021,058)	\$ (283,300)	\$ (22,880)	\$ (2,131,669)
Shop Fund	-	182,204	48,379	576,795	(7,440)	(9,997)	(77,457)	-	(2,400)	\$ 710,084
Technology Fund	-	-	(3,213)	-	344,380	75,238	(21,812)	-	(726)	\$ 393,867
Street Improvement Fund	-	-	-	-	-	-	(11,170)	-	-	\$ (11,170)
Grant Fund	-	-	-	-	-	-	(7,638)	-	-	\$ (7,638)
Self Insured Health Fund	-	-	-	-	-	-	1,614,791	-	-	\$ 1,614,791
Airport Fund	-	(2,704)	-	(3,143)	(1,860)	-	(28,259)	-	-	\$ (35,966)
Police Dispatch Fund	-	-	-	-	(24,180)	(1,578)	(126,059)	283,300	-	\$ 131,483
Recreation Center Fund	-	-	-	-	(20,460)	(5,788)	(75,788)	-	(6,086)	\$ (108,122)
Water Fund	(60,000)	(28,827)	(14,925)	(41,775)	(65,960)	(3,157)	(125,700)	-	(1,200)	\$ (341,544)
City Community Network Fund	-	(1,534)	(1,141)	-	(1,860)	-	(14,868)	-	33,292	\$ 13,889
Solid Waste Collection Fund	(10,000)	(43,398)	(2,415)	(59,298)	(6,860)	(1,052)	(104,982)	-	-	(228,005)
<b>Net Charges</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**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 \$284,752, \$280,592, and \$274,908 in 2014, 2013 and 2012, respectively. 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 2014, 2013, and 2012 was \$21,080, \$20,025, and \$17,034, respectively.

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 2014, 2013, and 2012 was \$107,070, \$102,926, and \$100,896, respectively.

Deferred Compensation Plan

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

**CITY OF CORTEZ, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**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</u>	<u>Recreation</u>	<u>Water</u>	<u>Hydro</u>	<u>Solid Waste</u>	<u>Non-Major</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Plant</u>	<u>Collection</u>	<u>Enterprise</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
GAAP Basis Revenues	\$ 187,150	\$ 1,900,469	\$ 2,334,770	\$ 131,433	\$ 1,218,997	\$ 1,023,869
Capital Contributions	502,431	-	-	-	-	-
<b>Budget Basis Revenues</b>	<b>\$ 689,581</b>	<b>\$ 1,900,469</b>	<b>\$ 2,334,770</b>	<b>\$ 131,433</b>	<b>\$ 1,218,997</b>	<b>\$ 1,023,869</b>
GAAP Basis Expenses	\$ 821,709	\$ 1,386,478	\$ 1,966,071	\$ 88,682	\$ 1,014,778	\$ 1,061,792
Capital Outlay	185,855	27,756	27,223	-	128,260	27,698
Depreciation	-	-	-	-	-	(88,046)
Debt Service Principal	-	492,480	132,246	49,567	-	-
<b>Budget Basis Expenditures</b>	<b>\$ 1,007,564</b>	<b>\$ 1,906,714</b>	<b>\$ 2,125,540</b>	<b>\$ 138,249</b>	<b>\$ 1,143,038</b>	<b>\$ 1,001,444</b>

**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, 2014**

**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>IBNR Claim Liability</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
12/31/2013	\$ 183,182	\$ 1,743,959	\$ 1,753,260	\$ 173,881
12/31/2014	173,881	1,721,958	1,724,061	171,778

**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, 2014, the emergency reserve of \$366,227 was recorded in the Emergency Reserve - Tabor Fund.

Through the adoption of the 2015 budget the City has assigned the following resources:

**Budgeted Expenditures in Excess of Revenues**

General Fund	\$ 948,003
Water Fund	902,283
Hydro Plan Fund	65,957
Solid Waste Fund	154,225
Airport Fund	309,324
Police Dispatch Fund	25,999
Recreation Center Fund	115,762
Community Network Fund	343,975
Technology Fund	146,420
Equipment Fund	447,516
Lodgers Tax Fund	36,922
Street Improvement Fund	544,653

**Insurance Loss Reserve**

Equipment Fund	\$ 200,000
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**NOTE 11: BUDGET VIOLATION**

The lodger's tax fund expenditures exceeded their budgeted amounts by \$222. The Self-Insurance Health Fund has a negative ending balance of 438,757. This may be a violation of state statute.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Cortez, Colorado**  
**Budgetary Comparison Schedule -**  
**General Fund**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	2014				
	Original	Final	Actual	Var with	2013
	Budget	Budget		Fin Bud	Actual
			Pos/(Neg)		
<b>REVENUES</b>					
Property and Sales Taxes	\$ 7,147,435	\$ 7,185,110	\$ 7,085,072	\$ (100,038)	\$ 6,829,698
Franchise Taxes	566,754	622,925	606,980	(15,945)	612,679
Licenses, Permits and Fees	162,900	296,430	339,138	42,708	82,312
Grant Revenue	171,000	174,900	148,242	(26,658)	160,334
Intergovernmental Revenue	1,247,944	1,678,652	1,620,172	(58,480)	1,410,143
Charges for Services	520,900	493,209	493,625	416	456,636
Interfund Charges	70,000	70,000	70,000	-	70,000
Fines and Forfeits	76,500	79,200	83,951	4,751	80,419
Donation	53,782	45,400	47,877	2,477	63,086
Investment Earnings	13,000	16,000	14,765	(1,235)	14,334
Miscellaneous Revenue	107,023	107,623	105,705	(1,918)	33,074
<b>Total Revenues</b>	<u>10,137,238</u>	<u>10,769,449</u>	<u>10,615,527</u>	<u>(153,922)</u>	<u>9,812,715</u>
<b>EXPENDITURES</b>					
General Government					
City Council	150,294	160,794	105,958	54,836	178,218
City Attorney	74,635	74,635	80,642	(6,007)	67,798
Human Resources	182,276	170,671	166,815	3,856	192,703
Municipal Court	119,389	124,535	117,850	6,685	106,671
City Manager	241,890	239,132	245,622	(6,490)	239,382
Finance Department	370,634	400,774	398,146	2,628	401,334
Passthrough Grants	-	17,500	43,083	(25,583)	20,872
Overhead	-	-	169	(169)	3,682
City Clerk	103,334	100,634	99,475	1,159	88,508
Grants Administrator	52,091	43,034	37,514	5,520	44,859
Special Events	106,684	109,280	104,156	5,124	102,413
<b>Total General Government</b>	<u>1,401,227</u>	<u>1,440,989</u>	<u>1,399,430</u>	<u>41,559</u>	<u>1,446,440</u>
General Services					
Equipment	757,405	857,405	794,081	63,324	721,735
Administration	355,211	108,744	109,654	(910)	123,236
Capital Projects	1,060,000	360,000	80,740	279,260	878,632
Building Maintenance	204,956	202,088	202,755	(667)	199,898
City Hall Operations	52,802	59,200	40,477	18,723	43,265
Welcome Center	131,141	116,531	105,460	11,071	118,955
Planning and Building	460,402	470,397	423,791	46,606	309,884
<b>Total General Services</b>	<u>3,021,917</u>	<u>2,174,365</u>	<u>1,756,958</u>	<u>417,407</u>	<u>2,395,605</u>

(Continued)  
See accompanying Independent Auditors' Report



**City of Cortez, Colorado**  
**Budgetary Comparison Schedule -**  
**General Fund**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	2014				
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	2013 Actual
(Continued)					
<b>Public Safety</b>					
Police Administration	361,130	380,792	358,609	22,183	399,844
Patrol	1,990,202	1,963,040	1,872,491	90,549	1,888,268
Police Support Services	465,724	478,875	481,257	(2,382)	436,243
Police Investigation	443,929	515,024	478,365	36,659	423,726
Police Corrections	121,000	130,000	150,299	(20,299)	188,100
Building Operations	155,049	154,729	117,790	36,939	142,267
Kennel Operations	203,272	215,130	195,473	19,657	187,866
<b>Total Public Safety</b>	<u>3,740,306</u>	<u>3,837,590</u>	<u>3,654,284</u>	<u>183,306</u>	<u>3,666,314</u>
<b>Public Works</b>					
P.W. Administration	306,375	273,822	290,799	(16,977)	283,246
Building Inspection	-	-	-	-	24
Streets & Utilities	377,019	369,971	366,079	3,892	368,020
Traffic Services	151,750	148,250	147,187	1,063	160,960
Snow and Ice Removal	41,030	41,030	17,170	23,860	22,270
Street Cleaning	144,216	144,347	139,200	5,147	132,217
<b>Total Public Works</b>	<u>1,020,390</u>	<u>977,420</u>	<u>960,435</u>	<u>16,985</u>	<u>966,737</u>
<b>Parks and Recreation</b>					
Administration	95,146	94,016	94,538	(522)	91,715
Aquatics	135,952	150,170	141,577	8,593	187,502
Golf Course Administration	53,208	55,522	55,932	(410)	62,716
Golf Course Maintenance	396,193	383,512	395,989	(12,477)	343,992
City Parks	487,072	487,637	480,373	7,264	469,463
Recreation	124,720	125,781	108,840	16,941	106,677
Parks and Recreation Capital	29,000	28,291	28,291	-	23,985
Library	515,426	476,790	488,366	(11,576)	541,163
<b>Total Parks and Recreation</b>	<u>1,836,717</u>	<u>1,801,719</u>	<u>1,793,906</u>	<u>7,813</u>	<u>1,827,213</u>
<b>Total Expenditures</b>	<u>11,020,557</u>	<u>10,232,083</u>	<u>9,565,013</u>	<u>667,070</u>	<u>10,302,309</u>
<b>Revenues In Excess (Deficiency) of Expenditures</b>	(883,319)	537,366	1,050,514	513,148	(489,594)
<b>Other Financing Sources (Uses)</b>					
Transfers In	260,000	41,914	39,600	(2,314)	90,472
Transfers Out	(163,600)	(163,600)	(163,600)	-	(163,600)
<b>Net Other Financing Sources (Uses)</b>	<u>96,400</u>	<u>(121,686)</u>	<u>(124,000)</u>	<u>(2,314)</u>	<u>(73,128)</u>
<b>Change in Fund Balance</b>	(786,919)	415,680	926,514	510,834	(562,722)
Fund Balance, Beginning	4,972,855	4,972,855	5,009,565	36,710	5,572,287
<b>Fund Balance, Ending</b>	<u>\$ 4,185,936</u>	<u>\$ 5,388,535</u>	<u>\$ 5,936,079</u>	<u>\$ 547,544</u>	<u>\$ 5,009,565</u>

See accompanying Independent Auditors' Report

**City of Cortez, Colorado**  
**Budgetary Comparison Schedule -**  
**Street Improvement Fund**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				<b>2013</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>REVENUES</b>					
Property and Sales Taxes	\$ 1,213,987	\$ 1,232,225	\$ 1,203,031	\$ (29,194)	\$ 1,159,092
Grant Revenue	-	-	-	-	153,672
Investment Earnings	5,200	5,250	5,612	362	5,379
Miscellaneous Revenue	34,000	9,000	7,645	(1,355)	28,589
<b>Total Revenues</b>	<u>1,253,187</u>	<u>1,246,475</u>	<u>1,216,288</u>	<u>(30,187)</u>	<u>1,346,732</u>
<b>EXPENDITURES</b>					
Public Works					
Public Works Capital	<u>1,131,532</u>	<u>1,368,825</u>	<u>1,238,248</u>	<u>130,577</u>	<u>1,457,319</u>
<b>Change in Fund Balance</b>	121,655	(122,350)	(21,960)	100,390	(110,587)
Fund Balance, Beginning	<u>2,055,166</u>	<u>2,055,166</u>	<u>3,252,574</u>	<u>1,197,408</u>	<u>3,363,161</u>
<b>Fund Balance, Ending</b>	<u>\$ 2,176,821</u>	<u>\$ 1,932,816</u>	<u>\$ 3,230,614</u>	<u>\$ 1,297,798</u>	<u>\$ 3,252,574</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, 2014**  
**(With Comparative Totals for December 31, 2013)**

	<b>Lodger's Tax</b>		<b>Emergency</b>
	<b>Fund</b>	<b>Grant Fund</b>	<b>Reserve - TABOR</b>
	<b>Fund</b>	<b>Grant Fund</b>	<b>Fund</b>
<b>Assets</b>			
Cash in Checking	\$ 36,540	\$ -	\$ 53,713
Petty Cash	-	-	-
Cash in Local Government Pools	-	-	112,514
Investments	-	-	200,000
Accounts Receivable	8,538	-	-
Intergovernmental Receivable	-	15,607	-
Prepaid Expenses	-	-	-
<b>Total Assets</b>	<u>\$ 45,078</u>	<u>\$ 15,607</u>	<u>\$ 366,227</u>
<b>Liabilities</b>			
Accounts Payable	\$ 7	\$ 7,624	\$ -
Accrued Payroll	-	-	-
Unearned Revenue	-	-	-
Interfund Payables	-	7,983	-
<b>Total Liabilities</b>	<u>7</u>	<u>15,607</u>	<u>-</u>
<b>Fund Balance</b>			
Nonexpendable	-	-	-
Restricted	-	-	366,227
Assigned	45,071	-	-
<b>Total Fund Balance</b>	<u>45,071</u>	<u>-</u>	<u>366,227</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 45,078</u>	<u>\$ 15,607</u>	<u>\$ 366,227</u>

See accompanying Independent Auditors' Report

Equipment Fund	Conservation Trust Fund	Mesa Verde Country® Visitor		Total	
		Info Bureau		2014	2013
\$ 590,389	\$ 24,812	\$ 71,575	\$ 777,029	\$ 946,279	
-	-	700	700	-	
404,661	-	-	517,175	516,831	
-	-	-	200,000	200,000	
31,337	-	6,540	46,415	40,734	
-	-	-	15,607	11,907	
-	-	1,534	1,534	-	
<u>\$ 1,026,387</u>	<u>\$ 24,812</u>	<u>\$ 80,349</u>	<u>\$ 1,558,460</u>	<u>\$ 1,715,751</u>	
\$ 1,197	\$ -	\$ 12,130	\$ 20,958	\$ 18,801	
-	-	2,684	2,684	-	
-	-	-	-	2,403	
-	-	-	7,983	-	
<u>1,197</u>	<u>-</u>	<u>14,814</u>	<u>31,625</u>	<u>21,204</u>	
-	-	1,534	1,534	-	
1,025,190	24,812	-	1,416,229	1,556,885	
-	-	64,001	109,072	137,662	
<u>1,025,190</u>	<u>24,812</u>	<u>65,535</u>	<u>1,526,835</u>	<u>1,694,547</u>	
<u>\$ 1,026,387</u>	<u>\$ 24,812</u>	<u>\$ 80,349</u>	<u>\$ 1,558,460</u>	<u>\$ 1,715,751</u>	

**City of Cortez, Colorado**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>Lodger's Tax</b>		<b>Emergency</b>
	<b>Fund</b>	<b>Grant Fund</b>	<b>Reserve - TABOR</b>
	<b>Fund</b>	<b>Grant Fund</b>	<b>Fund</b>
<b>Revenues</b>			
Property and Sales Taxes	\$ 195,649	\$ -	\$ -
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	-
Investment Earnings	7	-	1,097
Miscellaneous Revenue	-	-	-
Grant Revenue	-	90,792	-
<b>Total Revenues</b>	<u>195,656</u>	<u>90,792</u>	<u>1,097</u>
<b>Expenditures</b>			
General Government	222	90,792	-
General Services	-	-	-
Parks and Recreation	-	-	-
<b>Total Expenditures</b>	<u>222</u>	<u>90,792</u>	<u>-</u>
<b>Revenues in Excess (Def.) of Expend.</b>	<u>195,434</u>	<u>-</u>	<u>1,097</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	-	-
Transfers Out	(212,170)	-	-
<b>Net Other Financing Sources (Uses)</b>	<u>(212,170)</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balance</b>	(16,736)	-	1,097
Fund Balance, Beginning	61,807	-	365,130
<b>Fund Balance, Ending</b>	<u>\$ 45,071</u>	<u>\$ -</u>	<u>\$ 366,227</u>

See accompanying Independent Auditors' Report



			<u>Total</u>	
Equipment Fund	Mesa Verde		2014	2013
	Conservation Trust Fund	Country® Visitor Info Bureau		
\$ 298,811	\$ -	\$ -	\$ 494,460	\$ 466,854
-	81,553	45,000	126,553	157,157
-	-	24,659	24,659	6,816
514	15	-	1,633	1,465
7,392	-	-	7,392	58,452
-	-	-	90,792	175,134
<u>306,717</u>	<u>81,568</u>	<u>69,659</u>	<u>745,489</u>	<u>865,878</u>
-	-	416,149	507,163	541,947
440,978	-	-	440,978	203,059
-	89,060	-	89,060	76,260
<u>440,978</u>	<u>89,060</u>	<u>416,149</u>	<u>1,037,201</u>	<u>821,266</u>
<u>(134,261)</u>	<u>(7,492)</u>	<u>(346,490)</u>	<u>(291,712)</u>	<u>44,612</u>
-	-	336,170	336,170	288,600
-	-	-	(212,170)	(160,472)
-	-	336,170	124,000	128,128
<u>(134,261)</u>	<u>(7,492)</u>	<u>(10,320)</u>	<u>(167,712)</u>	<u>172,740</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>\$ 1,025,190</u>	<u>\$ 24,812</u>	<u>\$ 65,535</u>	<u>\$ 1,526,835</u>	<u>\$ 1,694,547</u>

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***SPECIAL REVENUE FUNDS***

**City of Cortez, Colorado**  
**Budgetary Comparison Schedule -**  
**Lodger's Tax Fund**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				<b>2013</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>REVENUES</b>					
Property and Sales Taxes	\$ 187,115	\$ 209,569	\$ 195,649	\$ (13,920)	\$ 178,957
Investment Earnings	31	31	7	(24)	36
<b>Total Revenues</b>	<b>187,146</b>	<b>209,600</b>	<b>195,656</b>	<b>(13,944)</b>	<b>178,993</b>
<b>EXPENDITURES</b>					
General Government					
City Council	-	-	222	(222)	-
<b>Revenues In Excess (Deficiency) of Expend.</b>	<b>187,146</b>	<b>209,600</b>	<b>195,434</b>	<b>(14,166)</b>	<b>178,993</b>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(209,993)	(214,484)	(212,170)	2,314	(160,472)
<b>Change in Fund Balance</b>	<b>(22,847)</b>	<b>(4,884)</b>	<b>(16,736)</b>	<b>(11,852)</b>	<b>18,521</b>
Fund Balance, Beginning	60,205	60,205	61,807	1,602	43,286
<b>Fund Balance, Ending</b>	<b>\$ 37,358</b>	<b>\$ 55,321</b>	<b>\$ 45,071</b>	<b>\$ (10,250)</b>	<b>\$ 61,807</b>

See accompanying Independent Auditors' Report

**City of Cortez, Colorado**  
**Budgetary Comparison Schedule -**  
**Grant Fund**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				<b>2013</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>REVENUES</b>					
Grant Revenue	\$ 66,683	\$ 125,355	\$ 90,792	\$ (34,563)	\$ 175,134
<b>EXPENDITURES</b>					
General Government					
Passthrough Grant Expenses	<u>66,683</u>	<u>125,355</u>	<u>90,792</u>	<u>34,563</u>	<u>175,134</u>
<b>Change in Fund Balance</b>	-	-	-	-	-
Fund Balance, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report

**City of Cortez, Colorado**  
**Budgetary Comparison Schedule -**  
**Emergency Reserve - TABOR Fund**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				<b>2013</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	<b>Actual</b>
<b>REVENUES</b>					
Investment Earnings	\$ -	\$ -	\$ 1,097	\$ 1,097	\$ 679
Fund Balance, Beginning	-	-	365,130	365,130	364,451
<b>Fund Balance, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,227</u>	<u>\$ 366,227</u>	<u>\$ 365,130</u>

See accompanying Independent Auditors' Report

**City of Cortez, Colorado**  
**Budgetary Comparison Schedule -**  
**Equipment Fund**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				<b>2013</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>REVENUES</b>					
Property and Sales Taxes	\$ 259,861	\$ 292,198	\$ 298,811	\$ 6,613	\$ 287,897
Investment Earnings	5,000	420	514	94	716
Miscellaneous Revenue	91,500	4,750	7,392	2,642	52,952
<b>Total Revenues</b>	<u>356,361</u>	<u>297,368</u>	<u>306,717</u>	<u>9,349</u>	<u>341,565</u>
<b>EXPENDITURES</b>					
General Services					
Shop	-	-	65	(65)	-
Equipment	588,900	453,800	440,913	12,887	203,059
<b>Total Expenditures</b>	<u>588,900</u>	<u>453,800</u>	<u>440,978</u>	<u>12,822</u>	<u>203,059</u>
<b>Revenues In Excess (Deficiency) of Expend.</b>	(232,539)	(156,432)	(134,261)	22,171	138,506
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(540,000)	-	-	-	-
<b>Change in Fund Balance</b>	(772,539)	(156,432)	(134,261)	22,171	138,506
Fund Balance, Beginning	1,189,602	1,189,602	1,159,451	(30,151)	1,020,945
<b>Fund Balance, Ending</b>	<u>\$ 417,063</u>	<u>\$ 1,033,170</u>	<u>\$ 1,025,190</u>	<u>\$ (7,980)</u>	<u>\$ 1,159,451</u>

See accompanying Independent Auditors' Report

**City of Cortez, Colorado**  
**Budgetary Comparison Schedule -**  
**Conservation Trust Fund**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				<b>2013</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>REVENUES</b>					
Intergovernmental Revenue	\$ 85,000	\$ 85,000	\$ 81,553	\$ (3,447)	\$ 91,157
Investment Earnings	30	-	15	15	34
<b>Total Revenues</b>	<u>85,030</u>	<u>85,000</u>	<u>81,568</u>	<u>(3,432)</u>	<u>91,191</u>
<b>EXPENDITURES</b>					
CTF Recreation Center	<u>81,000</u>	<u>90,014</u>	<u>89,060</u>	<u>954</u>	<u>76,260</u>
<b>Change in Fund Balance</b>	4,030	(5,014)	(7,492)	(2,478)	14,931
Fund Balance, Beginning	<u>25,903</u>	<u>25,903</u>	<u>32,304</u>	<u>6,401</u>	<u>17,373</u>
<b>Fund Balance, Ending</b>	<u>\$ 29,933</u>	<u>\$ 20,889</u>	<u>\$ 24,812</u>	<u>\$ 3,923</u>	<u>\$ 32,304</u>

See accompanying Independent Auditors' Report



***ENTERPRISE FUNDS***

**City of Cortez, Colorado**  
**Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**December 31, 2014**  
**(With Comparative Totals for December 31, 2013)**

	<u>Business-type Activities</u>		<u>Total</u>	
	City		<u>2014</u>	<u>2013</u>
	Police <u>Dispatch Fund</u>	Community <u>Network</u>		
<b>ASSETS</b>				
Current Assets				
Cash in Checking	\$ 176,174	\$ 200,425	\$ 376,599	\$ 464,913
Accounts Receivable	1,949	330,890	332,839	283,580
Inventory	-	33,312	33,312	36,879
Prepaid Expenses	<u>272</u>	<u>320</u>	<u>592</u>	<u>421</u>
Total Current Assets	178,395	564,947	743,342	785,793
Capital Assets				
Capital Assets being depreciated	<u>5,040</u>	<u>577,457</u>	<u>582,497</u>	<u>654,968</u>
<b>Total Assets</b>	<u>183,435</u>	<u>1,142,404</u>	<u>1,325,839</u>	<u>1,440,761</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	527	251	778	80,110
Accrued Payroll	12,018	1,469	13,487	11,163
Interfund Payables	<u>-</u>	<u>582,000</u>	<u>582,000</u>	<u>582,000</u>
Total Current Liabilities	12,545	583,720	596,265	673,273
Noncurrent Liabilities				
	<u>27,104</u>	<u>6,469</u>	<u>33,573</u>	<u>33,564</u>
<b>Total Liabilities</b>	<u>39,649</u>	<u>590,189</u>	<u>629,838</u>	<u>706,837</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,040	577,457	582,497	654,968
Unrestricted	<u>138,746</u>	<u>(25,242)</u>	<u>113,504</u>	<u>78,956</u>
<b>Net Position, Ending</b>	<u>\$ 143,786</u>	<u>\$ 552,215</u>	<u>\$ 696,001</u>	<u>\$ 733,924</u>

See accompanying Independent Auditors' Report

**City of Cortez, Colorado**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	Business-type Activities		Total	
	Police Dispatch Fund	City Community Network Fund	2014	2013
<b>OPERATING REVENUES</b>				
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ 35,000
Charges for Services	331,724	253,245	584,969	766,900
Interfund Charges	283,300	33,292	316,592	261,524
Miscellaneous Revenue	122,206	-	122,206	87,205
<b>Total Operating Revenues</b>	<u>737,230</u>	<u>286,537</u>	<u>1,023,767</u>	<u>1,150,629</u>
<b>OPERATING EXPENSES</b>				
Administration	-	66,266	66,266	25,184
Fiber Outside Plant	-	154,007	154,007	141,971
Fiber Administration	-	12,736	12,736	410
Fiber Inside Plant	-	40,111	40,111	45,843
Police Support Services	680,308	-	680,308	722,757
Capital Outlay	-	8,195	8,195	3,538
Depreciation	12,123	88,046	100,169	97,878
<b>Total Operating Expenses</b>	<u>692,431</u>	<u>369,361</u>	<u>1,061,792</u>	<u>1,037,581</u>
<b>Operating Income (Loss)</b>	44,799	(82,824)	(38,025)	113,048
<b>Other Revenues (Expenses)</b>				
Investment Earnings	102	-	102	50
<b>Change in Net Position</b>	44,901	(82,824)	(37,923)	113,098
Net Position, Beginning	98,885	635,039	733,924	620,826
<b>Net Position, Ending</b>	<u>\$ 143,786</u>	<u>\$ 552,215</u>	<u>\$ 696,001</u>	<u>\$ 733,924</u>

See accompanying Independent Auditors' Report

**City of Cortez, Colorado**  
**Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	Business-type Activities		Total	
	City		2014	2013
	Police Dispatch Fund	Community Network Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash flows from customers	\$ 453,930	\$ 203,986	\$ 657,916	\$ 817,685
Cash flows from internal activities	283,300	33,292	316,592	261,524
Cash paid to suppliers	(65,075)	(283,373)	(348,448)	(137,491)
Cash paid to/for benefit of employees	(614,060)	(72,718)	(686,778)	(733,025)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>58,095</u>	<u>(118,813)</u>	<u>(60,718)</u>	<u>208,693</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Capital asset acquisitions	-	(27,698)	(27,698)	(151,467)
Debt payments	-	-	-	-
Interest paid	-	-	-	-
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<u>-</u>	<u>(27,698)</u>	<u>(27,698)</u>	<u>(151,467)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers (to) from Other Funds	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>102</u>	<u>-</u>	<u>102</u>	<u>50</u>
<b>CHANGE IN CASH</b>	58,197	(146,511)	(88,314)	57,276
<b>CASH AND EQUIVALENTS, Beginning</b>	<u>117,977</u>	<u>346,936</u>	<u>464,913</u>	<u>407,637</u>
<b>CASH AND EQUIVALENTS, Ending</b>	<u>\$ 176,174</u>	<u>\$ 200,425</u>	<u>\$ 376,599</u>	<u>\$ 464,913</u>
<b>CASH PER BALANCE SHEET</b>				
Cash in Checking	<u>\$ 176,174</u>	<u>\$ 200,425</u>	<u>\$ 376,599</u>	<u>\$ 464,913</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	<u>\$ 44,799</u>	<u>\$ (82,824)</u>	<u>\$ (38,025)</u>	<u>\$ 113,048</u>
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	12,123	88,046	100,169	97,878
(Increase) Decrease in:				
Accounts Receivable	-	(49,259)	(49,259)	(71,420)
Inventory	-	3,567	3,567	(13,620)
Prepaid Expenses	(149)	(22)	(171)	(69)
Increase (Decrease) in:				
Accounts Payable	(1,104)	(78,228)	(79,332)	77,893
Accrued Payroll	2,141	183	2,324	3,430
Interfund Payables	-	-	-	-
Accrued Compensated Absences	285	(276)	9	1,553
Net Reconciliation Adjustments	<u>13,296</u>	<u>(35,989)</u>	<u>(22,693)</u>	<u>95,645</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 58,095</u>	<u>\$ (118,813)</u>	<u>\$ (60,718)</u>	<u>\$ 208,693</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, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	<b>2013 Actual</b>
<b>OPERATING REVENUES</b>					
Intergovernmental Revenue	\$ 20,000	\$ 18,000	\$ 23,757	\$ 5,757	\$ 20,268
Charges for Services	217,360	165,154	160,935	(4,219)	202,425
Miscellaneous Revenue	-	-	2,425	2,425	-
<b>Total Operating Revenues</b>	<u>237,360</u>	<u>183,154</u>	<u>187,117</u>	<u>3,963</u>	<u>222,693</u>
<b>OPERATING EXPENSES</b>					
Airport Operations	202,717	199,221	192,315	6,906	184,271
Capital Outlay	338,888	545,664	544,225	1,439	2,217,505
Depreciation	250,000	300,000	271,023	28,977	266,810
<b>Total Operating Expenses</b>	<u>791,605</u>	<u>1,044,885</u>	<u>1,007,563</u>	<u>37,322</u>	<u>2,668,586</u>
<b>Operating Income (Loss)</b>	(554,245)	(861,731)	(820,446)	41,285	(2,445,893)
<b>Other Revenues (Expenses)</b>					
Grant Revenue	313,333	500,401	502,431	2,030	2,205,315
Investment Earnings	350	100	33	(67)	81
<b>Change in Net Position - Budget Basis</b>	<u>\$ (240,562)</u>	<u>\$ (361,230)</u>	<u>(317,982)</u>	<u>\$ 43,248</u>	<u>(240,497)</u>
<b>GAAP Basis Adjustments</b>					
Capital Outlay			185,855		2,172,695
<b>Change in Net Position - GAAP Basis</b>			(132,127)		1,932,198
Net Position, Beginning			8,375,038		6,442,840
<b>Net Position, Ending</b>			<u>\$ 8,242,911</u>		<u>\$ 8,375,038</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, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				<b>2013</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>OPERATING REVENUES</b>					
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -	\$ 35,000
Charges for Services	374,633	338,228	331,724	(6,504)	362,976
Interfund Charges	269,977	283,300	283,300	-	226,793
Miscellaneous Revenue	122,206	122,206	122,206	-	87,205
<b>Total Operating Revenues</b>	<u>766,816</u>	<u>743,734</u>	<u>737,230</u>	<u>(6,504)</u>	<u>711,974</u>
<b>OPERATING EXPENSES</b>					
Police Support Services	757,640	714,847	680,308	34,539	722,757
Capital Outlay	26,520	26,500	-	26,500	3,538
Depreciation	15,000	15,000	12,123	2,877	14,169
<b>Total Operating Expenses</b>	<u>799,160</u>	<u>756,347</u>	<u>692,431</u>	<u>63,916</u>	<u>740,464</u>
<b>Operating Income (Loss)</b>	(32,344)	(12,613)	44,799	57,412	(28,490)
<b>Other Revenues (Expenses)</b>					
Investment Earnings	70	50	102	52	50
<b>Change in Net Position - GAAP Basis</b>	<u>\$ (32,274)</u>	<u>\$ (12,563)</u>	44,901	<u>\$ 57,464</u>	(28,440)
Net Position, Beginning			98,885		127,325
<b>Net Position, Ending</b>			<u>\$ 143,786</u>		<u>\$ 98,885</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, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

	2014				2013 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 523,750	\$ 523,000	\$ 558,144	\$ 35,144	\$ 527,158
Miscellaneous Revenue	-	-	863	863	-
<b>Total Operating Revenues</b>	<u>523,750</u>	<u>523,000</u>	<u>559,007</u>	<u>36,007</u>	<u>527,158</u>
<b>OPERATING EXPENSES</b>					
Recreation Center	1,050,979	1,118,782	1,000,301	118,481	995,738
Capital Outlay	39,000	36,350	32,544	3,806	36,520
Depreciation	250,000	252,000	252,626	(626)	251,693
<b>Total Operating Expenses</b>	<u>1,339,979</u>	<u>1,407,132</u>	<u>1,285,471</u>	<u>121,661</u>	<u>1,283,951</u>
<b>Operating Income (Loss)</b>	(816,229)	(884,132)	(726,464)	157,668	(756,793)
<b>Other Revenues (Expenses)</b>					
Property and Sales Taxes	1,308,072	1,305,340	1,321,777	16,437	1,273,501
Investment Earnings	5,000	10,000	19,685	9,685	10,012
Debt Retirement	(610,288)	(610,288)	(621,243)	(10,955)	(625,903)
<b>Net Income (Loss) before Transfers</b>	(113,445)	(179,080)	(6,245)	172,835	(99,183)
<b>Transfers</b>					
Transfers Out	(26,546)	-	-	-	-
<b>Change in Net Position - Budget Basis</b>	<u>\$ (139,991)</u>	<u>\$ (179,080)</u>	(6,245)	<u>\$ 172,835</u>	(99,183)
<b>GAAP Basis Adjustments</b>					
Capital Outlay			27,756		-
Debt Service Principal			492,480		487,404
<b>Total GAAP Basis Adjustments</b>			<u>520,236</u>		<u>487,404</u>
<b>Change in Net Position - GAAP Basis</b>			513,991		388,221
Net Position, Beginning			5,911,708		5,523,487
<b>Net Position, Ending</b>			<u>\$ 6,425,699</u>		<u>\$ 5,911,708</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, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

	2014				2013 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 2,182,500	\$ 2,308,780	\$ 2,322,139	\$ 13,359	\$ 2,056,461
Miscellaneous Revenue	-	-	10,770	10,770	9,998
<b>Total Operating Revenues</b>	<u>2,182,500</u>	<u>2,308,780</u>	<u>2,332,909</u>	<u>24,129</u>	<u>2,066,459</u>
<b>OPERATING EXPENSES</b>					
Administration	339,425	325,683	320,755	4,928	284,271
Filtration and Treatment	508,661	488,976	397,421	91,555	464,475
Transmission and Distribution	365,668	313,444	317,684	(4,240)	273,345
Meter Maintenance	201,539	162,911	159,103	3,808	138,436
Water Capital Projects	-	-	-	-	11,613
Capital Outlay	50,000	55,000	50,586	4,414	488,647
Depreciation	359,648	379,332	434,478	(55,146)	433,635
<b>Total Operating Expenses</b>	<u>1,824,941</u>	<u>1,725,346</u>	<u>1,680,027</u>	<u>45,319</u>	<u>2,094,422</u>
<b>Operating Income (Loss)</b>	357,559	583,434	652,882	69,448	(27,963)
<b>Other Revenues (Expenses)</b>					
Investment Earnings	2,000	2,500	1,861	(639)	2,979
Debt Retirement	(369,650)	(369,649)	(369,162)	487	(369,185)
<b>Change in Net Position - Budget Basis</b>	<u>\$ (10,091)</u>	<u>\$ 216,285</u>	209,231	<u>\$ (7,054)</u>	(394,169)
<b>GAAP Basis Adjustments</b>					
Capital Outlay			27,223		32,111
Debt Service Principal			132,246		126,013
<b>Total GAAP Basis Adjustments</b>			<u>159,469</u>		<u>158,124</u>
<b>Change in Net Position - GAAP Basis</b>			368,700		(236,045)
Net Position, Beginning			10,133,809		10,369,854
<b>Net Position, Ending</b>			<u>\$ 10,502,509</u>		<u>\$ 10,133,809</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, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				<b>2013</b> <b>Actual</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 88,321	\$ 77,000	\$ 55,083	\$ (21,917)	\$ 66,649
<b>OPERATING EXPENSES</b>					
Administration	9,000	7,250	3,992	3,258	4,128
Depreciation	53,000	65,802	65,802	-	65,802
<b>Total Operating Expenses</b>	<u>62,000</u>	<u>73,052</u>	<u>69,794</u>	<u>3,258</u>	<u>69,930</u>
<b>Operating Income (Loss)</b>	26,321	3,948	(14,711)	(18,659)	(3,281)
<b>Other Revenues (Expenses)</b>					
Debt Retirement	(69,405)	(69,405)	(68,455)	950	(68,473)
<b>Change in Net Position - Budget Basis</b>	<u>\$ (43,084)</u>	<u>\$ (65,457)</u>	(6,816)	<u>\$ 58,641</u>	(71,754)
<b>GAAP Basis Adjustments</b>					
Debt Service Principal			49,567		48,594
<b>Change in Net Position - GAAP Basis</b>			42,751		(23,160)
Net Position, Beginning			84,459		107,619
<b>Net Position, Ending</b>			<u>\$ 127,210</u>		<u>\$ 84,459</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, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

	2014				2013 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 1,291,733	\$ 319,864	\$ 253,245	\$ (66,619)	\$ 403,924
Interfund Charges	-	-	33,292	33,292	34,731
<b>Total Operating Revenues</b>	<u>1,291,733</u>	<u>319,864</u>	<u>286,537</u>	<u>(33,327)</u>	<u>438,655</u>
<b>OPERATING EXPENSES</b>					
Administration	80,000	80,000	66,266	13,734	25,184
Fiber Outside Plant	149,961	209,489	154,007	55,482	141,971
Fiber Administration	-	21,000	12,736	8,264	410
Fiber Inside Plant	150,718	58,110	40,111	17,999	45,843
Capital Outlay	2,072,000	105,000	35,893	69,107	151,467
Depreciation	70,000	-	-	-	-
<b>Total Operating Expenses</b>	<u>2,522,679</u>	<u>473,599</u>	<u>309,013</u>	<u>164,586</u>	<u>364,875</u>
<b>Net Income (Loss) before Transfers</b>	(1,230,946)	(153,735)	(22,476)	131,259	73,780
<b>Transfers</b>					
Transfers In	1,015,000	-	-	-	-
<b>Change in Net Position - Budget Basis</b>	<u>\$ (215,946)</u>	<u>\$ (153,735)</u>	(22,476)	<u>\$ 131,259</u>	73,780
<b>GAAP Basis Adjustments</b>					
Capital Outlay			27,698		151,467
Depreciation			(88,046)		(83,709)
<b>Total GAAP Basis Adjustments</b>			<u>(60,348)</u>		<u>67,758</u>
<b>Change in Net Position - GAAP Basis</b>			(82,824)		141,538
Net Position, Beginning			635,039		493,501
<b>Net Position, Ending</b>			<u>\$ 552,215</u>		<u>\$ 635,039</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, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

	2014				2013 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 1,163,758	\$ 1,187,251	\$ 1,185,262	\$ (1,989)	\$ 1,078,373
Miscellaneous Revenue	-	-	31,935	31,935	-
<b>Total Operating Revenues</b>	<u>1,163,758</u>	<u>1,187,251</u>	<u>1,217,197</u>	<u>29,946</u>	<u>1,078,373</u>
<b>OPERATING EXPENSES</b>					
Administration	219,648	141,498	129,393	12,105	93,427
Collection	820,877	948,584	760,768	187,816	694,023
Recycling	135,733	122,205	116,601	5,604	139,195
Capital Outlay	-	-	128,260	(128,260)	-
Depreciation	3,000	20,000	8,016	11,984	-
<b>Total Operating Expenses</b>	<u>1,179,258</u>	<u>1,232,287</u>	<u>1,143,038</u>	<u>89,249</u>	<u>926,645</u>
<b>Operating Income (Loss)</b>	(15,500)	(45,036)	74,159	119,195	151,728
<b>Other Revenues (Expenses)</b>					
Investment Earnings	1,500	1,700	1,800	100	1,712
<b>Net Income (Loss) before Transfers</b>	(14,000)	(43,336)	75,959	119,295	153,440
<b>Transfers</b>					
Transfers In	20,479	-	-	-	-
<b>Change in Net Position - Budget Basis</b>	<u>\$ 6,479</u>	<u>\$ (43,336)</u>	75,959	<u>\$ 119,295</u>	153,440
<b>GAAP Basis Adjustments</b>					
Capital Outlay			128,260		-
<b>Change in Net Position - GAAP Basis</b>			204,219		153,440
Net Position, Beginning			636,808		483,368
<b>Net Position, Ending</b>			<u>\$ 841,027</u>		<u>\$ 636,808</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, 2014**  
**(With Comparative Totals for December 31, 2013)**

	Shop Fund	Technology Fund	Self-Insured Health Fund	Total	
				2014	2013
<b>ASSETS</b>					
Current Assets					
Cash in Checking	\$ 42,002	\$ 274,525	\$ 66,110	\$ 382,637	\$ 454,123
Petty Cash	152	-	-	152	152
Investments	-	200,368	-	200,368	200,723
Accounts Receivable	-	5,800	45,065	50,865	19,869
Inventory	19,180	-	-	19,180	19,463
Prepaid Expenses	639	410	-	1,049	2,095
<b>Total Current Assets</b>	<b>61,973</b>	<b>481,103</b>	<b>111,175</b>	<b>654,251</b>	<b>696,425</b>
Capital Assets					
Other Assets	-	18,671	-	18,671	16,157
<b>Total Assets</b>	<b>61,973</b>	<b>499,774</b>	<b>111,175</b>	<b>672,922</b>	<b>712,582</b>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	13,989	1,191	173,882	189,062	215,901
Accrued Payroll	6,776	3,887	-	10,663	9,099
Interfund Payables	-	-	376,050	376,050	376,050
<b>Total Current Liabilities</b>	<b>20,765</b>	<b>5,078</b>	<b>549,932</b>	<b>575,775</b>	<b>601,050</b>
Noncurrent Liabilities					
Accrued Compensated Absences	19,020	11,552	-	30,572	28,536
<b>Total Liabilities</b>	<b>39,785</b>	<b>16,630</b>	<b>549,932</b>	<b>606,347</b>	<b>629,586</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	-	18,671	-	18,671	16,157
Unrestricted	22,188	464,473	(438,757)	47,904	66,839
<b>Total Net Position</b>	<b>\$ 22,188</b>	<b>\$ 483,144</b>	<b>\$ (438,757)</b>	<b>\$ 66,575</b>	<b>\$ 82,996</b>

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, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	Shop Fund	Technology Fund	Self-Insured Health Fund	Total	
				2014	2013
<b>OPERATING REVENUES</b>					
Intergovernmental Revenue	\$ -	\$ 5,580	\$ -	\$ 5,580	\$ 5,580
Charges for Services	164	220	157,247	157,631	162,923
Interfund Charges	758,999	421,723	1,605,500	2,786,222	2,670,513
Miscellaneous Revenue	48,757	8,268	-	57,025	336
<b>Total Operating Revenues</b>	<u>807,920</u>	<u>435,791</u>	<u>1,762,747</u>	<u>3,006,458</u>	<u>2,839,352</u>
<b>OPERATING EXPENSES</b>					
Equipment	-	-	-	-	1,216
Health Claims	-	-	1,721,958	1,721,958	1,743,959
Shop	785,936	-	-	785,936	671,252
Building Overhead	107,869	3,213	-	111,082	120,088
Technology	-	345,827	-	345,827	273,986
Fiber Network	-	96	-	96	1,679
Telecommunications	-	10,048	-	10,048	49,259
Capital Outlay	-	42,509	-	42,509	15,087
Depreciation	-	7,825	-	7,825	6,595
<b>Total Operating Expenses</b>	<u>893,805</u>	<u>409,518</u>	<u>1,721,958</u>	<u>3,025,281</u>	<u>2,883,121</u>
<b>Operating Income (Loss)</b>	(85,885)	26,273	40,789	(18,823)	(43,769)
<b>Other Revenues (Expenses)</b>					
Investment Earnings	102	2,268	32	2,402	831
<b>Net Income (Loss) before Transfers</b>	(85,783)	28,541	40,821	(16,421)	(42,938)
<b>Transfers</b>					
Transfers Out	-	-	-	-	(55,000)
<b>Change in Net Position</b>	(85,783)	28,541	40,821	(16,421)	(97,938)
Net Position, Beginning	107,971	454,603	(479,578)	82,996	180,934
<b>Net Position, Ending</b>	<u>\$ 22,188</u>	<u>\$ 483,144</u>	<u>\$ (438,757)</u>	<u>\$ 66,575</u>	<u>\$ 82,996</u>

See accompanying Independent Auditors' Report

**City of Cortez, Colorado**  
**Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended December 31, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	Shop Fund	Technology Fund	Self-Insured Health Fund	Total	
				2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash flows from customers	\$ 48,921	\$ 8,268	\$ 132,051	\$ 189,240	\$ 149,160
Cash flows from internal activities	758,999	421,723	1,605,500	2,786,222	2,670,513
Cash paid to suppliers	(580,155)	(233,688)	1,712,314	898,471	1,297,293
Cash paid to/for benefit of employees	(328,083)	(166,181)	(3,443,572)	(3,937,836)	(3,962,995)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(100,318)</u>	<u>30,122</u>	<u>6,293</u>	<u>(63,903)</u>	<u>153,971</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>					
Capital asset acquisitions	-	(10,340)	-	(10,340)	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers (to) from Other Funds	-	-	-	-	(55,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	102	2,268	32	2,402	831
Net cash invested	-	355	-	355	(200,723)
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>102</u>	<u>2,623</u>	<u>32</u>	<u>2,757</u>	<u>(199,892)</u>
<b>CHANGE IN CASH</b>	(100,216)	22,405	6,325	(71,486)	(100,921)
<b>CASH AND EQUIVALENTS, Beginning</b>	<u>142,370</u>	<u>252,120</u>	<u>59,785</u>	<u>454,275</u>	<u>555,196</u>
<b>CASH AND EQUIVALENTS, Ending</b>	<u>\$ 42,154</u>	<u>\$ 274,525</u>	<u>\$ 66,110</u>	<u>\$ 382,789</u>	<u>\$ 454,275</u>
<b>CASH PER BALANCE SHEET</b>					
Cash in Checking	\$ 42,002	\$ 274,525	\$ 66,110	\$ 382,637	\$ 454,123
Petty Cash	152	-	-	152	152
<b>Total Cash and Equivalents, Ending</b>	<u>\$ 42,154</u>	<u>\$ 274,525</u>	<u>\$ 66,110</u>	<u>\$ 382,789</u>	<u>\$ 454,275</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ (85,885)	\$ 26,273	\$ 40,789	\$ (18,823)	\$ (43,769)
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	7,825	-	7,825	6,595
(Increase) Decrease in:					
Accounts Receivable	-	(5,800)	(25,196)	(30,996)	(19,679)
Inventory	283	-	-	283	2,894
Prepaid Expenses	(157)	1,203	-	1,046	79,984
Increase (Decrease) in:					
Accounts Payable	(17,914)	376	(9,300)	(26,838)	122,727
Accrued Payroll	1,005	559	-	1,564	4,024
Accrued Compensated Absences	2,350	(314)	-	2,036	1,195
Net Reconciliation Adjustments	<u>(14,433)</u>	<u>3,849</u>	<u>(34,496)</u>	<u>(45,080)</u>	<u>197,740</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (100,318)</u>	<u>\$ 30,122</u>	<u>\$ 6,293</u>	<u>\$ (63,903)</u>	<u>\$ 153,971</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, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				<b>2013</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ -	\$ -	\$ 164	\$ 164	\$ -
Interfund Charges	-	-	758,999	758,999	713,907
Miscellaneous Revenue	840,553	942,053	48,757	(893,296)	333
<b>Total Operating Revenues</b>	<u>840,553</u>	<u>942,053</u>	<u>807,920</u>	<u>(134,133)</u>	<u>714,240</u>
<b>OPERATING EXPENSES</b>					
Shop	839,196	860,311	785,936	74,375	671,252
Building Overhead	129,835	142,075	107,869	34,206	116,583
<b>Total Operating Expenses</b>	<u>969,031</u>	<u>1,002,386</u>	<u>893,805</u>	<u>108,581</u>	<u>787,835</u>
<b>Operating Income (Loss)</b>	(128,478)	(60,333)	(85,885)	(25,552)	(73,595)
<b>Other Revenues (Expenses)</b>					
Investment Earnings	25	-	102	102	18
<b>Change in Net Position</b>	(128,453)	(60,333)	(85,783)	(25,450)	(73,577)
Net Position, Beginning	167,994	167,994	107,971	(60,023)	181,548
<b>Net Position, Ending</b>	<u>\$ 39,541</u>	<u>\$ 107,661</u>	<u>\$ 22,188</u>	<u>\$ (85,473)</u>	<u>\$ 107,971</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, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

	2014				2013 Actual
	Original Budget	Final Budget	Actual	Var with Fin Bud Pos/(Neg)	
<b>OPERATING REVENUES</b>					
Intergovernmental Revenue	\$ 3,720	\$ 5,580	\$ 5,580	\$ -	\$ 5,580
Charges for Services	4,316	1,404	220	(1,184)	220
Interfund Charges	-	-	421,723	421,723	421,723
Miscellaneous Revenue	443,190	421,992	8,268	(413,724)	3
<b>Total Operating Revenues</b>	<u>451,226</u>	<u>428,976</u>	<u>435,791</u>	<u>6,815</u>	<u>427,526</u>
<b>OPERATING EXPENSES</b>					
Equipment	-	-	-	-	1,216
Building Overhead	-	3,500	3,213	287	3,505
Technology	400,419	397,214	345,827	51,387	273,986
Fiber Network	-	-	96	(96)	1,679
Telecommunications	61,500	61,500	10,048	51,452	49,259
Capital Outlay	60,000	60,050	52,849	7,201	15,087
Depreciation	6,900	6,900	7,825	(925)	6,595
<b>Total Operating Expenses</b>	<u>528,819</u>	<u>529,164</u>	<u>419,858</u>	<u>109,306</u>	<u>351,327</u>
<b>Operating Income (Loss)</b>	<u>(77,593)</u>	<u>(100,188)</u>	<u>15,933</u>	<u>116,121</u>	<u>76,199</u>
<b>Other Revenues (Expenses)</b>					
Investment Earnings	150	938	2,268	1,330	792
<b>Net Income (Loss) before Transfers</b>	<u>(77,443)</u>	<u>(99,250)</u>	<u>18,201</u>	<u>117,451</u>	<u>76,991</u>
<b>Transfers</b>					
Transfers Out	-	-	-	-	(55,000)
<b>Change in Net Position - Budget Basis</b>	<u>\$ (77,443)</u>	<u>\$ (99,250)</u>	<u>18,201</u>	<u>\$ 117,451</u>	<u>21,991</u>
<b>GAAP Basis Adjustments</b>					
Capital Outlay			10,340		-
<b>Change in Net Position - GAAP Basis</b>			28,541		21,991
Net Position, Beginning			454,603		432,612
<b>Net Position, Ending</b>			<u>\$ 483,144</u>		<u>\$ 454,603</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, 2014**  
**(With Comparative Totals for the Year Ended December 31, 2013)**

	<b>2014</b>				<b>2013</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Var with Fin Bud Pos/(Neg)</b>	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 157,898	\$ 163,830	\$ 157,247	\$ (6,583)	\$ 162,703
Interfund Charges	1,839,010	1,787,985	1,605,500	(182,485)	1,534,883
<b>Total Operating Revenues</b>	1,996,908	1,951,815	1,762,747	(189,068)	1,697,586
<b>OPERATING EXPENSES</b>					
Health Claims	1,755,360	1,875,000	1,721,958	153,042	1,743,959
<b>Operating Income (Loss)</b>	241,548	76,815	40,789	(36,026)	(46,373)
<b>Other Revenues (Expenses)</b>					
Investment Earnings	10	10	32	22	21
<b>Change in Net Position</b>	241,558	76,825	40,821	(36,004)	(46,352)
Net Position, Beginning	4,153	4,153	(479,578)	(483,731)	(433,226)
<b>Net Position, Ending</b>	<b>\$ 245,711</b>	<b>\$ 80,978</b>	<b>\$ (438,757)</b>	<b>\$ (519,735)</b>	<b>\$ (479,578)</b>

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.

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Montezuma
	YEAR ENDING : December 2014
This Information From The Records Of (example - City of _ or County)	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
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,164,145
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	350,014
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	147,187
2. General fund appropriations	471,538	b. Snow and ice removal	17,170
3. Other local imposts (from page 2)	1,236,754	c. Other	139,200
4. Miscellaneous local receipts (from page 2)	182,389	d. Total (a. through c.)	303,557
5. Transfers from toll facilities		4. General administration & miscellaneous	74,103
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	1,254,569
a. Bonds - Original Issues		6. Total (1 through 5)	3,146,388
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	1,890,681	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	257,205	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	976,541	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	3,124,427	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	3,146,388

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursement	D. Ending Balance	E. Reconciliation
	3,252,576	3,124,427	3,146,388		3,230,615

**Notes and Comments:**

2013 Ending Balance (\$3,386,716) – Beginning Balance lower due to audit adjustment (\$134,140)

<b>LOCAL HIGHWAY FINANCE REPORT</b>		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2014	
<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	5,305
b. Other local imposts:		b. Traffic Fines & Penalties	55,342
1. Sales Taxes	1,203,075	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	33,679	g. Other Misc. Receipts	7,907
6. Total (1. through 5.)	1,236,754	h. Other	113,835
c. Total (a. + b.)	1,236,754	i. Total (a. through h.)	182,389
	(Carry forward to page 1		(Carry forward to page 1
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	257,205	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)		f. Other Federal	976,541
f. Total (a. through e.)	0	g. Total (a. through f.)	976,541
4. Total (1. + 2. + 3.f)	257,205	3. Total (1. + 2.g)	
			(Carry forward to page 1
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs		8,919	8,919
c. Construction:			
(1). New Facilities		7,949	7,949
(2). Capacity Improvements			0
(3). System Preservation		875,335	875,335
(4). System Enhancement & Operation		271,942	271,942
(5). Total Construction (1) + (2) + (3) + (4)	0	1,155,226	1,155,226
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,164,145	1,164,145
			(Carry forward to page 1
<b>Notes and Comments:</b>			

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**STATISTICAL SECTION**

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

HISTORICAL MAXIMUM COVERAGE

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Recreation Sales Tax Collections	\$ 1,153,067	\$ 1,175,018	\$ 1,257,278	\$ 1,284,009	\$ 1,321,826
Maximum Annual Debt Service	693,355	693,355	693,355	693,355	615,188
Maximum Annual Coverage Factor	1.66x	1.70x	1.81x	1.85x	2.15x
Combined Sales Tax Collections	8,490,917	8,653,171	9,258,303	9,455,147	9,733,620
Maximum Annual Coverage Factor	12.25x	12.48x	13.35x	13.64x	15.82x

HISTORICAL SALES TAX COLLECTIONS

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

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

MONTHLY COLLECTION COMPARISONS

	12 Month Period Ended 12/31/12		12 Month Period Ended 12/31/13		12 Month Period Ended 12/31/14	
	Current Month	Year to Date	Current Month	Year to Date	Current Month	Year to Date
January	\$ 584,947	\$ 584,947	\$ 653,997	\$ 653,997	\$ 622,574	\$ 622,574
February	648,003	1,232,950	645,276	1,299,273	664,887	1,287,462
March	726,561	1,959,511	763,768	2,063,040	739,139	2,026,601
April	735,553	2,695,064	720,262	2,783,302	680,044	2,706,644
May	782,444	3,477,508	811,422	3,594,724	864,500	3,571,145
June	819,555	4,297,063	838,440	4,433,164	858,431	4,429,575
July	871,856	5,168,918	869,699	5,302,863	92,945	5,350,520
August	823,088	5,992,006	850,301	6,153,164	1,001,583	6,352,103
September	875,537	6,867,543	846,555	6,999,719	837,675	7,189,778
October	771,427	7,638,970	785,823	7,785,542	779,664	7,969,442
November	735,355	8,374,326	772,191	8,557,733	966,620	8,936,062
December	883,978	9,258,303	897,414	9,455,147	797,559	9,733,620

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

HISTORICAL GENERAL FUND OPERATIONS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
REVENUES:					
Taxes-Assessments	6,793,170	6,878,903	7,383,659	7,442,377	7,692,052
Licenses and Permits	202,407	83,755	197,714	82,312	339,138
Intergovernmental	2,014,159	3,141,052	1,435,485	1,410,143	1,620,172
Charges for Services	469,843	533,547	529,043	526,636	563,625
Fine and Forefeits	103,407	85,317	90,220	80,419	83,951
Interest Income	45,804	30,906	14,375	14,334	14,765
Miscellaneous	48,888	164,514	22,210	33,074	105,705
Donation	-	-	37,093	63,086	47,877
Grant Revenue	-	-	154,304	160,334	148,242
TOTAL REVENUES	<u>9,677,678</u>	<u>10,917,994</u>	<u>9,864,103</u>	<u>9,812,715</u>	<u>10,615,527</u>
EXPENDITURES:					
General Government	3,618,444	4,177,628	1,978,455	3,088,766	3,156,388
Public Safety	3,214,815	3,099,140	4,070,047	3,439,521	3,654,284
Public Works	1,019,441	1,063,726	1,102,022	928,184	960,435
Culture/Recreation	1,075,336	2,202,447	1,795,989	1,827,213	1,793,906
Internal Charges	-	-	-	1,018,625	-
Capital Outlay	-	102,835	-	-	-
TOTAL EXPENDITURES	<u>8,928,036</u>	<u>10,645,776</u>	<u>8,946,513</u>	<u>10,302,309</u>	<u>9,565,013</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>749,642</u>	<u>272,218</u>	<u>917,590</u>	<u>(489,594)</u>	<u>1,050,514</u>
OTHER FINANCING SOURCES(USES)					
Transfers In	102,049	123,228	127,543	90,472	39,600
Transfers Out	(588,792)	(1,027,757)	(208,600)	(163,600)	(163,600)
TOTAL	<u>(486,743)</u>	<u>(904,529)</u>	<u>(81,057)</u>	<u>(73,128)</u>	<u>(124,000)</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	262,899	(632,311)	836,533	(562,722)	926,514
FUND BALANCE, Beginning	<u>5,030,130</u>	<u>5,293,029</u>	<u>4,660,718</u>	<u>5,572,287</u>	<u>5,009,565</u>
Prior Period Restatement	<u>-</u>	<u>-</u>	<u>75,036</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>5,293,029</u>	<u>4,660,718</u>	<u>5,572,287</u>	<u>5,009,565</u>	<u>5,936,079</u>

**CITY OF CORTEZ, CO  
WATER FUND HISTORICAL DEBT RATION**

HISTORICAL WATER FUND OPERATIONS

	2010	2011	2012	2013	2014
<b>OPERATING REVENUES:</b>					
Charges for Services	\$ 2,183,929	\$ 1,726,480	\$ 2,159,301	\$ 2,056,461	\$ 2,322,139
Other	113,413	151,885	(6,402)	9,998	10,770
Total Operating Revenues	<u>2,297,342</u>	<u>1,878,365</u>	<u>2,152,899</u>	<u>2,066,459</u>	<u>2,332,909</u>
<b>OPERATING EXPENSES:</b>					
Operations and services	1,218,126	1,137,501	980,543	1,172,140	1,629,441
Capital Outlay	38,003	60,076	179,389	488,647	50,586
Total Operating Expenses	<u>1,256,129</u>	<u>1,197,577</u>	<u>1,159,932</u>	<u>1,660,787</u>	<u>1,680,027</u>
Operating Income/(Loss)	1,041,213	680,788	992,967	405,672	652,882
<b>OTHER REVENUES (EXPENSES)</b>					
Interest Income	2,700	2,427	2,697	2,979	1,861
Debt Service – Interest	-	(256,167)	-	-	-
Debt Service – Principal	-	(107,210)	(369,206)	(369,185)	(369,162)
NET INCOME (LOSS) before transfers	<u>1,043,913</u>	<u>319,838</u>	<u>626,458</u>	<u>39,466</u>	<u>285,581</u>
<b>TRANSFERS</b>					
Transfers In	-	-	25,000	-	-
Transfers Out	-	-	(64,419)	-	-
Net Transfers	<u>-</u>	<u>-</u>	<u>(39,419)</u>	<u>-</u>	<u>-</u>
Change in Net Position – Budget Basis	-	-	587,039	39,466	285,581
<b>GAAP BASIS ADJUSTMENTS</b>					
Capital Outlay	-	-	18,908	32,111	27,223
Depreciation	(253,907)	(446,891)	(442,131)	(433,635)	-
Debt Service Principal	(153,496)	107,210	120,091	126,013	132,246
<b>NET INCOME</b>	<u>636,510</u>	<u>(19,843)</u>	<u>283,907</u>	<u>(236,045)</u>	<u>445,050</u>
<b>NET ASSETS, Beginning</b>	10,286,418	10,922,928	10,085,947	10,369,854	10,133,809
Prior Period Adjustment	<u>-</u>	<u>(817,138)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, Beginning (As Restated)	<u>-</u>	<u>10,105,790</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS, Ending</b>	<u>\$ 10,922,928</u>	<u>\$ 10,085,947</u>	<u>\$ 10,369,854</u>	<u>\$ 10,133,809</u>	<u>\$ 10,578,859</u>

**CITY OF CORTEZ, CO  
WATER FUND HISTORICAL DEBT RATIO**

OPERATING EXPENSES (exluding depreciation)

	2011	2012	2013	2014
<b>Revenues:</b>				
Water Charges	\$ 1,703,868	\$ 2,041,578	\$ 1,920,994	\$ 2,188,896
Water Development Fees	118,280	25,410	16,595	97,515
Penalties, Connection and Other Charges	56,217	110,904	128,872	46,499
Investment Earnings	2,427	2,697	2,979	1,860
<b>Total Revenues</b>	<u>1,880,792</u>	<u>2,180,589</u>	<u>2,069,440</u>	<u>2,334,770</u>
Total Expenses	1,900,634	1,896,683	2,305,483	1,902,939
Less: Depreciation	(446,891)	(442,131)	(433,635)	(405,520)
Less: Capital Outlay	(51,443)	(160,303)	(468,149)	(23,395)
Less: Debt Service	(107,210)	(249,115)	(243,172)	(236,916)
Operating Expenses (int including depreciation)	<u>1,295,090</u>	<u>1,045,134</u>	<u>1,160,527</u>	<u>1,237,108</u>
<b>Net Revenues</b>	<u>\$ 585,702</u>	<u>\$ 1,135,455</u>	<u>\$ 908,913</u>	<u>\$ 1,097,662</u>

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

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

HISTORICAL HYDRO-PLANT FUND OPERATIONS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>OPERATING REVENUES:</b>					
Hydro-Production Credits	\$ -	\$ 51,364	\$ 51,040	\$ 49,472	\$ 55,083
Energy Credits	-	59,455	37,320	17,177	-
Total Operating Revenues	<u>-</u>	<u>110,819</u>	<u>88,360</u>	<u>66,649</u>	<u>55,083</u>
<b>Operating Expenditures:</b>					
Operations and services	-	2,509	3,199	4,128	3,992
Capital Outlay	115,934	-	-	-	-
Total Operating Expenses	<u>115,934</u>	<u>2,509</u>	<u>3,199</u>	<u>4,128</u>	<u>3,992</u>
<b>Other Revenues(Expenses)</b>					
Grant Revenue	76,230	-	-	-	-
Miscellaneous	26,733	-	-	-	-
Debt Service Interest	(17,802)	(21,550)	(20,850)	(68,473)	(68,455)
Net Income/(Loss) before transfer	<u>(30,773)</u>	<u>86,760</u>	<u>64,311</u>	<u>(5,952)</u>	<u>(17,364)</u>
<b>Transfers</b>					
Transfers Out	<u>-</u>	<u>(89,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
<b>GAAP BASIS ADJUSTMENTS</b>					
Capital Outlay	(42,196)	-	-	-	-
Debt Service Principal	-	-	-	48,594	49,567
Depreciation	-	(52,125)	(75,828)	(65,802)	(65,802)
<b>Net Income</b>	<u>(72,969)</u>	<u>(54,365)</u>	<u>(36,517)</u>	<u>(23,160)</u>	<u>(33,599)</u>
Net Assets, Beginning	299,121	226,152	171,787	107,619	84,459
Prior Period Restatement	-	-	(27,651)	-	-
<b>Net Assets, Ending</b>	<u>\$ 226,152</u>	<u>\$ 171,787</u>	<u>\$ 107,619</u>	<u>\$ 84,459</u>	<u>\$ 50,860</u>

**CITY OF CORTEZ, CO  
HISTORICAL HYDRO-PLANT FUND OPERATIONS**

**HYDRO-PRODUCTION FUND DEBT RATIO**

	2011	2012	2013	2014
<b>Revenues:</b>				
Hydro-Production Credits	\$ 51,364	\$ 51,040	\$ 49,472	\$ 55,084
Energy Credits	59,455	37,321	17,174	-
<b>Total Revenues</b>	<u>110,819</u>	<u>88,361</u>	<u>66,646</u>	<u>55,084</u>
Total Expenses	165,183	124,876	89,809	88,682
Less Depreciation	(52,125)	(75,828)	(65,802)	(65,802)
Less Debt Service	(21,550)	(20,850)	(19,879)	(18,888)
Operating Expenses	<u>91,508</u>	<u>28,198</u>	<u>4,128</u>	<u>3,992</u>
<b>Net Revenues</b>	<u>\$ 19,311</u>	<u>\$ 60,163</u>	<u>\$ 62,518</u>	<u>\$ 51,092</u>

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

Debt Ratio Coverage	27.82%	86.68%	90.08%	73.61%
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