



***CITY OF CRIPPLE CREEK***

**FINANCIAL STATEMENTS**

**December 31, 2009**

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CPAs & BUSINESS ADVISORS

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## INDEPENDENT AUDITORS' REPORT

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To the Mayor and Members of City Council  
City of Cripple Creek  
Cripple Creek, CO

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Cripple Creek, Colorado, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cripple Creek, Colorado's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information have been derived from the City's 2008 financial statements and, in the predecessor auditors' report dated July 27, 2009, they expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management could not provide sufficient evidential matter to support the accounts receivable and associated revenue account balances related to the Medical Plaza fund. Detailed Accounts Receivable records have not been properly maintained. Therefore, we were not able to satisfy ourselves about the amounts at which Accounts Receivable/Revenues are recorded in the Medical Plaza fund as of December 31, 2009 (stated at \$47,053 and \$392,391, respectively).

Because of the significance of the matters in the preceding paragraph, the scope of our work was not sufficient to enable us to express and we do not express, an opinion on the Medical Plaza Fund. The

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other financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Cripple Creek, Colorado, as of December 31, 2009, 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.

As discussed in Note 16 to the financial statements, the City restated its 2008 accounts receivable and beginning fund balance amounts in the Historical Preservation fund to correct an error for a previously recorded overstatement of accounts receivable and revenues in the amount of \$115,000. This restatement decreased the fund balance in the Historical Preservation fund and also decreased the beginning balance in the government wide statement of net assets.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages I through XIII and 45 through 49, 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 audit evidence to express an opinion or prove any assurance.

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



Greenwood Village, Colorado  
May 26, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Cripple Creek (City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the calendar year ended December 31, 2009. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### Financial Highlights

- The City's assets exceeded its liabilities by \$52,947,567 (total net assets) for the calendar year reported. This represents a decrease of \$1,110,482 or 2.1% over 2008.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$44,115,682 include property, equipment and infrastructure, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$221,000 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net assets of \$8,610,885 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$7,383,210 this year. This compares to the prior year ending fund balance of \$7,012,182 showing an increase of \$371,028 during the current year. Unreserved fund balance of \$7,162,210 for calendar year 2009 shows a \$243,028 increase, or 3.5% from the prior year.
- At the end of the current calendar year, unreserved fund balance for the General Fund was \$4,643,252, or 77% of total General Fund annual expenditures.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

### Overview of the Financial Statements

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

#### *Government-wide Financial Statements*

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid.

An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by sales taxes and device fees and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and streets. The business-type activity includes the water and sewer system.

The government-wide financial statements are presented on pages 3 & 4 of this report.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. All of the City's funds are classified as major.

The City has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 5 - 8 of this report.

The *Proprietary fund* is reported in the fund financial statements and generally report services for which the City charges customers a fee. The one City proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for water and sewer utilities.

The basic enterprise fund financial statements are presented on pages 9 - 12 of this report.

### ***Notes to the Basic Financial Statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 15 of this report.

### ***Other Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget presentations. Budgetary comparison statements are included as "required supplementary information" for the General Fund and the three major special revenue funds. Budgetary comparison schedules for the Enterprise Fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget. Required supplementary information can be found on pages 45 - 49, other material 50 - 63 of this report.

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules of these funds are presented in a subsequent section of this report.

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

The City's net assets at calendar year-end are \$ 52,947,567. Note that governmental activities encompass the City's General, Historic Preservation, Economic Development, and Medical Plaza Funds. The business activities encompass the City's Enterprise Fund, which are primarily water collection/distribution and water/wastewater treatment. The following table provides a summary of the City's net assets:

**Summary of Net Assets**

	Governmental Activities	Business Activities	Total
<b>Assets:</b>			
Current assets	\$7,713,509	\$1,633,657	\$9,347,166
Capital assets	28,673,860	17,129,829	45,803,689
<b>Total Assets</b>	<b>36,387,369</b>	<b>18,763,486</b>	<b>55,150,855</b>
<b>Liabilities:</b>			
Current liabilities	408,717	114,873	523,590
Long-term liabilities	207,448	1,472,250	1,679,698
<b>Total Liabilities</b>	<b>616,165</b>	<b>1,587,123</b>	<b>2,203,288</b>
<b>Net assets:</b>	<b>35,771,204</b>	<b>17,176,363</b>	<b>52,947,567</b>
Invested in capital assets, net of debt	28,499,991	15,615,691	44,115,682
Restricted	221,000		221,000
Unrestricted	7,050,213	1,560,672	8,610,886
<b>Total net assets</b>	<b>\$35,771,204</b>	<b>\$17,176,363</b>	<b>\$52,947,567</b>

*Additional Information:*

<i>Current Ratio</i>	18.9	14.2	17.9
2008 Net assets (Restated)	\$37,260,483	\$16,797,566	\$54,058,049
2009 Net assets	\$35,771,204	\$17,176,363	\$52,947,567
Dollar Change	\$(1,489,279)	\$378,797	\$(1,110,482)
Percent Change	-4.0%	2.3%	-2.1%

The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 18.9 to 1 and 14.2 to 1 for

business-type activities. For the City overall, the current ratio is 17.9 to 1. Governmental activities increased due to additional cash on hand and business-type activities increased because of higher investment balances.

The City reported a decreased balance in net assets for the governmental activity and had a positive change in the business-type activities. Net assets decreased \$1,489,279, or -4% for governmental activities. Governmental activities net assets were down primarily because of lower revenues in device fees and gaming taxes. Very few capital assets were added to the governmental funds in 2009 compared to 2008. The business-type activities increased by \$378,797, or 2.3% for the year. Business-type activities had higher revenues and reduced expenses compared to the year before. The City's overall financial position decreased by \$1,110,482, or -2.1%.

Note that approximately 80.2% of the governmental activities' net assets are tied up in capital. The City uses these capital assets to provide services to its citizens. However, with business type activities, the City has spent approximately 99.7% of its net assets on capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. 86.5% of the City's total net assets are included in capital assets.

The following three tables provide more detailed comparisons in the change of net assets from 2008 to 2009, by both governmental activities and business-type activities, as well as total net assets. 2008 has been restated to reflect the removal of a \$115,000 grant from CDOT for an addition to the Heritage Center. It is anticipated that this project will be completed in 2010. Please see note 16 to the financial statements for more detail.

**Summary of Change in Net Assets for Governmental Activities 2009 Compared to 2008**

	2009	2008 Restated	Dollar Change	Percent Change
<b>Assets:</b>				
Current assets	\$ 7,713,509	\$ 7,389,583	\$ 323,926	4.4%
Capital assets	28,673,860	30,592,874	(1,919,014)	-6.3%
<b>Total Assets</b>	<b>36,387,369</b>	<b>37,982,456</b>	<b>(1,595,087)</b>	<b>-4.2%</b>
<b>Liabilities:</b>				
Current liabilities	408,717	467,873	(59,156)	-12.6%
Long-term liabilities	207,448	254,101	(46,653)	-18.4%
<b>Total Liabilities</b>	<b>616,165</b>	<b>721,973</b>	<b>(105,808)</b>	<b>-14.7%</b>
<b>Net assets:</b>	<b>35,771,204</b>	<b>37,260,483</b>	<b>(1,489,279)</b>	<b>-4.0%</b>
Invested in capital assets, net of debt	28,499,991	30,348,591	(1,848,600)	-6.1%
Restricted	221,000	208,000	13,000	6.3%
Unrestricted	7,050,213	6,703,892	346,321	5.2%
<b>Total net assets</b>	<b>\$ 35,771,204</b>	<b>\$ 37,260,483</b>	<b>\$ (1,489,279)</b>	<b>-4.0%</b>

**Summary of Statement of Net Assets for Business-type Activities 2009 Compared to 2008**

	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 1,633,657	\$ 1,299,473	\$ 334,184	25.7%
Non Current assets				
Capital assets	<u>17,129,829</u>	<u>17,184,396</u>	<u>(54,567)</u>	-0.3%
Total Assets	18,763,486	18,483,870	279,616	1.5%
Liabilities:				
Current liabilities	114,873	207,619	(92,746)	-44.7%
Long-term liabilities	<u>1,472,250</u>	<u>1,478,688</u>	(6,438)	-0.4%
Total Liabilities	1,587,123	1,686,304	(99,181)	-5.9%
Net assets:	17,176,363	16,797,566	378,797	2.3%
Invested in capital assets, net of debt	15,615,691	15,568,827	46,864	0.3%
Unrestricted	<u>1,560,672</u>	<u>1,228,739</u>	<u>331,933</u>	27.0%
Total net assets	<u>\$17,176,363</u>	<u>\$16,797,566</u>	<u>\$378,797</u>	2.3%

**Summary of Statement of Total Net Assets - 2009 Compared to 2008**

	2009	2008 Restated	Dollar Change	Percent Change
<b>Assets:</b>				
Current assets	\$ 9,347,166	\$ 8,689,056	\$ 658,110	7.6%
Capital assets	45,803,689	47,777,270	(1,973,581)	-4.1%
<b>Total Assets</b>	<b>55,150,855</b>	<b>56,466,326</b>	<b>(1,315,471)</b>	<b>-2.3%</b>
<b>Liabilities:</b>				
Current liabilities	523,590	675,492	(151,902)	-22.5%
Long-term liabilities	1,679,698	1,732,789	(53,091)	-3.1%
<b>Total Liabilities</b>	<b>2,203,288</b>	<b>2,408,281</b>	<b>(204,993)</b>	<b>-8.5%</b>
<b>Net assets:</b>	<b>52,947,567</b>	<b>54,058,049</b>	<b>(1,110,482)</b>	<b>-2.1%</b>
Invested in capital assets, net of debt	44,115,682	45,917,418	(1,801,736)	-3.9%
Restricted	221,000	208,000	13,000	
Unrestricted	8,610,885	7,932,631	678,255	8.6%
<b>Total net assets</b>	<b>\$ 52,947,567</b>	<b>\$ 54,058,049</b>	<b>\$ (1,110,482)</b>	<b>-2.1%</b>

**Summary of Statement of Activities - Net Assets for Governmental and Business-type**

	Governmental Activities	Business-Type Activities	Total	Percent of Total
<b>Revenues:</b>				
<i>Program Revenues:</i>				
Charges for Service	\$ 939,087	\$ 459,868	\$ 1,398,955	13.5%
Grants, contributions, etc.	-	-	-	0.0%
<b>Total Program Revenues</b>	<b>939,087</b>	<b>459,868</b>	<b>1,398,955</b>	<b>13.5%</b>
<i>General Revenues:</i>				
Property Taxes	114,990		114,990	1.1%
Sales Taxes	462,396		462,396	4.5%
Gaming Taxes	2,648,796		2,648,796	25.5%
Other Taxes	54,852		54,852	0.5%
Device Fees	3,124,729	2,070,520	5,195,249	50.1%
Investment Earnings	37,611	10,260	47,871	0.5%
Miscellaneous	310,649	138,147	448,796	4.3%
<b>Total General Revenues</b>	<b>6,754,022</b>	<b>2,218,927</b>	<b>8,972,949</b>	<b>86.5%</b>
<b>Total Revenues</b>	<b>7,693,109</b>	<b>2,678,795</b>	<b>10,371,904</b>	<b>100.0%</b>
<b>Expenses:</b>				
General Government	3,703,706		3,703,706	32.3%
Public Safety	2,980,299		2,980,299	26.0%
Streets	1,267,635		1,267,635	11.0%
Culture and Recreation	1,232,538		1,232,538	10.7%
Water and Sewer		2,299,997	2,299,997	20.0%
<b>Total Expenses</b>	<b>9,184,178</b>	<b>2,299,997</b>	<b>11,484,175</b>	<b>100.0%</b>
<b>Change in Net Assets</b>	<b>(1,489,279)</b>	<b>378,796</b>	<b>(1,110,482)</b>	
Beginning Net Assets	37,260,483	16,797,566	54,058,049	
<b>Ending Net Assets</b>	<b>\$ 35,771,204</b>	<b>\$ 17,176,363</b>	<b>\$ 52,947,567</b>	