

TOWN OF MINTURN, COLORADO

FINANCIAL STATEMENTS

December 31, 2015

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FINANCIAL SECTION



Honorable Mayor and Members of the Town Council
Town of Minturn
Minturn, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Town of Minturn as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Minturn, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Town of Minturn'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 Town of Minturn's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Town of Minturn as of December 31, 2015, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Other Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Minturn's basic financial statements. The supplementary information and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the 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 basic financial statements as a whole.



April 27, 2016

Town of Minturn

Management's Discussion and Analysis Fiscal Year Ending December 31, 2015

As management for The Town of Minturn, we offer readers this narrative of the Town's basic financial statements and analysis of the financial activities of the Town of Minturn for the year ended December 31, 2015. The following discussion is intended to assist in understanding the results of operations and our current financial condition. Our financial statements and the accompanying notes included elsewhere in this document contain additional information that should be referred to when reviewing this material.

Overview

The Town was incorporated in 1904, became a home rule municipality in 1982, and is a duly organized and existing political subdivision under the Constitution and laws of the State of Colorado. The Town is located in the central portion of Colorado approximately one hundred miles west of Denver, two miles south of Interstate 70 on State Highway 24 and four miles west of the Town of Vail and the Vail Ski Resort and four miles east of the Town of Avon and the Beaver Creek Ski Resort.

Financial Highlights

In 2015, we continue to see the economic recovery make positive although tentative strides. This recovery is showing signs of economic growth in revenues in both the real estate markets and retail sales. This growth is representative of improving growth in local sectors and on overall economic conditions and customer and consumer confidence. The Town's 2015 assessed valuation (for collection of taxes in 2016) was \$27,230,020. As further confirmation the economy continues to turn around, this value represents an increase of over 24%. 2015 was an assessment year. In light of various and differentiating economic programs, the Town has seen relatively stable and even increasing sales tax revenues in the General Fund. During 2014 sales tax receipts totaled \$536,792 and in 2015 totaled \$584,128; a previous year increase of over 8.8%. The relatively strong increase in sales tax revenue is a welcome sight over recent years and is a leading factor in growing optimism in the recovering economy.

The Town has been able to complete several projects and move others along resulting in fund equity changes as indicated in the table below. With this economic picture in mind, the Town of Minturn made direct and specific financial moves that assisted in lessening this economic impact on the residents of the Town while still maintaining our historically provided service levels. We acted to address the continuing uncertain economic environment by implementing several strategic initiatives aimed at permitting us to take advantage of even slightly improved economic conditions and be able to emerge stronger in the future. These strategic initiatives included:

- Maintained a reasonable and conservative budget again in 2015. Efforts in this initiative include a focus on cash flows and the maintenance of our reserves, and associated cost controls by the utilization of specific consulting contracts. Through these measures, the Town was able to utilize strong cash flow measures to best achieve our determined goals.

- Continued consistent and ongoing monitoring of the budget and our monthly and year to date review of expenses on a department level. This monitoring allowed the Town’s management team the opportunity to forecast and adjust for the economy in real-time. Because we have not ever approached the point of spending our restricted cash, we are able to maintain a strict and consistent conservative budget and financial picture without the need for drastic measures that would adversely affect our residents or our cash flow while still allowing the Town the ability to complete deferred maintenance and budgeted projects.
- Worked diligently through the invigorated Events Department to enlarge our community marketing options through Town wide events and county wide involvement in regional events. These events included expanded family friendly programming, a strong association with the Minturn Concert Series, increased community involvement with the annual Minturn Summer Market, and expand programs such as the Annual Skijoring competition. This increased engagement was developed to strengthen our financial position through a more rigorous marketing campaign. Early indicators, such as sales tax collections, have been very positive.
- Worked closely with the Minturn businesses through the Economic Development Committee on how the economy was affecting our business community and how the Town could improve our involvement and participation. This action allowed the Town to better understand the needs of our commercial businesses and help them to be successful during difficult times. As a result, it allowed us a finger on the pulse of what the Town could anticipate in revenue collections.
- Strived to maintain or improve our customer service levels for the community to include snow removal, water treatment and water delivery service, trash removal, roads, and administrative services.

Throughout the recent years, Minturn has endeavored to support our residents and to maintain our community service levels predominantly without increasing costs to the Town. We are happy to report that, to a large extent, our efforts toward fiscal responsibility were well founded and successful.

FUND	BEGINNING EQUITY	ENDING EQUITY	VARIANCE
General Fund	\$1,276,706	1,160,699	(116,007)
Enterprise Fund	\$2,881,267	3,001,347	120,080
Conservation Trust	\$8,646	16,744	8,098
Debt Service Fund	\$205,800	203,852	(1,948)
Market Fund	(\$3,071)	5,870	8,941
Capital Projects Fund	\$764,595	765,030	435
General Improvement Dist	\$3,372	3,318	(54)
Scholarship Fund	\$547	0	(547)
Battle Mtn Resort Fund	\$604,850	525,938	(78,912)

In 2015 the Town was able to begin and or complete several major projects involving matching grant proceeds. As a result, the Town’s General Fund decreased by \$116,007. Unrestricted cash was used for this purpose. The Conservation Trust Fund accumulates funds year to year which will be used to fund larger improvement projects as allowed by

state law. The Minturn Market is designed to match its costs with its income; however, It should be anticipated that the Town will contribute financially to this program annually if and as needed.

In 2015, the Town accomplished several major asset improvements. In the General Fund, The Railroad Ave between Taylor St and North Main St was rebuilt and Norman Ave between Pine St and Boulder St was rebuilt and the drainage was corrected. Additionally, a redevelopment project to enhance the entry way in to Town on Main St/Hwy 24 between Williams St and 1st Ave was begun. These projects were accomplished using surplus savings in the General Fund in conjunction with state grants. The three season restrooms which were begun in 2014 were completed in 2015. This project was built using a Eagle County grant in the amount of \$50,000 in addition to \$75,000 from the Enterprise Fund unrestricted cash. Upon the completion of the restroom project they were entered in a national contest sponsored by Cintas Corp. and won America's Best Bathroom award.

In July of 2014 the Town signed an Intergovernmental Agreement with the Eagle County Sheriff's Office for police services. This agreement disbanded the vacant and unstaffed Minturn Police Department shifting all police responsibilities to the Sheriff. Minturn retained the Municipal Court function and the Court Clerk position. Although this agreement does not specifically save money for the Town it does provide a more sustainable police presence on a daily basis in town. This contract has proven to be a success for the Town and its citizens. At this point the Municipal Court continues to struggle as for the most part it only sees traffic related concerns. Any major concern is designated to the County Courts. Additionally, the Planning Department does not have the expertise or staffing for conventional code enforcement. Although the building inspections are professionally overseen by an outside contract, the conditional uses of the Municipal Code are not easily enforced. This has drawn a significant number of citizen complaints. Management continues to consider an outside contract to handle the daily needs.

The Town continued its conservative budget practices, efficient and moderate spending and upkeep, and monitoring of the budget on a monthly basis. Town management has reviewed our labor needs and currently feels the existing nine employees, although limiting, is sufficient to maintain our service needs. In an effort to improve our customer service levels, Town management has utilized contract services for certain engineering needs, water system management, and some limited part time snow removal. The Battle Mountain Resort development has settled into a sustainable long term process with no real infrastructure or construction development anticipated for at least several more years. In 2012 negotiations completed with an agreement to release the funds held in escrow since the Battle Mountain Resort annexation. This agreement allowed for the use of \$250,000 for Little Beach Park, \$350,000 endowment for community student scholarships, and \$3,162,000 remaining for: legal and consulting services, administrative costs, land purchases, improvements to Main St, and recreation center uses. This agreement has extended essentially unchanged for at least the next few years and will include the \$180,000 Administrative Fee to the Town.

The Enterprise Fund continues to hold its own and make some forward gains on an annual basis. Although the Enterprise Fund is able to maintain a solid reserve balance, it is not financially prepared for any significant system breach or upgrade. During late 2012 a subcommittee was formed to review the existing rate structure. This process involved a rate study performed by the Colorado Rural Water Association. The Town's adopted budget and the Colorado Rural Water Association study both recommended rate increases in the next few years of approximately 5% annually and called for changes in the rate structure that would more resemble a tiered water rate structure. Additionally, the committee requested a pro forma to be run by the Eagle River Water and Sanitation District using those proposed structure changes to assess our needs and our current rate structure. For the 2014 Budget, the Town Council increased base rates by 3%. The rates established in 2015 for 2016 effectively reduced rates with a zero percent increase on residential accounts and reduced the rates on Commercial accounts to the same base and use rate as residential. The Enterprise Fund is comprised of three basic revenue streams: water fees, which pay for the day to day water purification and distribution; debt service fees, which are assessed only to the extent of the annual debt service due during the current year; and trash fees, which pay for the Town wide citizen trash pickup service. Without the inclusion of the Battle Mountain Annexation, the Town is substantially at build out at this time within our current Town boundaries. Therefore, water tap revenue derived from the sale of water taps for new construction is insufficient to pay for needed future system expansion, maintenance and repair. Consideration of this and other funding sources for the ongoing infrastructure repair and maintenance should be considered during the next annual budget process as water rates are reviewed. Town Council has directed and encouraged that this should be done in conjunction with annual grant opportunities we may pursue.

The Market Fund revenues and expenses have been significantly strengthened over the past several years. Much of this has been due to a more concerted effort by the Town. This fund continues to be a success and improve its guest appeal and has reinvested money back in to the program in an attempt to maintain a quality experience. It is anticipated that the Town will need to fund transfers through the General Fund based on budgetary need in some years.

The operations of the Town are funded primarily by tax revenue generated by a 17.934 mill levy on the assessed value of property and a 4% sales tax generated by sales within the Town. The revenues produced by the mill levy are not affected by the TABOR law, therefore the Town is allowed to collect, save, and spend all property tax revenues derived from that levy. As previously stated, the Town's property tax revenues are continuing to recover after seeing a significant decline as a result of an assessed valuation decrease perpetrated by failing economic conditions. It is important to note that, by all outward appearances, the property tax assessed valuation is anticipated to continue to recover over the next few years. Our 2015 sales tax collections again continue to recover from the aforementioned recessionary dip and the outlook is optimistic and promising for this trend to continue in 2016. It is important to note that however promising this recovery is the Town should endeavor to husband our resources for budget purposes in light of the fact that our property and sales tax revenues combined constitute over 66% of our General Fund Revenues, not including administrative Fees charged to Battle Mountain Resort or grants. This percentage is a continuing reminder of the need for true diversification in our revenue stream.

The Town collects a lodging tax of 1.5% which is in addition to a 4% sales tax on all short-term rental units. Short-term lodging is defined as a single stay less than 30 days. The Treasurer has endeavored compliance on all short term rentals and has made noticeable strides on registration, compliance, and collections. The lodging tax is collected and allocated in the General Fund and continues to grow.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

The **statement of net position** presents information on all the Town's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. A review of this statement over several years indicates the Town's net position is improving.

The **statement of activities** presents information showing how the Town of Minturn's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future periods (e.g. uncollected taxes and earned but unused employee paid time off).

The government-wide financial statements distinguish functions of the Town of Minturn that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The Governmental Activities of the Town of Minturn include General Government, Planning and Zoning, Municipal Court, Police, Public Works, Parks and Recreation, Economic Development, and Interest on Long Term Debt. The Business-type Activities of the Town of Minturn include Water, Trash, and Recreation, which are also reported in an Enterprise Fund.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and bond covenants; however, the Town Council establishes other funds to help control and manage money for particular purposes. All of the Town's funds can be divided into three categories: Governmental Funds, Proprietary Funds, and Agency 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 *short-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s short-term financing requirements. The accounting method is called *modified accrual* accounting.

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 *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s short-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 Town of Minturn maintains seven individual governmental funds: General, Conservation Trust, Debt Service, Minturn Market, Battle Mountain Capital Projects, Battle Mountain Resort, and a General Improvement District. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the major funds. The nonmajor funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The Town of Minturn maintains one type of proprietary fund: the Enterprise Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its Water, Trash, and Recreation activities. This fund is considered to be a major fund of the Town of Minturn.

Agency Funds – The Town of Minturn maintained one *Agency Fund*: the Scholarship Fund. *Agency Funds* consist of resources retained by the Town as an agent for another unit in a fiduciary capacity. The Scholarship Fund was closed when administration of the program was moved to the Minturn Education Fund, a non-profit entity.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the Town’s financial position. For the year ended December 31, 2015, the Town’s combined assets and deferred outflows exceeded liabilities and deferred inflows by \$11,745,788. This represents an increase in net position of \$546,122. Of this amount \$3,570,998 is unrestricted and is available to meet the Town’s ongoing financial obligations.

Net Position

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2015	TOTAL 2014
ASSETS				
Cash and Investments	2,391,643	1,135,808	3,527,451	3,905,682
Restricted Cash	201,500		201,500	201,500
Accounts Receivable	106,348	69,036	175,384	68,000
Property Taxes Receivable	488,343		488,343	392,021
Other Receivables	60,944		60,944	112,542
Capital Assets, Not Being Depreciated	3,831,953		3,831,953	3,654,940
Capital Assets, Net of Accumulated Depreciation	3,324,791	2,010,212	5,335,003	5,148,289
TOTAL ASSETS	10,405,522	3,215,056	13,620,578	13,482,974
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Debt Refunding, Net of Accumulated Amortization	11,835		11,835	14,202
LIABILITIES				
Accounts Payable	73,784	15,071	88,855	129,408
Deposits	5,200		5,200	0
Noncurrent Liabilities				
Due Within One Year	203,740	6,344	210,084	263,665
Due in More Than One Year	901,849	192,294	1,094,143	1,512,416
TOTAL LIABILITIES	1,184,573	213,709	1,398,282	1,905,489
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	488,343		488,343	392,021
NET POSITION				
Invested in Capital Assets	6,075,954	1,815,592	7,891,546	7,060,841
Restricted for Parks	16,744		16,744	8,646
Restricted for Debt Service	201,500		201,500	201,500
Restricted for Emergencies	65,000		65,000	50,000
Unrestricted	2,385,243	1,185,755	3,570,998	3,878,679
Total Net Position	8,744,441	3,001,347	11,745,788	11,199,666

Change in Net Position

FUNCTIONS/PROGRAMS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
			2015	2014
PRIMARY GOVERNMENT				
PROGRAM REVENUES				
Charges for Services	633,263	851,842	1,485,105	1,133,559
Operating Grants and Contributions	101,091		101,091	101,490
Capital Grants and Contributions	60,944	44,450	105,394	108,129
GENERAL REVENUES				
Property Taxes	392,482		392,482	392,780
Specific Ownership Taxes	20,072		20,072	19,997
Sales and Use Taxes	584,128		584,128	536,792
Franchise Taxes	56,821		56,821	64,110
Other Taxes	161,142		161,142	113,535
Intergovernmental Revenues not Restricted	2,202		2,202	2,072
Investment Income	4,902		4,902	4,566
Other Revenues	71,332		71,332	116,182
TOTAL REVENUES	2,088,379	896,292	2,984,671	2,593,212
EXPENSES				
General Government	745,839		745,839	938,674
Planning and Zoning	130,359		130,359	111,945
Municipal Court	10,237		10,237	16,947
Police	345,596		345,596	240,910
Public Works	280,069		280,069	298,450
Parks and Recreation	61,995		61,995	832,106
Economic Development	63,472		63,472	61,349
Interest on Long-Term Debt	47,909		47,909	54,334
Water, Sanitation and Recreation		753,073	753,073	697,211
TOTAL EXPENSES	1,685,476	753,073	2,438,549	3,251,926
Transfers	23,139	(23,139)	0	0
CHANGE IN NET POSITION				
NET POSITION, Beginning	8,318,399	2,881,267	11,199,666	11,858,380
NET POSITION, Ending	8,744,441	3,001,347	11,745,788	11,199,666

During the fiscal year 2012 the Town of Minturn confirmed an agreement for services rendered in the annexation request for Battle Mountain thereby freeing up some of the original escrow funds. This agreement included \$250,000 for Little Beach Park improvements, \$350,000 to be used as a scholarship endowment for the community, and \$3,162,000 to be used for specific expenses sustained as a result of land purchases,

recreational amenities, and expenses that will be incurred as a result of the annexation process still in progress. The agreement covered 36 months starting March 2012 and freed up \$4.3 million dollars in escrow funds to the Town of Minturn. The agreement was extended with the funds in place until such time as a new agreement is proposed.

In 2015 the Police Department expenses increased over 2014 due to the completion of a full year of police services through the Eagle County Sheriff's Office contract. In 2015, the Town realized \$152,940 in Real Estate Transfer Taxes (RETT) revenues. This amount far exceeded the budgeted expectation of \$85,000 and is another reflection of the recovering soft real estate market experienced despite the overall economic downturn. It should be noted this revenue stream is extremely fickle and very driven by the economy. The Town continues to watch all revenue streams and budget conservatively.

In 2015, the Town completed major upgrades to Rail Road Ave and the west side of Norman Street. These are listed in the budget and financial statements as Special Projects Capital Outlay in the General Fund. Additionally, Town completed public restrooms in Eagle River Park. This is represented when compared to the same expenses in 2014 and in comparison to grant proceeds. Beginning in 2015 and continuing into 2016 the Town is making major structural and visual upgrades to the 100 block of Main St/Hwy 24. This is done with a Department of Local Affairs match grant and with budgeted cash reserves. This is also represented in the Change in Net Position table.

The Town was awarded two additional grants in 2015 where work and grant funds will affect 2016. Although the grants were awarded in 2015 the funds will be spent in 2016. First the Town received a grant to plan and build a bicycle single track path. Second the Town received a Transportation Alternative Program (TAP) grant which will require a share of Town match to engineer sidewalks and pedestrian paths from the entrance to the town 100 block through to Maloit Park Rd.

Eagle County (in accordance with State Statute) assesses property bi-annually in odd years. By way of example, 2015 is an assessment year based on values as of June 2014. Because property values were down in June of 2012 and have only recently begun to stabilize with the economy, Property Tax revenues will not begin to recover until at least the 2015 assessment year for revenues to be collected in 2016.

In 2015 the Town paid off equipment debt that was shared between the General Fund and the Enterprise Fund in March rather than its due date of December. The Town also paid off an Enterprise Fund debt that was to mature in March 2016. The Town also paid off Enterprise Fund debt in the amount of \$206,100 which was to mature in 2037. The Town currently carries only two remaining debt instruments; one on a long term water system debt which retires in 2037, and one on the Minturn Town Hall which retires in 2020.

Financial Analysis of the Town's Funds

Governmental Funds The focus of the Town of Minturn governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available at the end of the fiscal year.

It is the direction of the Town Council for the Town to hold an amount equal to 50% of our annual non-developer expenses in a cash reserve. This optimistic reserve target has been met annually for the past eleven years and is designed to better allow the Town to operate during uncertain economic conditions and to begin to address deferred maintenance projects. This ending fund balance and strong reserve policy makes Minturn a leader in fiscal responsibility and the current reserve practice is recommended to be continued.

General Fund Budgetary Highlights

It should be a goal of the Town to make every effort to anticipate projects in advance to allow for budgeting and budget controls in order to maintain our financial stability.

Although attempts have been made to adjust for market growth variances and building cycles in order to smooth out the annual budget, the resort and real estate market in the valley are very changeable and adjustments need to be made as change occurs.

There were budget amendments during the year which reflected additional realized revenues and corresponding expenses. Our General Fund fund balance will continue to ebb and flow as our long list of projects turn into accomplishments. The Town completed the restroom project in Eagle River Park, and we are planning major improvements to the 100 block of Main Street, and are in the engineering stages of sidewalk work the entire length of Main St.

Capital Asset and Debt Administration

Capital Assets. The Town’s investment in capital assets as of December 31, 2015, amounts to \$9,166,956. The net increase from 2014 is a result of the construction on Rail Road Ave, Norman Ave, Main St, and the Eagle River Park restroom project and the completion of the upgrades to the roads and water systems. The detail of capital assets is in Note 4 to the financial statements.

Long-term Debt. As of December 31, 2015, the Town had long-term debt that was being paid by the Water, Sanitation, and Recreation Fund, the Debt Service Fund, and the General Fund as follows:

	FY2015 Beginning Balance	FY2015 Principal Additions	FY2015 Principal Reduction	FY2015 Ending Balance
Water Fund	453,923	10,061	265,346	198,638
Debt Service Fund	1,270,000	-	195,000	1,075,000
General Fund	16,772	-	16,772	0

The detail of long-term debt is presented in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

- The largest single event since Minturn's inception, the Battle Mountain Resort Annexation was completed in May of 2008. It was anticipated Battle Mountain Resort would submit a petition for the annexation of the remaining 1,000 acres and a development agreement and then proceed with approvals and development in the future. This project is still in the legal stages rather than the construction stages and it is not anticipated to begin construction for at least several years.
- Sales tax revenues are a major source of revenue to the Town and are an important source for providing funds for the general operations and maintenance of the Town of Minturn. With the improvements in the local economy our community has seen an increase in tourist traffic and store front occupancy which has greatly enhanced our sales tax growth. Currently, the Minturn Market taken as a whole continues to rank as one of the largest sales tax contributors. This market, run by the Town, continues to provide foot traffic for the retail shops and restaurants in Town during the summer weekends.
- Although annually the Town's commercial and residential sectors continue to grow, the budget history and philosophy remains to budget revenues based on the prior year and factor in current patterns. This conservative approach has allowed the Town to accurately estimate our budget to actual revenues and expenditures while keeping a close watch on expenses. It was projected that because property tax values were assessed weak and low in 2013, taxes collected in 2014 would fall again by over 15% and that they would then stabilize in 2015 and rise in 2016. Since the high water mark of assessed values in 2011, property tax revenues had fallen over 34% by the 2014 property assessment. These fluxions are considered closely as the budget process proceeds.
- Minturn's economy is primarily based on tourism. In 2011, sales tax collections were up over 8% from 2010. The sales tax growth between 2010 and 2013 has increased almost 19%. National and international markets continue to slowly see improvements as well as the local and state economies show positive signs of a recovery. With the significant crash of the consumer credit market, continuing economic strife in the Euro dollar and recessionary concerns throughout much of the world, it is difficult to predict the full implication of the current national economy on the local economy. Sales tax revenue projections and real estate growth are once again conservatively reflective of that trend.
- As stated in this document the Town of Minturn currently awaits further submittals including a development plan from Battle Mountain. With the downturn in the economy Battle Mountain Resort has understandably taken a "wait and see" stance on immediate development. In view of this slowdown of the development, the Town of Minturn has also taken a "wait and see" approach to future staffing needs and revenue expectations. As of the end of 2015, the Town employed 8 full time employees plus a part time Town Manager (30-35 hours per week). Interestingly, although we have had minor short term fluctuations, this staffing level is below the norm of about ten employees. Again this is representative of our stringent efforts to control our municipal costs.
- Our primary sources of liquidity are: cash generated from property and sales tax, leases of Town owned land, and water fees. Our underlying goal has been to control our expenditures and maintain our fund balances while at the same time not reducing our established service levels to our residents. Given the uncertain

economic environment, the Town Council and Town management have undertaken additional internal actions which include:

- Insurance Review: Annually, the Town management reviews and modifies our employee medical insurance program. In 2015 the Town recognized an approximate 9% decrease in our medical insurance plan.
- The Town management has maintained a conservative workforce allowance and no change in this practice is anticipated for 2016.
- Existing staff positions have been filled as they become vacant but no new positions have been created. Further, the Town has contracted for services outside of Staff expertise such as engineering, water system management, and additional police officer needs.

The Town of Minturn is in a relatively good financial position because of our ongoing conservative budgeting, our stable cash reserves, and our realistic spending practices. Our Fund reserves are at a sufficient level to cover the Town's financial policy set by Town Council (equal to six months of operations expenditures). Although we continue to watch all revenue and expense numbers very closely, it is comforting to recognize the diverse service industry tax base we have as well as the growth in our store front businesses. With these factors in mind it remains a guiding touchstone that annual operational expenditures are paid from revenues earned during this same period and generally not paid from reserves. The recent yet infrequent exception to this practice has been made for long term infrastructure and special project needs, such as road maintenance, using our reserves sparingly.

All these factors were considered in preparing the Town of Minturn's budget for the 2016 fiscal year and as we look beyond 2016 to future years.

Requests for Information

The financial report is designed to provide a general overview of the Town of Minturn's finances for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Town of Minturn
Attn.: Jay Brunvand, Town Treasurer
P.O. Box 309
Minturn, CO 81645

BASIC FINANCIAL STATEMENTS

TOWN OF MINTURN, COLORADO

STATEMENT OF NET POSITION

December 31, 2015

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE	TOTALS	UNIT
	ACTIVITIES	ACTIVITIES		EDUCATION
				FUND
ASSETS				
Cash and Investments	\$ 2,391,643	\$ 1,135,808	\$ 3,527,451	\$ 302,412
Restricted Cash and Investments	201,500	-	201,500	-
Accounts Receivable	106,348	69,036	175,384	-
Grants Receivable	60,944	-	60,944	-
Property Taxes Receivable	488,343	-	488,343	-
Capital Assets, Not Being Depreciated	3,831,953	-	3,831,953	-
Capital Assets, Net of Accumulated Depreciation	<u>3,324,791</u>	<u>2,010,212</u>	<u>5,335,003</u>	<u>-</u>
TOTAL ASSETS	<u>10,405,522</u>	<u>3,215,056</u>	<u>13,620,578</u>	<u>302,412</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Debt Refunding, Net of Accumulated Amortization	<u>11,835</u>	<u>-</u>	<u>11,835</u>	<u>-</u>
LIABILITIES				
Accounts Payable	73,784	15,071	88,855	-
Deposits	5,200	-	5,200	-
Noncurrent Liabilities				
Due Within One Year	203,740	6,344	210,084	-
Due in More Than One Year	<u>901,849</u>	<u>192,294</u>	<u>1,094,143</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,184,573</u>	<u>213,709</u>	<u>1,398,282</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	<u>488,343</u>	<u>-</u>	<u>488,343</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	6,075,954	1,815,592	7,891,546	-
Restricted for Parks	16,744	-	16,744	-
Restricted for Debt Service	201,500	-	201,500	-
Restricted for Emergencies	65,000	-	65,000	-
Restricted for Scholarships	-	-	-	302,412
Unrestricted	<u>2,385,243</u>	<u>1,185,755</u>	<u>3,570,998</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 8,744,441</u>	<u>\$ 3,001,347</u>	<u>\$ 11,745,788</u>	<u>\$ 302,412</u>

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

TOWN OF MINTURN, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 745,839	\$ 511,712	\$ -	\$ -
Planning and Zoning	130,359	44,531	-	-
Municipal Court	10,237	-	-	-
Police	345,596	8,016	-	-
Public Works	280,069	-	91,104	60,944
Parks and Recreation	61,995	69,004	9,987	-
Economic Development	63,472	-	-	-
Interest on Long-Term Debt	47,909	-	-	-
Total Governmental Activities	<u>1,685,476</u>	<u>633,263</u>	<u>101,091</u>	<u>60,944</u>
Business-Type Activities				
Water, Sanitation and Recreation	<u>753,073</u>	<u>851,842</u>	<u>-</u>	<u>44,450</u>
Total Business-Type Activities	<u>753,073</u>	<u>851,842</u>	<u>-</u>	<u>44,450</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,438,549</u>	<u>\$ 1,485,105</u>	<u>\$ 101,091</u>	<u>\$ 105,394</u>
Component Unit				
Education Fund	<u>\$ 4,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES

Property Taxes
 Specific Ownership Taxes
 Sales and Use Taxes
 Franchise Taxes
 Other Taxes
 Intergovernmental Revenues not Restricted to Specific Programs
 Investment Income
 Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION

PRIMARY GOVERNMENT			COMPONENT
GOVERNMENTAL	BUSINESS-TYPE		UNIT
ACTIVITIES	ACTIVITIES	TOTALS	EDUCATION
			FUND
\$ (234,127)	\$ -	\$ (234,127)	\$ -
(85,828)	-	(85,828)	-
(10,237)	-	(10,237)	-
(337,580)	-	(337,580)	-
(128,021)	-	(128,021)	-
16,996	-	16,996	-
(63,472)	-	(63,472)	-
(47,909)	-	(47,909)	-
<u>(890,178)</u>	<u>-</u>	<u>(890,178)</u>	<u>-</u>
<u>-</u>	<u>143,219</u>	<u>143,219</u>	<u>-</u>
<u>-</u>	<u>143,219</u>	<u>143,219</u>	<u>-</u>
<u>(890,178)</u>	<u>143,219</u>	<u>(746,959)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,968)</u>
392,482	-	392,482	-
20,072	-	20,072	-
584,128	-	584,128	-
56,821	-	56,821	-
161,142	-	161,142	-
2,202	-	2,202	-
4,902	-	4,902	(14,593)
71,332	-	71,332	-
23,139	(23,139)	-	-
<u>1,316,220</u>	<u>(23,139)</u>	<u>1,293,081</u>	<u>(14,593)</u>
426,042	120,080	546,122	(19,561)
<u>8,318,399</u>	<u>2,881,267</u>	<u>11,199,666</u>	<u>321,973</u>
<u>\$ 8,744,441</u>	<u>\$ 3,001,347</u>	<u>\$ 11,745,788</u>	<u>\$ 302,412</u>

TOWN OF MINTURN, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	<u>GENERAL</u>	<u>BATTLE MOUNTAIN RESORT</u>	<u>DEBT SERVICE</u>
ASSETS			
Cash and Investments	\$ 1,072,341	\$ 525,938	\$ 2,352
Restricted Cash and Investments	-	-	201,500
Accounts Receivable	106,348	-	-
Grants Receivable	60,944	-	-
Property Taxes Receivable	<u>488,343</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,727,976</u>	<u>\$ 525,938</u>	<u>\$ 203,852</u>
LIABILITIES			
Accounts Payable	\$ 73,734	\$ -	\$ -
Deposits	<u>5,200</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>78,934</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>488,343</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted for Parks	-	-	-
Restricted for Debt Service	-	-	201,500
Restricted for Emergencies	65,000	-	-
Committed to Battle Mountain Resort	-	525,938	-
Committed to Capital Projects	-	-	-
Assigned to Minturn Market	-	-	-
Assigned to GID Activities	-	-	-
Assigned to Debt Service	-	-	2,352
Assigned to Capital Projects	-	-	-
Unrestricted, Unassigned	<u>1,095,699</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>1,160,699</u>	<u>525,938</u>	<u>203,852</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 1,727,976</u>	<u>\$ 525,938</u>	<u>\$ 203,852</u>

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of Governmental Funds

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds.

Long-term liabilities and related items, including the loss on debt refunding \$11,835, are not due and payable in the current year and, therefore, are not reported in governmental funds.

Total Net Position of Governmental Activities

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

BATTLE MOUNTAIN CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
\$ 765,030	\$ 25,982	\$ 2,391,643
-	-	201,500
-	-	106,348
-	-	60,944
-	-	488,343
<u>\$ 765,030</u>	<u>\$ 25,982</u>	<u>\$ 3,248,778</u>
\$ -	\$ 50	\$ 73,784
-	-	5,200
-	50	78,984
-	-	488,343
-	16,744	16,744
-	-	201,500
-	-	65,000
-	-	525,938
743,321	-	743,321
-	5,870	5,870
-	3,318	3,318
-	-	2,352
21,709	-	21,709
-	-	1,095,699
<u>765,030</u>	<u>25,932</u>	<u>2,681,451</u>
<u>\$ 765,030</u>	<u>\$ 25,982</u>	<u>\$ 3,248,778</u>
		\$ 2,681,451
		7,156,744
		(1,093,754)
		<u>\$ 8,744,441</u>

TOWN OF MINTURN, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
 Year Ended December 31, 2015

	<u>GENERAL</u>	<u>BATTLE MOUNTAIN RESORT</u>	<u>DEBT SERVICE</u>
REVENUES			
Taxes	\$ 1,214,645	\$ -	\$ -
Licenses and Permits	64,261	-	-
Fines and Forfeitures	8,016	-	-
Intergovernmental	154,250	-	-
Investment Income	2,517	1,883	24
Developer Fees	180,000	3,462	-
Miscellaneous	214,967	-	164,885
TOTAL REVENUES	<u>1,838,656</u>	<u>5,345</u>	<u>164,909</u>
EXPENDITURES			
Current			
General Government	578,428	84,257	-
Planning and Zoning	130,359	-	-
Municipal Court	10,237	-	-
Police	345,596	-	-
Public Works	228,660	-	-
Parks and Recreation	-	-	-
Economic Development	63,472	-	-
Capital Outlay	527,068	-	-
Debt Service			
Principal	16,772	-	195,000
Interest and Fiscal Charges	80	-	48,987
TOTAL EXPENDITURES	<u>1,900,672</u>	<u>84,257</u>	<u>243,987</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(62,016)</u>	<u>(78,912)</u>	<u>(79,078)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	77,130
Transfers Out	(53,991)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(53,991)</u>	<u>-</u>	<u>77,130</u>
NET CHANGE IN FUND BALANCE	(116,007)	(78,912)	(1,948)
FUND BALANCE, Beginning	<u>1,276,706</u>	<u>604,850</u>	<u>205,800</u>
FUND BALANCE, Ending	<u>\$ 1,160,699</u>	<u>\$ 525,938</u>	<u>\$ 203,852</u>

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

BATTLE MOUNTAIN CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
\$ -	\$ -	\$ 1,214,645
-	-	64,261
-	-	8,016
-	9,987	164,237
435	43	4,902
-	-	183,462
-	69,004	448,856
<u>435</u>	<u>79,034</u>	<u>2,088,379</u>
-	54	662,739
-	-	130,359
-	-	10,237
-	-	345,596
-	-	228,660
-	61,995	61,995
-	-	63,472
-	-	527,068
-	-	211,772
-	-	49,067
-	62,049	2,290,965
<u>435</u>	<u>16,985</u>	<u>(202,586)</u>
-	-	77,130
-	-	(53,991)
-	-	23,139
435	16,985	(179,447)
<u>764,595</u>	<u>8,947</u>	<u>2,860,898</u>
<u>\$ 765,030</u>	<u>\$ 25,932</u>	<u>\$ 2,681,451</u>

TOWN OF MINTURN, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of Governmental Funds	\$	(179,447)
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$525,881 exceeded depreciation expense (\$134,594) in the current year.		391,287
Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.		211,772
Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items: amortization of debt premium \$3,525, and amortization of loss on refunding (\$2,367).		1,158
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in accrued paid time off.		<u>1,272</u>
Change in Net Position of Governmental Activities	\$	<u><u>426,042</u></u>

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

TOWN OF MINTURN, COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUND
 December 31, 2015

	<u>WATER, SANITATION AND RECREATION</u>
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 1,135,808
Accounts Receivable	<u>69,036</u>
TOTAL CURRENT ASSETS	<u>1,204,844</u>
NONCURRENT ASSETS	
Capital Assets, Net of Accumulated Depreciation	<u>2,010,212</u>
TOTAL ASSETS	<u>3,215,056</u>
CURRENT LIABILITIES	
Accounts Payable	15,071
Accrued Paid Time Off, Current Portion	1,000
Notes Payable, Current Portion	<u>5,344</u>
TOTAL CURRENT LIABILITIES	<u>21,415</u>
NONCURRENT LIABILITIES	
Accrued Paid Time Off	3,018
Notes Payable	<u>189,276</u>
TOTAL NONCURRENT LIABILITIES	<u>192,294</u>
TOTAL LIABILITIES	<u>213,709</u>
NET POSITION	
Net Investment in Capital Assets	1,815,592
Unrestricted	<u>1,185,755</u>
TOTAL NET POSITION	<u>\$ 3,001,347</u>

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

TOWN OF MINTURN, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
 Year Ended December 31, 2015

	<u>WATER, SANITATION AND RECREATION</u>
OPERATING REVENUES	
Charges for Services	\$ 839,127
Miscellaneous	<u>12,715</u>
TOTAL OPERATING REVENUES	<u>851,842</u>
OPERATING EXPENSES	
Operations	587,602
Maintenance	53,390
Depreciation	<u>97,705</u>
TOTAL OPERATING EXPENSES	<u>738,697</u>
NET OPERATING INCOME	113,145
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	<u>(14,376)</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	98,769
Tap Fees	44,450
Transfers Out	<u>(23,139)</u>
CHANGE IN NET POSITION	120,080
NET POSITION, Beginning	<u>2,881,267</u>
NET POSITION, Ending	<u>\$ 3,001,347</u>

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

TOWN OF MINTURN, COLORADO

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2015

	<u>WATER, SANITATION AND RECREATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 838,091
Cash Received from Others	12,715
Cash Paid to Suppliers	(484,726)
Cash Paid to Employees	<u>(174,760)</u>
Net Cash Provided by Operating Activities	<u>191,320</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Tap Fees Received	44,450
Acquisition and Construction of Capital Assets	(70,145)
Debt Principal Payments	(254,048)
Debt Interest Payments	(14,376)
Transfers to Other Funds	<u>(23,139)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(317,258)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(125,938)
CASH AND CASH EQUIVALENTS, Beginning	<u>1,261,746</u>
CASH AND CASH EQUIVALENTS, Ending	\$ <u><u>1,135,808</u></u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income	\$ 113,145
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	97,705
Changes in Assets and Liabilities Related to Operations	
Accounts Receivable	(1,036)
Accounts Payable	(17,257)
Accrued Paid Time Off	<u>(1,237)</u>
Net Cash Provided by Operating Activities	<u>\$ 191,320</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Minturn (the “Town”) conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Town, organizations for which the Town is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Town. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Town. Legally separate organizations for which the Town is financially accountable are considered part of the reporting entity. Financial accountability exists if the Town appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Town.

Based on the application of these criteria, the Town includes the Minturn General Improvement District (the “District”) within its reporting entity. The District was formed to finance the construction of infrastructure in the Battle Mountain development using a dedicated property tax on property within the development. The Town Council serves as the governing board of the District and the Town’s management has operational responsibility for the District. The District is blended into the Town’s financial statements as a special revenue fund. The District does not issue separate financial statements.

The Minturn Education Fund (the “Education Fund”), a non-profit organization, was formed in November, 2012, to create a scholarship program for qualified Minturn students who meet merit and financial need criteria. The Education Fund has a separate governing board with members appointed by the Town Council. The Education Fund does not issue separate financial statements and is discretely presented in the Town’s financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund uses the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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 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 nonoperating revenues and expenses.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for a specific use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The *Battle Mountain Resort Fund* accounts for revenues received under an agreement between the Town and the developer of the Battle Mountain Resort. The agreement requires the Town to use the revenues for legal and consulting costs directly related to the development of the Battle Mountain Resort and for general administrative costs of the Town.

The *Debt Service Fund* accounts for town hall rental income collected for payment of the Certificates of Participation.

The *Battle Mountain Capital Projects Fund* accounts primarily for revenues received under an agreement between the Town and the developer of the Battle Mountain Resort. The agreement requires the Town to use the revenues for improvements to Little Beach Park, water infrastructure, streets, and trails, and for construction of a recreation center. The fund is also used to account for capital projects financed by transfers from the General Fund.

Additionally, the Town reports the following major proprietary fund:

The *Water, Sanitation and Recreation Fund* is an enterprise fund that accounts for the financial activities associated with the provision of water and garbage services.

In addition, the Town reports the following fund type:

The Town held contributions for a scholarship program in a custodial capacity, which were reported in the *Scholarships Agency Fund*. During the year ended December 31, 2015, the Town transferred the remaining contributions to the Education Fund.

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of three months or less. Investments are stated at fair value.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

Capital Assets - Capital assets, which include land, buildings, plant, infrastructure, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund in the fund financial statements. Infrastructure assets, including streets, sidewalks and curbs and gutters, purchased or donated prior to January 1, 2004, are not reported in the financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Water and Sanitation Systems	20 - 50 years
Recreation Systems	35 years
Streets	50 years
Buildings and Improvements	10 - 50 years
Machinery and Equipment	5 - 10 years

Deferred Inflows of Resources - Deferred inflows of resources include property taxes earned but levied for a subsequent year.

Compensated Absences - Employees of the Town are allowed to accumulate unused paid time off (PTO) for up to two years. Upon termination of employment from the Town, an employee will be compensated for all accrued PTO at 30% to 50% of their pay rate, depending on years of service. Accumulated, unpaid PTO is accrued when earned in the government-wide and proprietary fund financial statements. A liability is reported in the governmental fund financial statements only when payment is due.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and refunding losses are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financial uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed.

In the fund financial statements, governmental funds report committed fund balances when the Town Council formally commits resources for a specific purpose through passage of a resolution or approval of contractual agreements with third parties.

The Town Council is authorized to informally assign amounts to a specific purpose, and has assigned this authority to the Town Manager or his designee. Such fund balance assignments are reported in the governmental fund financial statements.

The Town has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the Town uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the Town on a monthly basis.

NOTE 2: CASH AND INVESTMENTS

At December 31, 2015, cash and investments consisted of the following:

Deposits	\$ 522,240
Investments	<u>3,206,711</u>
Total	<u>\$ 3,728,951</u>

Cash and investments were reported in the financial statements as follows:

Cash and Investments	\$ 3,527,451
Restricted Cash and Investments	<u>201,500</u>
Total	<u>\$ 3,728,951</u>

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to 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 PDPA allows the financial institution 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2015, the Town had bank deposits of \$251,392 collateralized with securities held by the financial institutions' agents but not in the Town's name.

Investments

The Town is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency 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

Interest Rate Risk - State statutes generally limit the maturity date of investment securities to five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At December 31, 2015, the Town's investment of \$201,525 in the Federated Treasury Obligations Money Market Fund was rated AAAM by Standard & Poor's.

Concentration of Credit Risk - State statutes do not limit the amount the Town may invest in one issuer, except for corporate securities.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Local Government Investment Pools - At December 31, 2015, the Town had \$2,981,238 and \$23,948 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively, investment vehicles established by State statutes for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. The pools are rated AAAM by Standard & Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

In accordance with the agreement related to the Certificates of Participation, cash and investments of \$201,500 reported in the Debt Service Fund are restricted to meet future debt service requirements.

NOTE 3: JOINTLY GOVERNED ORGANIZATION

In March, 2013, the Town entered into a memorandum of understanding with the Ski and Snowboard Club Vail, a non-profit organization, to construct the Minturn Fitness Center, a jointly owned and operated facility. The parties formed a separate non-profit entity to own and operate the facility. This entity is governed by a board of directors that jointly and equally represents the parties. Each party contributed \$1.25 million for initial construction of the facility. The facility was completed during the year ended December 31, 2015.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, is summarized below.

	Balances 12/31/14	Additions	Deletions	Balances 12/31/15
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 3,579,470	\$ -	\$ -	\$ 3,579,470
Construction in Progress	-	252,483	-	252,483
Total Capital Assets, Not Being Depreciated	<u>3,579,470</u>	<u>252,483</u>	<u>-</u>	<u>3,831,953</u>
Capital Assets, Being Depreciated				
Streets	421,569	252,294	-	673,863
Buildings and Improvements	3,915,403	-	-	3,915,403
Machinery and Equipment	500,515	21,104	-	521,619
Total Capital Assets, Being Depreciated	<u>4,837,487</u>	<u>273,398</u>	<u>-</u>	<u>5,110,885</u>

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balances</u> 12/31/14	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/15
Governmental Activities (Continued)				
Less Accumulated Depreciation				
Streets	(10,539)	(13,477)	-	(24,016)
Buildings and Improvements	(1,200,951)	(98,826)	-	(1,299,777)
Machinery and Equipment	(440,010)	(22,291)	-	(462,301)
Total Accumulated Depreciation	<u>(1,651,500)</u>	<u>(134,594)</u>	<u>-</u>	<u>(1,786,094)</u>
Capital Assets, Being Depreciated, Net	<u>3,185,987</u>	<u>138,804</u>	<u>-</u>	<u>3,324,791</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,765,457</u>	<u>\$ 391,287</u>	<u>\$ -</u>	<u>\$ 7,156,744</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	<u>\$ 75,470</u>	<u>\$ 49,041</u>	<u>\$ 124,511</u>	<u>\$ -</u>
Capital Assets, Being Depreciated				
Water and Sanitation Systems	3,523,330	-	-	3,523,330
Recreation Systems	79,009	124,511	-	203,520
Equipment	187,061	21,104	-	208,165
Total Capital Assets, Being Depreciated	<u>3,789,400</u>	<u>145,615</u>	<u>-</u>	<u>3,935,015</u>
Less Accumulated Depreciation				
Water and Sanitation Systems	(1,651,090)	(75,837)	-	(1,726,927)
Recreation Systems	(40,625)	(4,748)	-	(45,373)
Equipment	(135,383)	(17,120)	-	(152,503)
Total Accumulated Depreciation	<u>(1,827,098)</u>	<u>(97,705)</u>	<u>-</u>	<u>(1,924,803)</u>
Capital Assets, Being Depreciated, Net	<u>1,962,302</u>	<u>47,910</u>	<u>-</u>	<u>2,010,212</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,037,772</u>	<u>\$ 96,951</u>	<u>\$ 124,511</u>	<u>\$ 2,010,212</u>

Depreciation expense was charged to programs of the Town as follows:

Governmental Activities	
General Government	\$ 84,372
Public Works	<u>50,222</u>
 Total	 <u>\$ 134,594</u>

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 5: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2015:

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/15</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Accrued Paid Time Off	\$ 14,236	\$ 27,326	\$ 28,598	\$ 12,964	\$ 3,740
2010 Certificates of Participation	1,270,000	-	195,000	1,075,000	200,000
Debt Premium	21,150	-	3,525	17,625	-
Capital Lease	<u>16,772</u>	<u>-</u>	<u>16,772</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,322,158</u>	<u>\$ 27,326</u>	<u>\$ 243,895</u>	<u>\$ 1,105,589</u>	<u>\$ 203,740</u>

Compensated absences are expected to be liquidated primarily with revenues of the General Fund.

Certificates of Participation - Certificates of Participation (COPs), Series 2010A, in the original amount of \$1,860,000, and Series 2010B, in the amount of \$155,000, were issued to refund the Certificates of Participation (COPs), Series 2000A and Series 2000B, which were originally issued to construct a building for use as a town hall, employee housing, and a post office. The Town subleases the employee housing portion of the building to individuals and another portion of the building to the U.S. Postal Service.

The Series 2010A COPs accrue interest at rates ranging from 2% to 4% per annum, with payments due semi-annually on June 1 and December 1. Principal payments are due annually on December 1, from 2011 through 2020. The Series 2010B COPs were paid in full during the year ended December 31, 2012.

Future debt service payments are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 200,000	\$ 40,650	\$ 240,650
2017	205,000	34,150	239,150
2018	215,000	25,950	240,950
2019	225,000	17,350	242,350
2020	<u>230,000</u>	<u>8,912</u>	<u>238,912</u>
Total	<u>\$ 1,075,000</u>	<u>\$ 127,012</u>	<u>\$ 1,202,012</u>

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 5: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Capital Lease - During 2010, the Town entered into a lease agreement for \$183,856 to purchase a Caterpillar loader. Annual payments of \$35,530 were due under the lease agreement, through January, 2016, with interest accruing at 4% per annum. In January, 2013, the Town refinanced this lease. Under the terms of the new lease agreement, annual payments of \$34,513 were due beginning in December, 2013, through 2015. Interest accrued on the outstanding balance of the lease at 2.89% per annum. The lease obligation was paid equally by the General and Water, Sanitation and Recreation Funds. During the year ended December 31, 2015, the lease was paid in full.

Business-Type Activities

Following are the changes to long-term debt of the business-type activities for the year ended December 31, 2015:

	Balance 12/31/14	Additions	Payments	Balance 12/31/15	Due Within One Year
Business-Type Activities					
Accrued Paid Time Off	\$ 5,255	\$ 10,061	\$ 11,298	\$ 4,018	\$ 1,000
CWRPDA Note	27,148	-	27,148	-	-
1997A Rural Development Note	205,035	-	205,035	-	-
1997B Rural Development Note	199,713	-	5,093	194,620	5,344
Capital Lease	16,772	-	16,772	-	-
Total	<u>\$ 453,923</u>	<u>\$ 10,061</u>	<u>\$ 265,346</u>	<u>\$ 198,638</u>	<u>\$ 6,344</u>

CWRPDA Note - During 1995, a loan for \$300,000 was obtained from the Colorado Water Resources and Power Development Authority to upgrade the Town's water system. Payments of \$5,614, including interest accruing at 4.5%, were due quarterly, with the final payment due in 2016. In March, 2015, the Town paid the loan in full.

Rural Development Notes - 1997A and 1997B Water Revenue Notes were issued to finance improvements to the Town's water system. Principal and interest payments are due semi-annually, through April 1, 2037. Interest accrues at 5% and 4.875%, respectively. In March, 2015, the Town paid the 1997A Note in full.

TOWN OF MINTURN, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 5: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Future debt service payments for the outstanding loan are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,344	\$ 9,497	\$ 14,841
2017	5,608	9,233	14,841
2018	5,885	8,956	14,841
2019	6,174	8,667	14,841
2020	6,480	8,361	14,841
2021 - 2025	37,518	36,683	74,201
2026 - 2030	47,735	26,466	74,201
2031 - 2035	60,736	13,465	74,201
2036 - 2037	19,140	1,839	20,979
Total	<u>\$ 194,620</u>	<u>\$ 123,167</u>	<u>\$ 317,787</u>

NOTE 6: INTERFUND TRANSACTIONS

Interfund transfers during the year ended December 31, 2015, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Debt Service	General	\$ 53,991
Debt Service	Water, Sanitation and Recreation	<u>23,139</u>
Total		<u>\$ 77,130</u>

The General and Water, Sanitation and Recreation Funds make annual payments to the Debt Service Fund for debt service on the Certificates of Participation.

NOTE 7: SEGMENT INFORMATION

Financial information for the water and sanitation segments of the Water, Sanitation and Recreation Fund for the year ended December 31, 2015, follows.

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>
Operating Revenues			
Charges for Services	\$ 731,776	\$ 107,351	\$ 839,127
Miscellaneous	<u>12,715</u>	<u>-</u>	<u>12,715</u>
Total Operating Revenues	<u>744,491</u>	<u>107,351</u>	<u>851,842</u>

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: SEGMENT INFORMATION (Continued)

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>
Operating Expenses			
Operations and Maintenance	551,928	89,064	640,992
Depreciation	<u>97,705</u>	<u>-</u>	<u>97,705</u>
Total Operating Expenses	<u>649,633</u>	<u>89,064</u>	<u>738,697</u>
Net Operating Income	94,858	18,287	113,145
Nonoperating Revenues (Expenses)			
Interest Expense	<u>(14,376)</u>	<u>-</u>	<u>(14,376)</u>
Net Income Before Capital Contributions and Transfers	80,482	18,287	98,769
Tap Fees	44,450	-	44,450
Transfers Out	<u>(23,139)</u>	<u>-</u>	<u>(23,139)</u>
Change in Net Position	<u>\$ 101,793</u>	<u>\$ 18,287</u>	<u>\$ 120,080</u>

NOTE 8: RETIREMENT COMMITMENTS

All employees are eligible to participate in an Internal Revenue Code Section 401(a) plan beginning six months from date of hire. The contribution requirements of Plan participants and the Town are established and may be amended by the Town Council. Employees may contribute up to 4% of base salary to the Plan. The Town is required to match each employee's contributions up to 4% of base salary. In addition, employees may make voluntary contributions to the Plan within certain limits. The Town's contributions vest immediately, except for employees hired after February, 1, 2009, for which contributions vest at 25% each year. During the year ended December 31, 2015, the Town and employee contributions to the Plan were \$12,081 and \$17,825, respectively, equal to the required contributions.

NOTE 9: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for its workers compensation claims.

Public Entity Risk Pool

For other risks of loss, the Town 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).

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 9: RISK MANAGEMENT (Continued)

Public Entity Risk Pool (Continued)

The purposes of CIRSA are to provide members defined liability and property coverages 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 coverages 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 Town does not approve budgets nor does it have ability to significantly affect the operations of CIRSA.

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 governments. On April 5, 1994, voters within the Town approved the collection, retention and expenditure of the full revenues generated by the Town in 1994 and subsequent years, notwithstanding the provisions of the Amendment.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2015, the emergency reserve of \$65,000 was reported as restricted fund balance in the General Fund.

Litigation

The Town is involved in various litigation. The outcome of this litigation cannot be determined at this time. However, management believes that any outcome will not have a significant adverse affect on the Town's financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes	\$ 1,088,220	\$ 1,191,720	\$ 1,214,645	\$ 22,925
Licenses and Permits	46,500	63,000	64,261	1,261
Fines and Forfeitures	13,500	13,500	8,016	(5,484)
Intergovernmental	98,750	99,250	154,250	55,000
Investment Income	5,000	5,000	2,517	(2,483)
Developer Fees	180,000	180,000	180,000	-
Miscellaneous	155,230	193,130	214,967	21,837
TOTAL REVENUES	1,587,200	1,745,600	1,838,656	93,056
EXPENDITURES				
Current				
General Government	583,120	653,240	578,428	74,812
Planning and Zoning	115,246	136,746	130,359	6,387
Municipal Court	22,095	22,095	10,237	11,858
Police	412,601	412,601	345,596	67,005
Public Works	270,250	271,250	228,660	42,590
Economic Development	58,798	63,798	63,472	326
Capital Outlay	23,000	480,106	527,068	(46,962)
Debt Service				
Principal	16,772	16,772	16,772	-
Interest and Fiscal Charges	484	484	80	404
TOTAL EXPENDITURES	1,502,366	2,057,092	1,900,672	156,420
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	84,834	(311,492)	(62,016)	249,476
OTHER FINANCING SOURCES (USES)				
Transfers Out	(55,800)	(55,800)	(53,991)	1,809
NET CHANGE IN FUND BALANCE	29,034	(367,292)	(116,007)	251,285
FUND BALANCE, Beginning	1,203,118	1,203,118	1,276,706	73,588
FUND BALANCE, Ending	\$ 1,232,152	\$ 835,826	\$ 1,160,699	\$ 324,873

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE
BATTLE MOUNTAIN RESORT FUND
 Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Investment Income	\$ 9,500	\$ 1,883	\$ (7,617)
Developer Fees	-	3,462	3,462
TOTAL REVENUES	<u>9,500</u>	<u>5,345</u>	<u>(4,155)</u>
EXPENDITURES			
General Government	<u>300,000</u>	<u>84,257</u>	<u>215,743</u>
TOTAL EXPENDITURES	<u>300,000</u>	<u>84,257</u>	<u>215,743</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(290,500)	(78,912)	211,588
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(180,000)</u>	-	<u>180,000</u>
NET CHANGE IN FUND BALANCE	(470,500)	(78,912)	391,588
FUND BALANCE, Beginning	<u>526,016</u>	<u>604,850</u>	<u>78,834</u>
FUND BALANCE, Ending	<u>\$ 55,516</u>	<u>\$ 525,938</u>	<u>\$ 470,422</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015

NOTE 1: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

Budgets are legally adopted for all funds of the Town. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the proprietary fund are presented on a non-GAAP budgetary basis, whereby capital outlay and debt principal are budgeted as expenditures.

The Town follows these procedures in establishing the budgetary information reflected in the financial statements:

- Management submits to the Town Council a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- Management 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 the Town Council.
- All appropriations lapse at year end.

Legal Compliance

For the year ended December 31, 2015, the supplemental budget adopted for the Minturn Market Fund allowed for expenditures in excess of the resources available. In addition, the Minturn GID Fund expenditures exceeded the amounts budgeted by \$4. These may be violations of State statutes.

SUPPLEMENTARY INFORMATION

TOWN OF MINTURN, COLORADO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2015

	<u>CONSERVATION TRUST</u>	<u>MINTURN MARKET</u>	<u>MINTURN GID</u>	<u>TOTALS</u>
ASSETS				
Cash and Investments	\$ 16,744	\$ 5,920	\$ 3,318	\$ 25,982
TOTAL ASSETS	<u>\$ 16,744</u>	<u>\$ 5,920</u>	<u>\$ 3,318</u>	<u>\$ 25,982</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 50	\$ -	\$ 50
FUND BALANCE				
Restricted for Parks	16,744	-	-	16,744
Assigned to Minturn Market	-	5,870	-	5,870
Assigned to GID Activities	-	-	3,318	3,318
TOTAL FUND BALANCE	<u>16,744</u>	<u>5,870</u>	<u>3,318</u>	<u>25,932</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 16,744</u>	<u>\$ 5,920</u>	<u>\$ 3,318</u>	<u>\$ 25,982</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2015

	<u>CONSERVATION TRUST</u>	<u>MINTURN MARKET</u>	<u>MINTURN GID</u>	<u>TOTALS</u>
REVENUES				
Intergovernmental	\$ 9,987	\$ -	\$ -	\$ 9,987
Investment Income	43	-	-	43
Miscellaneous	-	69,004	-	69,004
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	10,030	69,004	-	79,034
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Current				
General Government	-	-	54	54
Parks and Recreation	1,932	60,063	-	61,995
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	1,932	60,063	54	62,049
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	8,098	8,941	(54)	16,985
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, Beginning	8,646	(3,071)	3,372	8,947
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, Ending	\$ <u>16,744</u>	\$ <u>5,870</u>	\$ <u>3,318</u>	\$ <u>25,932</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

CONSERVATION TRUST FUND

Year Ended December 31, 2015

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 10,000	\$ 9,987	\$ (13)
Investment Income	500	43	(457)
TOTAL REVENUES	<u>10,500</u>	<u>10,030</u>	<u>(470)</u>
EXPENDITURES			
Parks and Recreation	<u>2,500</u>	<u>1,932</u>	<u>568</u>
TOTAL EXPENDITURES	<u>2,500</u>	<u>1,932</u>	<u>568</u>
NET CHANGE IN FUND BALANCE	8,000	8,098	98
FUND BALANCE, Beginning	<u>9,131</u>	<u>8,646</u>	<u>(485)</u>
FUND BALANCE, Ending	<u>\$ 17,131</u>	<u>\$ 16,744</u>	<u>\$ (387)</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

MINTURN MARKET FUND

Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Minturn Market	\$ 64,500	\$ 70,000	\$ 69,004	\$ (996)
TOTAL REVENUES	<u>64,500</u>	<u>70,000</u>	<u>69,004</u>	<u>(996)</u>
EXPENDITURES				
Minturn Market	<u>64,500</u>	<u>82,500</u>	<u>60,063</u>	<u>22,437</u>
TOTAL EXPENDITURES	<u>64,500</u>	<u>82,500</u>	<u>60,063</u>	<u>22,437</u>
NET CHANGE IN FUND BALANCE	-	(12,500)	8,941	21,441
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>(3,071)</u>	<u>(3,071)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ (12,500)</u>	<u>\$ 5,870</u>	<u>\$ 18,370</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

MINTURN GID

Year Ended December 31, 2015

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
EXPENDITURES			
General Government	\$ <u>50</u>	\$ <u>54</u>	\$ <u>(4)</u>
TOTAL EXPENDITURES	<u>50</u>	<u>54</u>	<u>(4)</u>
NET CHANGE IN FUND BALANCE	(50)	(54)	(4)
FUND BALANCE, Beginning	<u>3,348</u>	<u>3,372</u>	<u>24</u>
FUND BALANCE, Ending	\$ <u><u>3,298</u></u>	\$ <u><u>3,318</u></u>	\$ <u><u>20</u></u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Investment Income	\$ 25	\$ 24	\$ (1)
Rental Income	165,000	164,885	(115)
TOTAL REVENUES	<u>165,025</u>	<u>164,909</u>	<u>(116)</u>
EXPENDITURES			
Debt Service			
Principal	195,000	195,000	-
Interest and Fiscal Charges	49,737	48,987	750
TOTAL EXPENDITURES	<u>244,737</u>	<u>243,987</u>	<u>750</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(79,712)	(79,078)	634
OTHER FINANCING SOURCES			
Transfers In	79,712	77,130	(2,582)
NET CHANGE IN FUND BALANCE	-	(1,948)	(1,948)
FUND BALANCE, Beginning	<u>205,798</u>	<u>205,800</u>	<u>2</u>
FUND BALANCE, Ending	<u>\$ 205,798</u>	<u>\$ 203,852</u>	<u>\$ (1,946)</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE
BATTLE MOUNTAIN CAPITAL PROJECTS FUND
 Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Investment Income	\$ 500	\$ 435	\$ (65)
Miscellaneous	-	-	-
TOTAL REVENUES	<u>500</u>	<u>435</u>	<u>(65)</u>
EXPENDITURES			
Parks and Recreation	<u>260,000</u>	<u>-</u>	<u>260,000</u>
TOTAL EXPENDITURES	<u>260,000</u>	<u>-</u>	<u>260,000</u>
NET CHANGE IN FUND BALANCE	(259,500)	435	259,935
FUND BALANCE, Beginning	<u>762,810</u>	<u>764,595</u>	<u>1,785</u>
FUND BALANCE, Ending	<u>\$ 503,310</u>	<u>\$ 765,030</u>	<u>\$ 261,720</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE
WATER, SANITATION AND RECREATION FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Water Charges	\$ 719,000	\$ 719,500	\$ 731,776	\$ 12,276
Water Tap Fees	9,500	19,000	44,450	25,450
Garbage Charges	109,000	109,000	107,351	(1,649)
Grants	-	25,000	-	(25,000)
Miscellaneous	15,000	15,000	12,715	(2,285)
TOTAL REVENUES	852,500	887,500	896,292	8,792
EXPENSES				
Operations	589,045	633,545	587,602	45,943
Maintenance	52,000	52,000	53,390	(1,390)
Depreciation	90,000	90,000	97,705	(7,705)
Capital Outlay	49,300	49,300	70,145	(20,845)
Debt Service				
Principal	270,175	270,175	254,048	16,127
Interest	16,793	16,793	14,376	2,417
Transfers Out	23,914	23,914	23,139	775
TOTAL EXPENSES	1,091,227	1,135,727	1,100,405	35,322
CHANGE IN NET POSITION, Budgetary Basis	\$ (238,727)	\$ (248,227)	(204,113)	\$ 44,114
RECONCILIATION TO GAAP BASIS				
Capital Outlay			70,145	
Debt Service Principal			254,048	
CHANGE IN NET POSITION, GAAP Basis			\$ 120,080	

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended December 31, 2015

	<u>BALANCE</u> <u>12/31/14</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>12/31/15</u>
ASSETS				
Cash and Investments	\$ <u>547</u>	\$ <u>-</u>	\$ <u>547</u>	\$ <u>-</u>
LIABILITIES				
Held for Student Scholarships	\$ <u>547</u>	\$ <u>-</u>	\$ <u>547</u>	\$ <u>-</u>

See the accompanying Independent Auditors' Report.

COMPLIANCE SECTION

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

LOCAL HIGHWAY FINANCE REPORT	City or County:
	YEAR ENDING : December 2015
This Information From The Records Of (example - City of _ or County of Town of Minturn County of Eagle	Prepared By: Jay Brunvand Phone: 970/827-5645

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	469,049
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	26,739
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	696,256	b. Snow and ice removal	169,550
3. Other local imposts (from page 2)	38,805	c. Other	
4. Miscellaneous local receipts (from page 2)	5,865	d. Total (a. through c.)	169,550
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	120,959
a. Bonds - Original Issues		6. Total (1 through 5)	786,297
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	740,926	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	45,371	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	786,297	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	786,297

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	786,297	786,297	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2015

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	5,865
1. Sales Taxes		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 & Road/Bridge	38,805	g. Other Misc. Receipts	
6. Total (1. through 5.)	38,805	h. Other	
c. Total (a. + b.)	38,805	i. Total (a. through h.)	5,865
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	39,283	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	6,088	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Road and Bridge)		f. Other Federal	
f. Total (a. through e.)	6,088	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	45,371	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation	216,755	252,294	469,049
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	216,755	252,294	469,049
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	216,755	252,294	469,049
			(Carry forward to page 1)

Notes and Comments: