

TOWN OF MINTURN, COLORADO

FINANCIAL STATEMENTS

December 31, 2016

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditors' Report	
Management's Discussion and Analysis	i - xii
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	5
Statement of Net Position - Proprietary Fund	6
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	7
Statement of Cash Flows - Proprietary Fund	8
Notes to Financial Statements	9 - 19
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	20
Budgetary Comparison Schedule - Battle Mountain Resort Fund	21
Notes to Required Supplementary Information	22
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	24
Budgetary Comparison Schedule - Conservation Trust Fund	25
Budgetary Comparison Schedule - Minturn Market Fund	26

TABLE OF CONTENTS
(Continued)

	<u>PAGE</u>
FINANCIAL SECTION (Continued)	
Supplementary Information (Continued)	
Budgetary Comparison Schedule - Minturn GID	27
Budgetary Comparison Schedule - Debt Service Fund	28
Budgetary Comparison Schedule - Battle Mountain Capital Projects Fund	29
Budgetary Comparison Schedule - Water, Sanitation and Recreation Fund	30
COMPLIANCE SECTION	
Local Highway Finance Report	31 - 32

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, 2016, 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, 2016, 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.



May 8, 2017

Town of Minturn

Management's Discussion and Analysis Fiscal Year Ended December 31, 2016

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, 2016. 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 2016, we continue to see the positive although tentative economic strides. The economy 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 2016 assessed valuation (for collection of taxes in 2017) was \$26,609,440 down from the prior years \$27,230,020 representing a slight decrease of 2.3%. It is noted that 2016 was not an assessment year and as such it should be anticipated that we would have little change from the prior year, which was an assessment year. Property values are reassessed statewide in each county during odd years. As such, it is during that assessment year that we would see larger fluctuations in the assessed value as the property values increase and decrease mirroring the economic growth or regression. It is anticipated that property values will again increase during the 2017 reassessment. 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 2016 sales tax receipts totaled \$584,941 and in 2015 totaled \$584,128; a very minor previous year increase. The relatively flat sales tax is attributable to two lodging facilities shutting down and reports of slow sales in general. In late 2016 both lodging facilities changed hands. One is going through extensive renovations and is expected to reopen in late spring 2017 and the second has reopened under new owners although a smaller business plan.

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 2016. 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 tourist marketing campaign. 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	\$1,160,699	1,293,744	133,045
Enterprise Fund	\$3,001,347	2,934,825	(66,522)
Conservation Trust	\$16,744	28,532	11,788
Debt Service Fund	\$203,852	203,807	(45)
Market Fund	\$5,870	11,303	5,433
Capital Projects Fund	\$765,030	236,640	(528,390)
General Improvement Dist	\$3,318	3,069	(249)
Battle Mtn Resort Fund	\$525,938	471,166	(54,772)

In 2016 the Town was able to begin and or complete several major street projects involving matching grant proceeds. The Town's General Fund increased by \$133,045 after decreasing in 2015 by \$116,007. The Enterprise Fund balance decreased by \$66,522 as a result of water rates set too low; this has been corrected in the 2017 funding structure. 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. The Capital Projects Fund was reduced a net of \$528,390 as a result of the budgeted use of these funds for the street improvements as allowed in the Battle Mountain funding agreement.

In 2016, the Town accomplished several major asset improvements. In the General Fund, A redevelopment project to enhance the entryway into Town on Main St/Hwy 24 between Williams St and 1st Ave was undertaken. This project was accomplished using surplus savings in the General Fund and Battle Mountain Capital Funds, in conjunction with state grants. A grant was received to engineer road improvements for pedestrian and vehicle traffic in the 500-900 Block of Main St/Hwy 24. In the Enterprise Fund a grant was secured to assist efforts to secure engineered plans to install a water line from the main section of town to the Dowd Jct area of the Town. The intent is to use this line to provide water to the area thereby spurring commercial growth.

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. In light of this ongoing concern, the Town now contracts for a part time Code Enforcement Officer. This position has made significant strides to manage 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, Code Enforcement, police and animal control, and some limited part time snow removal. The Battle Mountain Resort development has settled into a sustainable long term process and began actively working with the Town to formulate development options on their site. 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 \$180,000.00 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. Although a number of multi-home applications have been presented using the redevelopment of existing real estate lots, 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 was considered during the 2017 annual budget process.

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 program continues to be a success and improve its guest appeal. The Market 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 and sales taxes are not affected by the TABOR law, therefore the Town is allowed to collect, save, and spend all tax revenues annually generated. 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 over several years 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. It is equally 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 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.

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, 2016, the Town’s combined assets and deferred outflows exceeded liabilities and deferred inflows by \$12,500,277. This represents an increase in net position of \$754,489. Of this amount \$3,109,326 is unrestricted and is available to meet the Town’s ongoing financial obligations.

NET POSITION

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL 2016	TOTAL 2015
ASSETS				
Cash and Investments	1,912,974	1,131,157	3,044,131	3,527,451
Restricted Cash	201,500		201,500	201,500
Accounts Receivable	99,061	75,169	174,230	175,384
Grants Receivable	112,859		112,859	60,944
Property Taxes Receivable	476,922		476,922	488,343
Capital Assets, Not Being Depreciated	3,860,859	30,187	3,891,046	3,831,953
Capital Assets, Net of Accumulated Depreciation	4,355,341	1,917,133	6,272,474	5,335,003
TOTAL ASSETS	11,019,516	3,153,646	14,173,162	13,620,578
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Debt Refunding, Net of Accumulated Amortization	9,468		9,468	11,835
LIABILITIES				
Accounts Payable	73,453	23,905	97,358	88,855
Deposits	4,680		4,680	5,200
Noncurrent Liabilities				
Due Within One Year	209,800	7,008	216,808	210,084
Due in More Than One Year	698,677	187,908	886,585	1,094,143
TOTAL LIABILITIES	986,610	218,821	1,205,431	1,398,282
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	476,922		476,922	488,343
NET POSITION				
Invested in Capital Assets	7,336,568	1,758,044	9,094,612	7,891,546
Restricted for Parks	28,532		28,532	16,744
Restricted for Debt Service	203,807		203,807	201,500
Restricted for Emergencies	64,000		64,000	65,000
Unrestricted	1,932,545	1,176,781	3,109,326	3,570,998
Total Net Position	9,565,452	2,934,825	12,500,277	11,745,788

Change in Net Position

FUNCTIONS/PROGRAMS	GOVERNMENTAL	BUSINESS-TYPE	TOTALS	
	ACTIVITIES	ACTIVITIES	2016	2015
PRIMARY GOVERNMENT				
PROGRAM REVENUES				
Charges for Services	594,391	766,582	1,360,973	1,393,155
Operating Grants and Contributions	103,115		103,115	101,091
Capital Grants and Contributions	506,967	62,126	569,093	105,394
GENERAL REVENUES				
Property Taxes	480,761		480,761	392,482
Specific Ownership Taxes	21,634		21,634	20,072
Sales and Use Taxes	584,941		584,941	584,128
Franchise Taxes	64,485		64,485	56,821
Other Taxes	132,497		132,497	161,142
Intergovernmental Revenues not Restricted	2,399		2,399	2,202
Investment Income	19,908		19,908	4,902
Other Revenues	34,349		34,349	163,282
TOTAL REVENUES	2,545,447	828,708	3,374,155	2,984,671
EXPENSES				
General Government	770,516		770,516	745,839
Planning and Zoning	145,084		145,084	130,359
Municipal Court	10,600		10,600	10,237
Police	370,601		370,601	345,596
Public Works	271,950		271,950	280,069
Parks and Recreation	47,347		47,347	61,995
Economic Development	90,480		90,480	63,472
Interest on Long-Term Debt	41,492		41,492	47,909
Water, Sanitation and Recreation		871,596	871,596	753,073
TOTAL EXPENSES	1,748,070	871,596	2,619,666	2,438,549
Transfers	23,634	(23,634)	0	0
CHANGE IN NET POSITION				
	821,011	-66,522	754,489	546,122
NET POSITION, Beginning	8,744,441	3,001,347	11,745,788	11,199,666
NET POSITION, Ending	9,565,452	2,934,825	12,500,277	11,745,788

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 2016, the Town realized \$124,348 in Real Estate Transfer Taxes (RETT) revenues. This amount far exceeded the original budget 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.

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, use of Battle Mountain Capital Projects transfer, 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 and 2017. First the Town received a grant to engineer a multi-use path from Dowd Junction to the Minturn core. Second the Town received a Transportation Alternative Program (TAP) grant which will require a share of Town matching funds 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, 2017 is an assessment year based on values as of June 2016. Property assessments and the corresponding property tax collections were up in 2016 over 2015. Property Tax revenues are expected to increase again in 2018 with the 2017 reassessment.

In 2015, the Town paid off equipment debt that was shared between the General Fund and the Enterprise Fund and also paid off an Enterprise Fund debt that was to mature in March 2016 and one 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 major improvements to the 100 block of Main Street, and we 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, 2016, amounts to \$10,163,520. The net increase from 2015 is a result of the construction on the 100 Block completion of 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, 2016, 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:

	FY2016 Beginning Balance	FY2016 Principal Additions	FY2016 Principal Reduction	FY2016 Ending Balance
Water Fund	198,638	11,430	15,152	194,916
Debt Service Fund	1,075,000	-	200,000	875,000

The detail of long-term debt is presented in Note 4 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 however some discussion with the Town in 2016 and 2017 appear to place this project in motion and could begin construction in the foreseeable future.
- 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. This conservative demeanor also has allowed us to recognize positive growth in our cash reserves making funds available for current projects. 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. This was recognized with our 2016 property tax increase of 22% over 2015 receipts. 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. The sales tax growth between 2010 and 2013 has increased almost 19%. National and international markets continue to see improvements as well as the local and state economies show a positive recovery. With the volatility in property values and in the resort industry it is difficult to predict the full implication of the current resort economy on the local economy. Property taxes are flat for 2017 and Sales tax revenue projections are down in the first quarter of 2017. The 2017 budget is 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 2016, 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 management’s stringent efforts to control our municipal costs while still allowing us to meet our historical customer service levels throughout the town.
- 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 and our insurance expenses were flat in 2016 and will be again in 2017.

- The Town management has maintained a conservative workforce allowance and no change in this practice is anticipated for 2017.
- 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, public safety, and code enforcement needs. This practice allows us to budget conservatively, maintain or even improve service levels, and recognize savings from contracted services over the expense of hiring a full-time employee.

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 General and Enterprise Fund reserves are at a sufficient level to cover the Town's financial policy set by Town Council (General Fund: equal to six months of operations expenditures and Enterprise Fund: \$1,000,000). 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 and determined on a case by case basis.

All these factors were considered in preparing the Town of Minturn's budget for the 2017 fiscal year and as we look beyond 2017 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, 2016

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE	TOTALS	UNIT
	ACTIVITIES	ACTIVITIES		EDUCATION
				FUND
ASSETS				
Cash and Investments	\$ 1,912,974	\$ 1,131,157	\$ 3,044,131	\$ 299,255
Restricted Cash and Investments	201,500	-	201,500	-
Accounts Receivable	99,061	75,169	174,230	-
Grants Receivable	112,859	-	112,859	-
Property Taxes Receivable	476,922	-	476,922	-
Capital Assets, Not Being Depreciated	3,860,859	30,187	3,891,046	-
Capital Assets, Net of Accumulated Depreciation	<u>4,355,341</u>	<u>1,917,133</u>	<u>6,272,474</u>	<u>-</u>
TOTAL ASSETS	<u>11,019,516</u>	<u>3,153,646</u>	<u>14,173,162</u>	<u>299,255</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Debt Refunding, Net of Accumulated Amortization	<u>9,468</u>	<u>-</u>	<u>9,468</u>	<u>-</u>
LIABILITIES				
Accounts Payable	73,453	23,905	97,358	-
Deposits	4,680	-	4,680	-
Noncurrent Liabilities				
Due Within One Year	209,800	7,008	216,808	-
Due in More Than One Year	<u>698,677</u>	<u>187,908</u>	<u>886,585</u>	<u>-</u>
TOTAL LIABILITIES	<u>986,610</u>	<u>218,821</u>	<u>1,205,431</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	<u>476,922</u>	<u>-</u>	<u>476,922</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	7,336,568	1,758,044	9,094,612	-
Restricted for Parks	28,532	-	28,532	-
Restricted for Debt Service	203,807	-	203,807	-
Restricted for Emergencies	64,000	-	64,000	-
Restricted for Scholarships	-	-	-	299,255
Unrestricted	<u>1,932,545</u>	<u>1,176,781</u>	<u>3,109,326</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 9,565,452</u>	<u>\$ 2,934,825</u>	<u>\$ 12,500,277</u>	<u>\$ 299,255</u>

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

TOWN OF MINTURN, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 770,516	\$ 479,141	\$ -	\$ -
Planning and Zoning	145,084	54,198	-	-
Municipal Court	10,600	-	-	-
Police	370,601	8,272	-	-
Public Works	271,950	-	91,486	506,967
Parks and Recreation	47,347	52,780	11,629	-
Economic Development	90,480	-	-	-
Interest on Long-Term Debt	41,492	-	-	-
Total Governmental Activities	<u>1,748,070</u>	<u>594,391</u>	<u>103,115</u>	<u>506,967</u>
Business-Type Activities				
Water, Sanitation and Recreation	<u>871,596</u>	<u>766,582</u>	<u>-</u>	<u>62,126</u>
Total Business-Type Activities	<u>871,596</u>	<u>766,582</u>	<u>-</u>	<u>62,126</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,619,666</u>	<u>\$ 1,360,973</u>	<u>\$ 103,115</u>	<u>\$ 569,093</u>
Component Unit				
Education Fund	<u>\$ 6,200</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
\$ (291,375)	\$ -	\$ (291,375)	\$ -
(90,886)	-	(90,886)	-
(10,600)	-	(10,600)	-
(362,329)	-	(362,329)	-
326,503	-	326,503	-
17,062	-	17,062	-
(90,480)	-	(90,480)	-
(41,492)	-	(41,492)	-
<u>(543,597)</u>	<u>-</u>	<u>(543,597)</u>	<u>-</u>
<u>-</u>	<u>(42,888)</u>	<u>(42,888)</u>	<u>-</u>
<u>-</u>	<u>(42,888)</u>	<u>(42,888)</u>	<u>-</u>
<u>(543,597)</u>	<u>(42,888)</u>	<u>(586,485)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,200)</u>
480,761	-	480,761	-
21,634	-	21,634	-
584,941	-	584,941	-
64,485	-	64,485	-
132,497	-	132,497	-
2,399	-	2,399	-
19,908	-	19,908	3,043
34,349	-	34,349	-
23,634	(23,634)	-	-
<u>1,364,608</u>	<u>(23,634)</u>	<u>1,340,974</u>	<u>3,043</u>
821,011	(66,522)	754,489	(3,157)
<u>8,744,441</u>	<u>3,001,347</u>	<u>11,745,788</u>	<u>302,412</u>
<u>\$ 9,565,452</u>	<u>\$ 2,934,825</u>	<u>\$ 12,500,277</u>	<u>\$ 299,255</u>

TOWN OF MINTURN, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	<u>GENERAL</u>	<u>BATTLE MOUNTAIN RESORT</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
ASSETS				
Cash and Investments	\$ 1,139,618	\$ 491,436	\$ 281,920	\$ 1,912,974
Restricted Cash and Investments	-	-	201,500	201,500
Accounts Receivable	99,061	-	-	99,061
Grants Receivable	112,859	-	-	112,859
Property Taxes Receivable	<u>476,922</u>	<u>-</u>	<u>-</u>	<u>476,922</u>
TOTAL ASSETS	<u>\$ 1,828,460</u>	<u>\$ 491,436</u>	<u>\$ 483,420</u>	<u>\$ 2,803,316</u>
LIABILITIES				
Accounts Payable	\$ 53,114	\$ 20,270	\$ 69	\$ 73,453
Deposits	<u>4,680</u>	<u>-</u>	<u>-</u>	<u>4,680</u>
TOTAL LIABILITIES	<u>57,794</u>	<u>20,270</u>	<u>69</u>	<u>78,133</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	<u>476,922</u>	<u>-</u>	<u>-</u>	<u>476,922</u>
FUND BALANCE				
Restricted for Parks	-	-	28,532	28,532
Restricted for Debt Service	-	-	203,807	203,807
Restricted for Emergencies	64,000	-	-	64,000
Committed to Battle Mountain Resort	-	471,166	-	471,166
Committed to Capital Projects	-	-	236,640	236,640
Assigned to Minturn Market	-	-	11,303	11,303
Assigned to GID Activities	-	-	3,069	3,069
Unrestricted, Unassigned	<u>1,229,744</u>	<u>-</u>	<u>-</u>	<u>1,229,744</u>
TOTAL FUND BALANCE	<u>1,293,744</u>	<u>471,166</u>	<u>483,351</u>	<u>2,248,261</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 1,828,460</u>	<u>\$ 491,436</u>	<u>\$ 483,420</u>	<u>\$ 2,803,316</u>

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

Total Fund Balance of Governmental Funds	\$ 2,248,261
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds.	8,216,200
Long-term liabilities and related items, including the loss on debt refunding \$9,468, are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(899,009)</u>
Total Net Position of Governmental Activities	<u>\$ 9,565,452</u>

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

TOWN OF MINTURN, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>GENERAL</u>	<u>BATTLE MOUNTAIN RESORT</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
REVENUES				
Taxes	\$ 1,284,318	\$ -	\$ -	\$ 1,284,318
Licenses and Permits	74,400	-	-	74,400
Fines and Forfeitures	8,272	-	-	8,272
Intergovernmental	600,852	-	11,629	612,481
Investment Income	11,801	6,313	1,794	19,908
Developer Fees	180,000	-	-	180,000
Miscellaneous	149,488	-	216,580	366,068
	<u>2,309,131</u>	<u>6,313</u>	<u>230,003</u>	<u>2,545,447</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General Government	633,773	61,085	249	695,107
Planning and Zoning	145,084	-	-	145,084
Municipal Court	10,600	-	-	10,600
Police	370,601	-	-	370,601
Public Works	229,554	-	-	229,554
Parks and Recreation	-	-	47,347	47,347
Economic Development	90,480	-	-	90,480
Capital Outlay	1,170,848	-	-	1,170,848
Debt Service				
Principal	-	-	200,000	200,000
Interest and Fiscal Charges	-	-	42,650	42,650
	<u>2,650,940</u>	<u>61,085</u>	<u>290,246</u>	<u>3,002,271</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(341,809)</u>	<u>(54,772)</u>	<u>(60,243)</u>	<u>(456,824)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	530,000	-	78,780	608,780
Transfers Out	(55,146)	-	(530,000)	(585,146)
	<u>474,854</u>	<u>-</u>	<u>(451,220)</u>	<u>23,634</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE				
	133,045	(54,772)	(511,463)	(433,190)
FUND BALANCE, Beginning	<u>1,160,699</u>	<u>525,938</u>	<u>994,814</u>	<u>2,681,451</u>
FUND BALANCE, Ending	<u>\$ 1,293,744</u>	<u>\$ 471,166</u>	<u>\$ 483,351</u>	<u>\$ 2,248,261</u>

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

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, 2016

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

Net Change in Fund Balance of Governmental Funds	\$	(433,190)
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 \$1,193,223 exceeded depreciation expense (\$133,767) in the current year.		1,059,456
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.		200,000
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>(6,413)</u>
Change in Net Position of Governmental Activities	\$	<u><u>821,011</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, 2016

	WATER, SANITATION <u>AND RECREATION</u>
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 1,131,157
Accounts Receivable	<u>75,169</u>
TOTAL CURRENT ASSETS	<u>1,206,326</u>
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	30,187
Capital Assets, Net of Accumulated Depreciation	<u>1,917,133</u>
TOTAL NONCURRENT ASSETS	<u>1,947,320</u>
TOTAL ASSETS	<u>3,153,646</u>
CURRENT LIABILITIES	
Accounts Payable	23,905
Accrued Paid Time Off, Current Portion	1,400
Notes Payable, Current Portion	<u>5,608</u>
TOTAL CURRENT LIABILITIES	<u>30,913</u>
NONCURRENT LIABILITIES	
Accrued Paid Time Off	4,240
Notes Payable	<u>183,668</u>
TOTAL NONCURRENT LIABILITIES	<u>187,908</u>
TOTAL LIABILITIES	<u>218,821</u>
NET POSITION	
Net Investment in Capital Assets	1,758,044
Unrestricted	<u>1,176,781</u>
TOTAL NET POSITION	<u>\$ 2,934,825</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, 2016

	<u>WATER, SANITATION AND RECREATION</u>
OPERATING REVENUES	
Charges for Services	\$ 755,539
Miscellaneous	<u>11,043</u>
TOTAL OPERATING REVENUES	<u>766,582</u>
OPERATING EXPENSES	
Operations	696,147
Maintenance	57,513
Depreciation	<u>108,189</u>
TOTAL OPERATING EXPENSES	<u>861,849</u>
NET OPERATING INCOME (LOSS)	(95,267)
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	<u>(9,747)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(105,014)
Grants	14,126
Tap Fees	48,000
Transfers Out	<u>(23,634)</u>
CHANGE IN NET POSITION	(66,522)
NET POSITION, Beginning	<u>3,001,347</u>
NET POSITION, Ending	<u>\$ 2,934,825</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, 2016

	<u>WATER, SANITATION AND RECREATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 749,406
Cash Received from Others	11,043
Cash Paid to Suppliers	(561,544)
Cash Paid to Employees	<u>(181,660)</u>
Net Cash Provided (Used) by Operating Activities	<u>17,245</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grants Received	14,126
Tap Fees Received	48,000
Acquisition and Construction of Capital Assets	(45,297)
Debt Principal Payments	(5,344)
Debt Interest Payments	(9,747)
Transfers to Other Funds	<u>(23,634)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(21,896)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,651)
CASH AND CASH EQUIVALENTS, Beginning	<u>1,135,808</u>
CASH AND CASH EQUIVALENTS, Ending	\$ <u><u>1,131,157</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (95,267)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	108,189
Changes in Assets and Liabilities Related to Operations	
Accounts Receivable	(6,133)
Accounts Payable	8,834
Accrued Paid Time Off	<u>1,622</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 17,245</u>

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

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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.

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.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

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.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 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.

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.

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.

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

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 the acquisition value on the date of donation.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2016, cash and investments consisted of the following:

Deposits	\$ 181,801
Investments	<u>3,063,830</u>
Total	<u>\$ 3,245,631</u>

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

Cash and Investments	\$ 3,044,131
Restricted Cash and Investments	<u>201,500</u>
Total	<u>\$ 3,245,631</u>

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, 2016, the Town had bank deposits of \$6,477 collateralized with securities held by the financial institution's agent but not in the Town's name.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

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

Fair Value Measurements - The Town reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2016, the Town's investments in Colotrust were reported at the net asset value per share, measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). CSAFE and the Federated Treasury Obligations Fund were reported at the net asset value per share, measured using amortized cost.

Interest Rate Risk - State statutes generally limit the maturity 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, 2016, the Town's investment of \$201,526 in the Federated Treasury Obligations Money Market Fund was rated AAAM by Standard and Poor's.

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

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Local Government Investment Pools - At December 31, 2016, the Town had \$2,838,223 and \$24,081 invested in the Colorado Local Government Liquid Asset Trust (Colostrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively. The pools are investment vehicles established 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, with each share valued at \$1. The pools are rated AAAM by Standard and 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 (See Note 4), cash and investments of \$201,500 reported in the Debt Service Fund are restricted to meet future debt service requirements.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, is summarized below.

	Balances 12/31/15	Additions	Deletions	Balances 12/31/16
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 3,579,470	\$ -	\$ -	\$ 3,579,470
Construction in Progress	252,483	281,389	252,483	281,389
Total Capital Assets, Not Being Depreciated	<u>3,831,953</u>	<u>281,389</u>	<u>252,483</u>	<u>3,860,859</u>
Capital Assets, Being Depreciated				
Streets	673,863	1,138,286	-	1,812,149
Buildings and Improvements	3,915,403	10,921	-	3,926,324
Machinery and Equipment	521,619	15,110	-	536,729
Total Capital Assets, Being Depreciated	<u>5,110,885</u>	<u>1,164,317</u>	<u>-</u>	<u>6,275,202</u>
Less Accumulated Depreciation				
Streets	(24,016)	(36,242)	-	(60,258)
Buildings and Improvements	(1,299,777)	(75,251)	-	(1,375,028)
Machinery and Equipment	(462,301)	(22,274)	-	(484,575)
Total Accumulated Depreciation	<u>(1,786,094)</u>	<u>(133,767)</u>	<u>-</u>	<u>(1,919,861)</u>
Capital Assets, Being Depreciated, Net	<u>3,324,791</u>	<u>1,030,550</u>	<u>-</u>	<u>4,355,341</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,156,744</u>	<u>\$ 1,311,939</u>	<u>\$ 252,483</u>	<u>\$ 8,216,200</u>

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CAPITAL ASSETS (Continued)

	<u>Balances</u> 12/31/15	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/16
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ -	\$ 30,187	\$ -	\$ 30,187
Capital Assets, Being Depreciated				
Water and Sanitation Systems	3,523,330	-	-	3,523,330
Recreation Systems	203,520	-	-	203,520
Equipment	<u>208,165</u>	<u>15,110</u>	-	<u>223,275</u>
Total Capital Assets, Being Depreciated	<u>3,935,015</u>	<u>15,110</u>	-	<u>3,950,125</u>
Less Accumulated Depreciation				
Water and Sanitation Systems	(1,726,927)	(86,326)	-	(1,813,253)
Recreation Systems	(45,373)	(4,757)	-	(50,130)
Equipment	<u>(152,503)</u>	<u>(17,106)</u>	-	<u>(169,609)</u>
Total Accumulated Depreciation	<u>(1,924,803)</u>	<u>(108,189)</u>	-	<u>(2,032,992)</u>
Capital Assets, Being Depreciated, Net	<u>2,010,212</u>	<u>(93,079)</u>	-	<u>1,917,133</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,010,212</u>	<u>\$ (62,892)</u>	<u>\$ -</u>	<u>\$ 1,947,320</u>

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

Governmental Activities		
General Government		\$ 68,996
Public Works		<u>64,771</u>
Total		<u>\$ 133,767</u>

NOTE 4: LONG-TERM DEBT

Governmental Activities

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

	<u>Balance</u> 12/31/15	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 12/31/16	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Accrued Paid Time Off	\$ 12,964	\$ 39,893	\$ 33,480	\$ 19,377	\$ 4,800
2010 Certificates of Participation	1,075,000	-	200,000	875,000	205,000
Debt Premium	<u>17,625</u>	<u>-</u>	<u>3,525</u>	<u>14,100</u>	<u>-</u>
Total	<u>\$ 1,105,589</u>	<u>\$ 39,893</u>	<u>\$ 237,005</u>	<u>\$ 908,477</u>	<u>\$ 209,800</u>

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

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

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, 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 requirements are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 875,000</u>	<u>\$ 86,362</u>	<u>\$ 961,362</u>

Business-Type Activities

Following are the changes to long-term debt of the business-type activities for the year ended December 31, 2016:

	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/16</u>	<u>Due Within One Year</u>
Business-Type Activities					
Accrued Paid Time Off	\$ 4,018	\$ 11,430	\$ 9,808	\$ 5,640	\$ 1,400
1997B Rural Development Note	<u>194,620</u>	<u>-</u>	<u>5,344</u>	<u>189,276</u>	<u>5,608</u>
Total	<u>\$ 198,638</u>	<u>\$ 11,430</u>	<u>\$ 15,152</u>	<u>\$ 194,916</u>	<u>\$ 7,008</u>

Rural Development Notes - 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 4.875% per annum.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Future debt service requirements are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	6,799	8,042	14,841
2022 - 2026	39,369	34,832	74,201
2027 - 2031	50,091	24,110	74,201
2032 - 2036	63,733	10,468	74,201
2037	<u>5,137</u>	<u>1,001</u>	<u>6,138</u>
Total	<u>\$ 189,276</u>	<u>\$ 113,670</u>	<u>\$ 302,946</u>

NOTE 5: INTERFUND TRANSACTIONS

Interfund transfers during the year ended December 31, 2016, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Battle Mountain Capital Projects	\$ 530,000
Debt Service	General	55,146
Debt Service	Water, Sanitation and Recreation	<u>23,634</u>
Total		<u>\$ 608,780</u>

The Town constructed improvements to the Town's entryway funded partially with a transfer from the Battle Mountain Capital Projects Fund. The General and Water, Sanitation and Recreation Funds make annual payments to the Debt Service Fund for debt service on the COPs (See Note 4).

NOTE 6: RETIREMENT COMMITMENTS

All employees are eligible to participate in an Internal Revenue Code Section 401(a) pension 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, 2016, the Town and employee contributions to the Plan were \$13,586 and \$19,796, respectively, equal to the required contributions.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: 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).

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 8: 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, 2016, the emergency reserve of \$64,000 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, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Taxes	\$ 1,230,043	\$ 1,269,487	\$ 1,284,318	\$ 14,831
Licenses and Permits	46,500	80,175	74,400	(5,775)
Fines and Forfeitures	7,250	9,850	8,272	(1,578)
Intergovernmental	536,346	638,410	600,852	(37,558)
Investment Income	5,000	10,435	11,801	1,366
Developer Fees	180,000	180,000	180,000	-
Miscellaneous	175,213	186,573	149,488	(37,085)
TOTAL REVENUES	<u>2,180,352</u>	<u>2,374,930</u>	<u>2,309,131</u>	<u>(65,799)</u>
EXPENDITURES				
Current				
General Government	621,696	695,739	633,773	61,966
Planning and Zoning	120,197	139,356	145,084	(5,728)
Municipal Court	22,095	22,095	10,600	11,495
Police	393,260	393,260	370,601	22,659
Public Works	273,234	279,564	229,554	50,010
Economic Development	78,398	93,998	90,480	3,518
Capital Outlay	435,966	1,365,605	1,170,848	194,757
TOTAL EXPENDITURES	<u>1,944,846</u>	<u>2,989,617</u>	<u>2,650,940</u>	<u>338,677</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>235,506</u>	<u>(614,687)</u>	<u>(341,809)</u>	<u>272,878</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	530,000	530,000	-
Transfers Out	(55,146)	(55,146)	(55,146)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(55,146)</u>	<u>474,854</u>	<u>474,854</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	180,360	(139,833)	133,045	272,878
FUND BALANCE, Beginning	<u>1,028,817</u>	<u>1,028,817</u>	<u>1,160,699</u>	<u>131,882</u>
FUND BALANCE, Ending	<u>\$ 1,209,177</u>	<u>\$ 888,984</u>	<u>\$ 1,293,744</u>	<u>\$ 404,760</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE
BATTLE MOUNTAIN RESORT FUND
 Year Ended December 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Investment Income	\$ 1,800	\$ 5,500	\$ 6,313	\$ 813
TOTAL REVENUES	<u>1,800</u>	<u>5,500</u>	<u>6,313</u>	<u>813</u>
EXPENDITURES				
General Government	<u>300,000</u>	<u>352,500</u>	<u>61,085</u>	<u>291,415</u>
TOTAL EXPENDITURES	<u>300,000</u>	<u>352,500</u>	<u>61,085</u>	<u>291,415</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(298,200)	(347,000)	(54,772)	292,228
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(530,000)</u>	<u>(530,000)</u>	<u>-</u>	<u>530,000</u>
NET CHANGE IN FUND BALANCE	(828,200)	(877,000)	(54,772)	822,228
FUND BALANCE, Beginning	<u>1,090,389</u>	<u>1,090,389</u>	<u>525,938</u>	<u>(564,451)</u>
FUND BALANCE, Ending	<u>\$ 262,189</u>	<u>\$ 213,389</u>	<u>\$ 471,166</u>	<u>\$ 257,777</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

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 to establish 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, 2016, the supplemental budget adopted for the Battle Mountain Capital Projects Fund allowed for expenditures in excess of the resources available. This may be a violation of State statutes.

SUPPLEMENTARY INFORMATION

TOWN OF MINTURN, COLORADO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

	CONSERVATION TRUST	MINTURN MARKET	MINTURN GID	DEBT SERVICE
ASSETS				
Cash and Investments	\$ 28,532	\$ 11,372	\$ 3,069	\$ 2,307
Restricted Cash and Investments	-	-	-	201,500
TOTAL ASSETS	\$ 28,532	\$ 11,372	\$ 3,069	\$ 203,807
LIABILITIES				
Accounts Payable	-	69	-	-
FUND BALANCE				
Restricted for Parks	28,532	-	-	-
Restricted for Debt Service	-	-	-	203,807
Committed to Capital Projects	-	-	-	-
Assigned to Minturn Market	-	11,303	-	-
Assigned to GID Activities	-	-	3,069	-
TOTAL FUND BALANCE	28,532	11,303	3,069	203,807
TOTAL LIABILITIES AND FUND BALANCE	\$ 28,532	\$ 11,372	\$ 3,069	\$ 203,807

See the accompanying Independent Auditors' Report.

BATTLE MOUNTAIN CAPITAL PROJECTS	TOTALS
\$ 236,640	\$ 281,920
-	201,500
\$ 236,640	\$ 483,420
\$ -	\$ 69
-	28,532
-	203,807
236,640	236,640
-	11,303
-	3,069
236,640	483,351
\$ 236,640	\$ 483,420

TOWN OF MINTURN, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2016

	<u>CONSERVATION TRUST</u>	<u>MINTURN MARKET</u>	<u>MINTURN GID</u>	<u>DEBT SERVICE</u>
REVENUES				
Intergovernmental	\$ 11,629	\$ -	\$ -	\$ -
Investment Income	159	-	-	25
Miscellaneous	-	52,780	-	163,800
 TOTAL REVENUES	 <u>11,788</u>	 <u>52,780</u>	 <u>-</u>	 <u>163,825</u>
EXPENDITURES				
Current				
General Government	-	-	249	-
Parks and Recreation	-	47,347	-	-
Debt Service				
Principal	-	-	-	200,000
Interest and Fiscal Charges	-	-	-	42,650
 TOTAL EXPENDITURES	 <u>-</u>	 <u>47,347</u>	 <u>249</u>	 <u>242,650</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>11,788</u>	 <u>5,433</u>	 <u>(249)</u>	 <u>(78,825)</u>
OTHER FINANCING SOURCES(USES)				
Transfers In	-	-	-	78,780
Transfers Out	-	-	-	-
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>78,780</u>
 NET CHANGE IN FUND BALANCE	 11,788	 5,433	 (249)	 (45)
FUND BALANCE, Beginning	<u>16,744</u>	<u>5,870</u>	<u>3,318</u>	<u>203,852</u>
FUND BALANCE, Ending	<u>\$ 28,532</u>	<u>\$ 11,303</u>	<u>\$ 3,069</u>	<u>\$ 203,807</u>

See the accompanying Independent Auditors' Report.

<u>BATTLE MOUNTAIN CAPITAL PROJECTS</u>	<u>TOTALS</u>
\$	\$
	11,629
1,610	1,794
-	216,580
<u>1,610</u>	<u>230,003</u>
-	249
-	47,347
-	200,000
-	42,650
<u>-</u>	<u>290,246</u>
<u>1,610</u>	<u>(60,243)</u>
-	78,780
<u>(530,000)</u>	<u>(530,000)</u>
<u>(530,000)</u>	<u>(451,220)</u>
(528,390)	(511,463)
<u>765,030</u>	<u>994,814</u>
<u>\$ 236,640</u>	<u>\$ 483,351</u>

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

CONSERVATION TRUST FUND

Year Ended December 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental	\$ 10,000	\$ 11,250	\$ 11,629	\$ 379
Investment Income	<u>100</u>	<u>169</u>	<u>159</u>	<u>(10)</u>
TOTAL REVENUES	<u>10,100</u>	<u>11,419</u>	<u>11,788</u>	<u>369</u>
EXPENDITURES				
Parks and Recreation	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
TOTAL EXPENDITURES	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
NET CHANGE IN FUND BALANCE	7,600	8,919	11,788	2,869
FUND BALANCE, Beginning	<u>17,823</u>	<u>17,823</u>	<u>16,744</u>	<u>(1,079)</u>
FUND BALANCE, Ending	\$ <u><u>25,423</u></u>	\$ <u><u>26,742</u></u>	\$ <u><u>28,532</u></u>	\$ <u><u>1,790</u></u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

MINTURN MARKET FUND

Year Ended December 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Minturn Market	\$ 64,500	\$ 64,500	\$ 52,780	\$ (11,720)
TOTAL REVENUES	<u>64,500</u>	<u>64,500</u>	<u>52,780</u>	<u>(11,720)</u>
EXPENDITURES				
Minturn Market	<u>64,500</u>	<u>65,900</u>	<u>47,347</u>	<u>18,553</u>
TOTAL EXPENDITURES	<u>64,500</u>	<u>65,900</u>	<u>47,347</u>	<u>18,553</u>
NET CHANGE IN FUND BALANCE	-	(1,400)	5,433	6,833
FUND BALANCE, Beginning	<u>-</u>	<u>5,870</u>	<u>5,870</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 4,470</u>	<u>\$ 11,303</u>	<u>\$ 6,833</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

MINTURN GID

Year Ended December 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
EXPENDITURES				
General Government	\$ <u>75</u>	\$ <u>250</u>	\$ <u>249</u>	\$ <u>1</u>
TOTAL EXPENDITURES	<u>75</u>	<u>250</u>	<u>249</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	(75)	(250)	(249)	1
FUND BALANCE, Beginning	<u>-</u>	<u>3,318</u>	<u>3,318</u>	<u>-</u>
FUND BALANCE, Ending	\$ <u><u>(75)</u></u>	\$ <u><u>3,068</u></u>	\$ <u><u>3,069</u></u>	\$ <u><u>1</u></u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Investment Income	\$ 25	\$ 25	\$ -
Rental Income	165,000	163,800	(1,200)
TOTAL REVENUES	<u>165,025</u>	<u>163,825</u>	<u>(1,200)</u>
EXPENDITURES			
Debt Service			
Principal	200,000	200,000	-
Interest and Fiscal Charges	43,400	42,650	750
TOTAL EXPENDITURES	<u>243,400</u>	<u>242,650</u>	<u>750</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(78,375)	(78,825)	(450)
OTHER FINANCING SOURCES			
Transfers In	78,375	78,780	405
NET CHANGE IN FUND BALANCE	-	(45)	(45)
FUND BALANCE, Beginning	<u>205,800</u>	<u>203,852</u>	<u>(1,948)</u>
FUND BALANCE, Ending	<u>\$ 205,800</u>	<u>\$ 203,807</u>	<u>\$ (1,993)</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE
BATTLE MOUNTAIN CAPITAL PROJECTS FUND
 Year Ended December 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Investment Income	\$ 500	\$ 1,500	\$ 1,610	\$ 110
TOTAL REVENUES	<u>500</u>	<u>1,500</u>	<u>1,610</u>	<u>110</u>
EXPENDITURES				
Parks and Recreation	<u>260,000</u>	<u>260,000</u>	<u>-</u>	<u>260,000</u>
TOTAL EXPENDITURES	<u>260,000</u>	<u>260,000</u>	<u>-</u>	<u>260,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(259,500)	(258,500)	1,610	260,110
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>-</u>	<u>(530,000)</u>	<u>(530,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(259,500)	(788,500)	(528,390)	260,110
FUND BALANCE, Beginning	<u>259,500</u>	<u>762,810</u>	<u>765,030</u>	<u>2,220</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ (25,690)</u>	<u>\$ 236,640</u>	<u>\$ 262,330</u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE
WATER, SANITATION AND RECREATION FUND
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Water Charges	\$ 679,924	\$ 680,374	\$ 647,655	\$ (32,719)
Water Tap Fees	9,500	48,000	48,000	-
Garbage Charges	109,000	109,000	107,884	(1,116)
Grants	-	-	14,126	14,126
Miscellaneous	15,000	15,000	11,043	(3,957)
TOTAL REVENUES	<u>813,424</u>	<u>852,374</u>	<u>828,708</u>	<u>(23,666)</u>
EXPENSES				
Operations	652,950	754,633	696,147	58,486
Maintenance	53,300	53,300	57,513	(4,213)
Capital Outlay	84,000	84,000	45,297	38,703
Debt Service				
Principal	9,497	9,997	5,344	4,653
Interest	5,344	5,093	9,747	(4,654)
Transfers Out	23,513	23,513	23,634	(121)
TOTAL EXPENSES	<u>828,604</u>	<u>930,536</u>	<u>837,682</u>	<u>92,854</u>
CHANGE IN NET POSITION, Budgetary Basis	<u>\$ (15,180)</u>	<u>\$ (78,162)</u>	(8,974)	<u>\$ 69,188</u>
RECONCILIATION TO GAAP BASIS				
Depreciation			(108,189)	
Capital Outlay			45,297	
Debt Service Principal			5,344	
CHANGE IN NET POSITION, GAAP Basis			<u>\$ (66,522)</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 2016
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:	34,632
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	703,716	b. Snow and ice removal	163,698
3. Other local imposts (from page 2)	39,807	c. Other	
4. Miscellaneous local receipts (from page 2)	7,253	d. Total (a. through c.)	163,698
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	129,710
a. Bonds - Original Issues		6. Total (1 through 5)	797,089
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)	750,776	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	46,313	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	797,089	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)	797,089

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	797,089	797,089	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado YEAR ENDING (mm/yy): December 2016	
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	7,253
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	39,807	g. Other Misc. Receipts	
6. Total (1. through 5.)	39,807	h. Other	
c. Total (a. + b.)	39,807	i. Total (a. through h.)	7,253
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	38,488	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	7,825	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.)	7,825	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	46,313	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:			