

TOWN OF MINTURN, COLORADO

FINANCIAL STATEMENTS

December 31, 2012

TABLE OF CONTENTS

PAGE

FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis i - xi

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

Statement of Fiduciary Position and Liabilities - Agency Fund 9

Notes to Financial Statements 10 - 22

Required Supplementary Information

Budgetary Comparison Schedule - General Fund 23

Budgetary Comparison Schedule - Battle Mountain Resort Fund 24

Notes to Required Supplementary Information 25

Combining and Individual Fund Financial Statements and Schedules

Combining Balance Sheet - Nonmajor Governmental Funds 26

Combining Statement of Revenues, Expenditures and Changes in Fund Balance -
Nonmajor Governmental Funds 27

Budgetary Comparison Schedule - Conservation Trust Fund 28

Budgetary Comparison Schedule - Arts Fund 29

TABLE OF CONTENTS
(Continued)

	<u>PAGE</u>
FINANCIAL SECTION (Continued)	
Combining and Individual Fund Financial Statements and Schedules (Continued)	
Budgetary Comparison Schedule - Minturn GID	30
Budgetary Comparison Schedule - Debt Service Fund	31
Budgetary Comparison Schedule - Capital Projects Fund	32
Budgetary Comparison Schedule - Water, Sanitation and Recreation Fund	33
Statement of Changes in Assets and Liabilities - Agency Fund	34
COMPLIANCE SECTION	
Local Highway Finance Report	35 - 36

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 remaining fund information of the Town of Minturn as of and for the year ended December 31, 2012, 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 remaining fund information of the Town of Minturn as of December 31, 2012, 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 (Supplementary 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 combining and individual fund financial statements and schedules 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.



June 3, 2013

Town of Minturn

Management's Discussion and Analysis Fiscal Year Ending December 31, 2012

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, 2012. The following discussion is intended to assist in understanding the results of operations and our current financial condition. Our consolidated 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.

Financial Highlights

In 2012, the world, national, state and local economies continued for a fourth year to endure a significant downturn and remained depressed most of the year with the economic outlook only slightly improved from beginning to end of the year, which subsequently has had a negative impact locally on overall economic conditions and customer and consumer confidence. The Town's 2011 assessed valuation (for collection of taxes in 2012) was \$24,705,900. This represents a 23.4% decrease in actual property tax collections from the prior year. In light of various and differentiating economic programs, the Town has seen relatively stable and even increasing sales tax revenues in the General Fund. During 2011 sales tax receipts totaled \$462,635 and in 2012 totaled \$468,034.

The Town has been able to complete several projects and move others along resulting in fund equity 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 flat and/or reduced budget again in 2012. Efforts in this initiative include a focus on cash flows and the maintenance of our reserves, continuing an employee hire freeze instituted by the Town Council in 2009, and associated cost controls by the utilization of specific consulting contracts. Through these measures, the Town was able to foresee and adjust to a continued decrease in revenue well in advance of the ultimate results.
- 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 downward cycle of the economy. Because we have not ever approached the point of over spending our unrestricted 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 cashflow while still allowing the Town the ability to complete deferred maintenance projects.

- Worked diligently through the recently invigorated Events Department to enlarge our community marketing options through Town wide events. These events included expanded family movie nights, a strong association with the Minturn Concert Series, and increased community involvement with the annual Minturn Summer Market. This increased engagement was developed to strengthen our financial revenues through a more rigorous marketing campaign. Early indicators, such as sales tax collections, have been positive.
- Worked closely with the Minturn Red/Cliff Business Association on how the economy was affecting our business community and what the Town could expect. This action allowed the Town to better understand the needs of our commercial businesses and help them to be successful during difficult times and it allowed us to recognize new businesses as they entered the market. Further, 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 and water delivery service, trash removal, roads, administrative services and police coverage.

Throughout the recent generally difficult economic 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	\$1,436,416	1,272,249	(\$164,167)
Enterprise Fund	\$2,547,388	2,658,702	\$111,314
Conservation Trust	\$9,417	10,037	\$620
Debt Service Fund	\$205,494	205,493	(\$1)
Market Fund	\$15,760	5,985	(\$9,775)
Capital Projects Fund	\$18,666	2,256,569	\$2,237,903
General Improvement Dist	\$3,855	3,773	(\$82)
Scholarship Fund	\$362,107	358,430	(\$3,677)
Battle Mtn Resort Fund	-	1,232,127	1,232,127

The huge variances in the General Fund, the Capital Projects Fund, and the Battle Mountain Fund are the result of the distribution of Battle Mountain Resort escrow funds to be utilized per an approved agreement between the Town and the Battle Mountain Resort. The General Fund was also used to overlay and install curb, gutters and sidewalks in the 200 Block of Pine Street. The Capital Projects Fund equity is dedicated to improvements at Little Beach Park and land purchases. The Scholarship Fund decreased due to the various scholarships that were awarded in 2012. During 2012, various

investment vehicles were investigated and adopted in order to afford the best return on the investment while still providing the most security of that endowment.

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 eleven employees, although limiting, is sufficient to maintain our service needs and still conforms to the Town Council instituted hiring freeze. In an effort to improve our customer service levels, Town management has utilized contract services for certain engineering needs, water system management, and some limited part time snow removal. The Battle Mountain Resort development continues to take a large amount of time; however, it has settled into a sustainable long term process with no real infrastructure or construction development anticipated for at least several more years. In 2012 negotiations completed with an agreement to release the funds held in escrow since the Battle Mountain Resort annexation. This agreement allows 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, and recreation center uses.

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. The Enterprise Fund is comprised of three basic revenue streams: water fees, which pay for the day to day water purification and distribution; debt service fees, which are assessed only to the extent of the annual debt service due during the current year; and trash fees, which pay for the Town wide citizen trash pickup service. Without the inclusion of the Battle Mountain Annexation, the Town is substantially at build out at this time within our current Town boundaries. Therefore, water tap revenue derived from the sale of water taps for new construction is insufficient to pay for needed future system expansion, maintenance and repair. Consideration of this and other funding sources for the ongoing infrastructure repair and maintenance should be considered during the annual budget process as water rates are reviewed. Town Council has directed and encouraged that this should be done in conjunction with annual grant opportunities we may pursue.

The Market Fund revenues and expenses have been significantly strengthened over the past several years. This fund is once again essentially able to cover its operational costs with Summer/Winter Market revenues. The annual summer Minturn Market was a success in 2011 and again in 2012. Much of this was due to a more concerted management effort by the Town Event Coordinator and included bringing the management of the event fully under the Town's purview as opposed to the utilization of an outside management contract.

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 mill levy is not affected by the TABOR law, therefore the Town is allowed to collect, save, and spend all property tax revenues derived from that levy. As previously stated, the Town's tax revenue has seen a significant decline as a result of the economic conditions from an assessed valuation decrease of 23.4% for revenues collected in 2011 compared to 2012 and a flat collection budgeted in 2013. It is anticipated in 2013

that property tax assessments to be collected in 2014 will decline by another 26%. Our 2012 City and County sales tax collections continue to slowly recover from the aforementioned recessionary dip. It is important to note that this recovery is anemic at best and 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 69.9% of our General Fund Revenues, not including Developer Fees charged to the Battle Mountain project. This percentage is a continuing reminder of the need for true diversification in our revenue stream. The continued economic pressure on the real estate market shows this revenue stream will significantly decrease during the next few biannual assessments.

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. This 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, public safety (police), public works, and community development. The Business-type Activities of the Town of Minturn include Water, Trash, and Recreation. These are also referred to as Enterprise Funds.

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, Market, Capital Projects, Battle Mountain Resort, and a General Improvement District. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds. The nonmajor funds are combined in the *Other Governmental Funds* into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Agency Funds – The Town of Minturn maintains one *Agency Fund*: the Scholarship Fund. *Agency Funds* consist of resources retained by the Town as an agent for another unit in a fiduciary capacity. The Scholarship Fund is an Agency Fund. It is management's intent to use the investment earnings for the purpose of awarding scholarships for post secondary education. The original annuity of \$350,000 was funded by Battle Mountain Resort. As a result of the aforementioned escrow agreement confirmed in 2012, disbursements have begun to be made through this fund. Additionally, alternative

investment vehicles were established in 2012 to increase the annual growth of this money.

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, 2012, the Town's combined assets exceeded liabilities by \$10,301,189. This represents an increase in net position of \$3,444,120. Most of this is a result of the release of the Battle Mountain Resort escrow money. Of this amount \$5,830,914 is unrestricted and is available to meet the Town's ongoing financial obligations.

Net Assets

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
			2012	2011
ASSETS				
Cash and Investments	4,713,581	1,130,529	5,844,110	2,273,532
Restricted Cash and Investments	201,500		201,500	457,471
Accounts Receivable		121,711	121,711	64,044
Property Taxes Receivable	464,316		464,316	443,076
Other Receivables	105,124		105,124	204,853
Debt Issuance Costs, Net Of Accumulated Amortization	76,400		76,400	85,950
Capital Assets, Not Being Depreciated	1,275,000		1,275,000	1,275,000
Capital Assets, Net of Accumulated Depreciation	3,019,037	1,955,984	4,975,021	5,197,703
TOTAL ASSETS	9,854,958	3,208,224	13,063,182	10,001,629
LIABILITIES				
Accounts Payable	24,672	4,835	29,507	206,259
Deferred Revenues	464,316		464,316	443,076
Deposits	9,300		9,300	9,300
Noncurrent Liabilities				
Due Within One Year	195,121	45,043	240,164	197,715
Due in More Than One Year	1,519,062	499,644	2,018,706	2,288,210
TOTAL LIABILITIES	2,212,471	549,522	2,761,993	3,144,560
NET POSITON				
Net Investment in Capital Assets	2,687,243	1,415,495	4,102,738	4,106,067
Restricted for Debt Service	201,500		201,500	201,500
Restricted for Parks	10,037		10,037	265,388
Restricted for Emergencies	156,000		156,000	65,000
Unrestricted	4,587,707	1,243,207	5,830,914	2,219,114
Total Net Position	7,642,487	2,658,702	10,301,189	6,857,069

Change in Net Position

FUNCTIONS/PROGRAMS	GOVERNMENTAL	BUSINESS-TYPE	TOTALS	
	ACTIVITIES	ACTIVITIES	2012	2011
PRIMARY GOVERNMENT				
PROGRAM REVENUES				
Charges for Services	342,945	853,175	1,196,120	1,363,427
Operating Grants and Contributions	105,317		105,317	118,365
Capital Grants and Contributions		6,500	6,500	20,245
GENERAL REVENUES				
Property Taxes	431,413		431,413	580,821
Specific Ownership Taxes	17,059		17,059	18,366
Sales and Use Taxes	468,034		468,034	462,635
Franchise Taxes	56,466		56,466	60,598
Other Taxes	58,568		58,568	64,540
Intergovernmental Revenues not Restricted	2,198		2,198	2,603
Annexation Reimbursement	3,762,000		3,762,000	
Investment Income	10,811		10,811	2,499
Other Revenues	101,445		101,445	329,523
TOTAL REVENUES	5,356,256	859,675	6,215,931	3,023,622
EXPENSES				
General Government	961,468		961,468	948,585
Planning and Zoning	110,562		110,562	116,119
Municipal Court	14,923		14,923	20,133
Police	327,337		327,337	393,100
Public Works	430,430		430,430	316,867
Parks and Recreation	82,823		82,823	133,280
Economic Development	58,749		58,749	26,644
Interest on Long-Term Debt	62,590		62,590	65,746
Water, Sanitation and Recreation		722,929	722,929	698,891
TOTAL EXPENSES	2,048,882	722,929	2,771,811	2,719,365
Excess Before Transfers	3,307,374	136,746	3,444,120	304,257
Transfers	25,432	(25,432)	0	0
CHANGE IN NET POSITION				
NET POSITION, Beginning	4,309,681	2,547,388	6,857,069	6,552,812
NET POSITION, Ending	7,642,487	2,658,702	10,301,189	6,857,069

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 escrow funds. As noted, the 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 covers 36 months starting March 2012 and freed up \$4.3 million dollars in escrow funds to the Town of Minturn.

In 2012, the Town realized \$53,185 in Real Estate Transfer Taxes (RETT) revenues. This amount was only slightly below the budgeted expectation of \$60,000 and may be a reflection of the recovering soft real estate market experienced despite the overall economic downturn.

With the strong economy realized between 2006 and 2008, the 2010 assessment was proportionately higher as well. It should be noted this revenue stream is extremely fickle and very driven by the economy. This is evident with the 2011 assessment whereby property values within the Town of Minturn fell by \$7,547,330 or 23.4%. With the recent economic downturn, it is anticipated that this assessment will drop again in the 2013 assessment by as much as an additional 26%. Such an assessed value downturn has most definitely affected Minturn. In short, because one year was level it should not be interpreted as a trend. The Town continues to watch this revenue stream and budget conservatively in light of the economic downturn.

Eagle County (in accordance with State Statute) assesses property bi-annually in odd years. By way of example, 2013 is an assessment year based on values as of June 2012. It is reasonable to assume that, excluding completed projects, the Property Tax collections should not change dramatically between assessment periods. Because property values were down in June of 2012 and have only recently begun to stabilize with the economy, Property Tax revenues will not begin to recover until at least the 2015 assessment year for revenues to be collected in 2016.

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.

The General Fund is the major operating fund of the Town. At the end of 2010 the fiscal year fund balance increased by \$177,739 from \$1,087,942 to \$1,265,681. At the end of 2011 the fund balance increased by \$170,735 to \$1,436,416. At the end of 2012 the fiscal balance decreased by \$164,167 due in large part to the Pine Street paving project. Although this fund balance represents an increasing trend, it is due in large part to intensive budget management on the part of the Town Council and Town management and should be maintained conservatively in light of the current economic slump. 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 nine 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.

Since 2008, the Town has been administering the annexation needs of a section of privately owned land to the south of Minturn. This approximate 5,300 acre parcel, owned by Battle Mountain Resort, involves expenses to be reimbursed by the developer. The annexation of approximately 4,300 was completed in May of 2008. It is anticipated the remaining 1,000 acres will be annexed at some point in the next few years. Additional parcels of land were annexed in 2011 and 2012 in south Minturn area including the Quintana Parcel and also 105 acres in Maloit Park.

General Fund Budgetary Highlights

The Town budgeted for General Fund expenditures of \$1,490,618 for the year ended December 31, 2012. Actual expenditures were \$1,399,653; actual expenditures with interfund transfers were \$1,714,964. Much of this difference between actual and budget is a result of the interfund disbursement of the Battle Mountain Reserve escrow as result of the confirmed agreement. Town management and Town Council initiated cuts related to a budget reduction exercise in light of anticipated lower revenue projections.

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.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of December 31, 2012, amounts to \$6,250,021. The net decrease from 2011 is a result of depreciation. The detail of capital assets is in Note 3 to the financial statements.

Long-term Debt.

As of December 31, 2012, 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:

	FY2012 Beginning Balance	FY2012 Principal Additions	FY2012 Principal Reduction	FY2012 Ending Balance
Water Fund	588,280	-	47,791	540,489
Debt Service Fund	1,790,000	-	165,000	1,625,000
General Fund	63,884	-	14,954	48,930

The Town refinanced a Caterpillar loader in January, 2013. It is anticipated this refinancing will save the Town over \$8,000 during the remaining few years of the contract. 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, when completed, will include a private community including a ski area and high-end housing. The project will also bring with it employee housing, an estimated 800 full time jobs, an increase in assets and residents, and a vastly increased and stable funding source for the future of Minturn. This project is still in the legal stages rather than the construction stages.
- 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 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. This conservative approach has allowed the Town to accurately estimate our budget to actual revenues and expenditures while keeping a close watch on expenses. It is projected that property tax revenues assessed in 2013 but collected in 2014 will fall again by over 25%. Based on the high water mark of assessed values in 2011 it is anticipated that property tax revenues will have fallen over 41% by the 2013 property assessment. This estimate will be monitored closely as the budget process proceeds.
- Minturn's economy is primarily based on tourism. In 2011, sales tax collections were up over 8% from 2010 and were up 1.15% again in 2012 but remain relatively flat in 2013. National and international markets continue in a severe recession although the local and state economies show some signs of a recovery. With the significant crash of the consumer credit market, continuing economic strife in the Euro dollar and recessionary concerns throughout much of the world, it is difficult to predict the full implication of the current national economy on the local economy. Sales tax revenue projections and real estate growth for 2012 are once again conservatively reflective of that trend. It is not estimated that the Battle Mountain Resort project will have any significant impact upon these revenues streams for several years.
- As stated in this document, the original Battle Mountain Resort annexation request was approved. The Town of Minturn currently awaits further submittals including a development plan. 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 taken a "wait and see" approach to future staffing needs and revenue expectations. As of the end of 2012, the Town employed 11 full time employees. Interestingly, although we have had minor short term fluctuations, this is the same full time equivalent staffing we had in 2000. Again this is representative of our stringent efforts to control our municipal costs.

- Our primary sources of liquidity are: cash generated from property and sales tax, leases of Town owned land, and water fees. We have experienced challenging economic conditions beginning in 2008 and that trend continues due to recessionary economic conditions throughout the world and a slow and uncertain recovery from those conditions. 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. Other similar cost control measures were made to the medical and life insurance and the employee pension plan.
 - Wage Freeze: During 2009, 2010, 2011, and 2012, our wage freezes have resulted in wage savings in excess of \$83,000 annually. Additionally, the Town management has maintained a conservative workforce allowance.
 - Hiring Freeze: over the past several years Council has maintained a hiring freeze on new staff. Existing positions have been filled as they become vacant but no new positions have been created. Further, the Town Manager has contracted for services outside of Staff expertise such as engineering, water system management, and additional police officer needs.

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

All these factors were considered in preparing the Town of Minturn's budget for the 2013 fiscal year and as we look beyond 2013 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 government'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, Clerk/Treasurer
P.O. Box 309
Minturn, CO 81645

Town of Minturn
Attn: Jim White, Town Manager
P.O. Box 309
Minturn, CO 81645

BASIC FINANCIAL STATEMENTS

TOWN OF MINTURN, COLORADO

STATEMENT OF NET POSITION

December 31, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Cash and Investments	\$ 4,713,581	\$ 1,130,529	\$ 5,844,110
Restricted Cash and Investments	201,500	-	201,500
Accounts Receivable	-	121,711	121,711
Property Taxes Receivable	464,316	-	464,316
Other Receivables	105,124	-	105,124
Debt Issuance Costs, Net of Accumulated Amortization	76,400	-	76,400
Capital Assets, Not Being Depreciated	1,275,000	-	1,275,000
Capital Assets, Net of Accumulated Depreciation	<u>3,019,037</u>	<u>1,955,984</u>	<u>4,975,021</u>
 TOTAL ASSETS	 <u>9,854,958</u>	 <u>3,208,224</u>	 <u>13,063,182</u>
LIABILITIES			
Accounts Payable	24,672	4,835	29,507
Deferred Revenues	464,316	-	464,316
Deposits	9,300	-	9,300
Noncurrent Liabilities			
Due Within One Year	195,121	45,043	240,164
Due in More Than One Year	<u>1,519,062</u>	<u>499,644</u>	<u>2,018,706</u>
 TOTAL LIABILITIES	 <u>2,212,471</u>	 <u>549,522</u>	 <u>2,761,993</u>
NET POSITION			
Net Investment in Capital Assets	2,687,243	1,415,495	4,102,738
Restricted for Parks	10,037	-	10,037
Restricted for Debt Service	201,500	-	201,500
Restricted for Emergencies	156,000	-	156,000
Unrestricted	<u>4,587,707</u>	<u>1,243,207</u>	<u>5,830,914</u>
 TOTAL NET POSITION	 <u>\$ 7,642,487</u>	 <u>\$ 2,658,702</u>	 <u>\$ 10,301,189</u>

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

TOWN OF MINTURN, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 961,468	\$ 309,006	\$ -	\$ -
Planning and Zoning	110,562	18,655	-	-
Municipal Court	14,923	-	-	-
Police	327,337	15,284	3,058	-
Public Works	430,430	-	91,959	-
Parks and Recreation	82,823	-	10,300	-
Economic Development	58,749	-	-	-
Interest on Long-Term Debt	62,590	-	-	-
Total Governmental Activities	2,048,882	342,945	105,317	-
Business-Type Activities				
Water, Sanitation and Recreation	722,929	853,175	-	6,500
Total Business-Type Activities	722,929	853,175	-	6,500
TOTAL PRIMARY GOVERNMENT	\$ 2,771,811	\$ 1,196,120	\$ 105,317	\$ 6,500

GENERAL REVENUES

Property Taxes
 Specific Ownership Taxes
 Sales and Use Taxes
 Franchise Taxes
 Other Taxes
 Intergovernmental Revenues not Restricted to Specific Programs
 Annexation Reimbursements
 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

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (652,462)	\$ -	\$ (652,462)
(91,907)	-	(91,907)
(14,923)	-	(14,923)
(308,995)	-	(308,995)
(338,471)	-	(338,471)
(72,523)	-	(72,523)
(58,749)	-	(58,749)
(62,590)	-	(62,590)
<u>(1,600,620)</u>	<u>-</u>	<u>(1,600,620)</u>
<u>-</u>	<u>136,746</u>	<u>136,746</u>
<u>-</u>	<u>136,746</u>	<u>136,746</u>
<u>(1,600,620)</u>	<u>136,746</u>	<u>(1,463,874)</u>
431,413	-	431,413
17,059	-	17,059
468,034	-	468,034
56,466	-	56,466
58,568	-	58,568
2,198	-	2,198
3,762,000	-	3,762,000
10,811	-	10,811
101,445	-	101,445
25,432	(25,432)	-
<u>4,933,426</u>	<u>(25,432)</u>	<u>4,907,994</u>
3,332,806	111,314	3,444,120
<u>4,309,681</u>	<u>2,547,388</u>	<u>6,857,069</u>
\$ <u><u>7,642,487</u></u>	\$ <u><u>2,658,702</u></u>	\$ <u><u>10,301,189</u></u>

TOWN OF MINTURN, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	GENERAL	BATTLE MOUNTAIN RESORT	DEBT SERVICE	CAPITAL PROJECTS
ASSETS				
Cash and Investments	\$ 1,194,897	\$ 1,238,327	\$ 3,993	\$ 2,256,569
Restricted Cash and Investments	-	-	201,500	-
Property Taxes Receivable	464,316	-	-	-
Other Receivables	105,124	-	-	-
TOTAL ASSETS	\$ 1,764,337	\$ 1,238,327	\$ 205,493	\$ 2,256,569
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 18,472	\$ 6,200	\$ -	\$ -
Deferred Revenues	464,316	-	-	-
Deposits	9,300	-	-	-
TOTAL LIABILITIES	492,088	6,200	-	-
FUND BALANCE				
Restricted for Parks	-	-	-	-
Restricted for Debt Service	-	-	201,500	-
Restricted for Emergencies	156,000	-	-	-
Committed to Battle Mountain Resort	-	1,232,127	-	-
Committed to Capital Projects	-	-	-	2,237,903
Assigned to Minturn Market	-	-	-	-
Assigned to GID Activities	-	-	-	-
Assigned to Debt Service	-	-	3,993	-
Assigned to Capital Projects	-	-	-	18,666
Unrestricted, Unassigned	1,116,249	-	-	-
TOTAL FUND BALANCE	1,272,249	1,232,127	205,493	2,256,569
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,764,337	\$ 1,238,327	\$ 205,493	\$ 2,256,569

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

Total Fund Balance of Governmental Funds

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

Long-term liabilities and related items, including certificates of participation (\$1,634,264), capital lease (\$48,930), accrued paid time off (\$30,989), and debt issuance costs \$76,400, are not due and payable in the current year and, therefore, are not reported in governmental funds.

Total Net Position of Governmental Activities

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

NONMAJOR GOVERNMENTAL		
FUNDS	TOTALS	
\$ 19,795	\$ 4,713,581	
-	201,500	
-	464,316	
-	105,124	
\$ <u>19,795</u>	\$ <u>5,484,521</u>	

\$ -	\$ 24,672
-	464,316
-	9,300
-	498,288

10,037	10,037
-	201,500
-	156,000
-	1,232,127
-	2,237,903
5,985	5,985
3,773	3,773
-	3,993
-	18,666
-	1,116,249
<u>19,795</u>	<u>4,986,233</u>
\$ <u>19,795</u>	\$ <u>5,484,521</u>

\$ 4,986,233

4,294,037

(1,637,783)

\$ 7,642,487

TOWN OF MINTURN, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	<u>GENERAL</u>	<u>BATTLE MOUNTAIN RESORT</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
REVENUES				
Taxes	\$ 1,031,540	\$ -	\$ -	\$ -
Licenses and Permits	34,768	-	-	-
Fines and Forfeitures	15,284	-	-	-
Intergovernmental	97,215	-	-	-
Investment Income	3,665	6,504	24	580
Developer Fees	20,715	50,720	-	-
Annexation Reimbursements	-	1,780,000	-	1,982,000
Miscellaneous	105,110	-	155,111	-
	<u>1,308,297</u>	<u>1,837,224</u>	<u>155,135</u>	<u>1,982,580</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General Government	482,763	362,597	13,971	-
Planning and Zoning	110,562	-	-	-
Municipal Court	14,923	-	-	-
Police	327,337	-	-	-
Public Works	387,554	-	-	-
Parks and Recreation	-	-	-	648
Economic Development	58,749	-	-	-
Debt Service				
Principal	14,954	-	165,000	-
Interest and Fiscal Charges	2,811	-	60,937	-
	<u>1,399,653</u>	<u>362,597</u>	<u>239,908</u>	<u>648</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(91,356)</u>	<u>1,474,627</u>	<u>(84,773)</u>	<u>1,981,932</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	242,500	-	84,772	255,971
Transfers Out	(315,311)	(242,500)	-	-
	<u>(72,811)</u>	<u>(242,500)</u>	<u>84,772</u>	<u>255,971</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE	(164,167)	1,232,127	(1)	2,237,903
FUND BALANCE, Beginning	<u>1,436,416</u>	<u>-</u>	<u>205,494</u>	<u>18,666</u>
FUND BALANCE, Ending	<u>\$ 1,272,249</u>	<u>\$ 1,232,127</u>	<u>\$ 205,493</u>	<u>\$ 2,256,569</u>

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

NONMAJOR GOVERNMENTAL FUNDS		TOTALS
\$	-	\$ 1,031,540
	-	34,768
	-	15,284
	10,300	107,515
	38	10,811
	-	71,435
	-	3,762,000
	<u>62,682</u>	<u>322,903</u>
	<u>73,020</u>	<u>5,356,256</u>
	82	859,413
	-	110,562
	-	14,923
	-	327,337
	-	387,554
	82,175	82,823
	-	58,749
	-	179,954
	<u>-</u>	<u>63,748</u>
	<u>82,257</u>	<u>2,085,063</u>
	<u>(9,237)</u>	<u>3,271,193</u>
	-	583,243
	<u>-</u>	<u>(557,811)</u>
	<u>-</u>	<u>25,432</u>
	(9,237)	3,296,625
	<u>29,032</u>	<u>1,689,608</u>
\$	<u><u>19,795</u></u>	\$ <u><u>4,986,233</u></u>

TOWN OF MINTURN, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

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

Net Change in Fund Balance of Governmental Funds	\$ 3,296,625
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 amount represents depreciation expense in the current year.	(133,352)
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.	179,954
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 issuance costs (\$9,550), amortization of debt premium \$3,525, and amortization of loss on refunding (\$2,367).	(8,392)
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>(2,029)</u>
Change in Net Position of Governmental Activities	\$ <u><u>3,332,806</u></u>

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

TOWN OF MINTURN, COLORADO

STATEMENT OF NET POSITIONPROPRIETARY FUND

December 31, 2012

	WATER, SANITATION AND RECREATION
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 1,130,529
Accounts Receivable	<u>121,711</u>
TOTAL CURRENT ASSETS	1,252,240
NONCURRENT ASSETS	
Capital Assets, Net of Accumulated Depreciation	<u>1,955,984</u>
TOTAL ASSETS	<u>3,208,224</u>
CURRENT LIABILITIES	
Accounts Payable	4,835
Notes Payable, Current Portion	29,022
Lease Payable, Current Portion	<u>16,021</u>
TOTAL CURRENT LIABILITIES	<u>49,878</u>
NONCURRENT LIABILITIES	
Accrued Paid Time Off	4,198
Notes Payable	462,537
Lease Payable	<u>32,909</u>
TOTAL NONCURRENT LIABILITIES	<u>499,644</u>
TOTAL LIABILITIES	<u>549,522</u>
NET POSITION	
Net Investment in Capital Assets	1,415,495
Unrestricted	<u>1,243,207</u>
TOTAL NET POSITION	<u>\$ 2,658,702</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, 2012

	<u>WATER, SANITATION AND RECREATION</u>
OPERATING REVENUES	
Charges for Services	\$ 776,811
Miscellaneous	<u>76,364</u>
TOTAL OPERATING REVENUES	<u>853,175</u>
OPERATING EXPENSES	
Operating and Maintenance	606,027
Depreciation	<u>89,330</u>
TOTAL OPERATING EXPENSES	<u>695,357</u>
NET OPERATING INCOME	157,818
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	<u>(27,572)</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	130,246
Tap Fees	6,500
Transfers Out	<u>(25,432)</u>
CHANGE IN NET POSITION	111,314
NET POSITION, Beginning	<u>2,547,388</u>
NET POSITION, Ending	\$ <u><u>2,658,702</u></u>

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

TOWN OF MINTURN, COLORADO

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended December 31, 2012

Increase (Decrease) in Cash and Cash Equivalents

	<u>WATER, SANITATION AND RECREATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 719,144
Cash Received from Others	76,364
Cash Paid to Suppliers	(373,499)
Cash Paid to Employees	<u>(232,506)</u>
Net Cash Provided by Operating Activities	<u>189,503</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Tap Fees Received	6,500
Debt Principal Payments	(47,791)
Debt Interest Payments	(27,572)
Transfers to Other Funds	<u>(25,432)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(94,295)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	95,208
CASH AND CASH EQUIVALENTS, Beginning	<u>1,035,321</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 1,130,529</u></u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income	\$ 157,818
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	89,330
Changes in Assets and Liabilities Related to Operations	
Accounts Receivable	(57,667)
Accounts Payable	203
Accrued Paid Time Off	<u>(181)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 189,503</u></u>

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

TOWN OF MINTURN, COLORADO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

December 31, 2012

	<u>SCHOLARSHIPS</u>
ASSETS	
Cash and Investments	\$ <u>358,430</u>
LIABILITIES	
Held for Student Scholarships	\$ <u>358,430</u>

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

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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 the organization provides benefits to, or imposes 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 Town Council serves as the governing board of the District. 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 District is blended into the Town’s financial statements as a special revenue fund. The District does not issue separate financial statements.

Government-Wide and Fund Financial Statements

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

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the Town.

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

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

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

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

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

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The *Debt Service Fund* accounts for rental income collected for payments on the Certificates of Participation.

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

Additionally, the Town reports the following major proprietary fund:

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

In addition, the Town reports the following fund type:

The *Scholarships Agency Fund* accounts for a contribution of \$350,000 from the developer of the Battle Mountain Resort and other contributions used to create a scholarship program for qualified students. A committee established by the Town and the developer determine the scholarship recipients. The Town holds all resources in a purely custodial capacity.

Assets, Liabilities and Net Position/Fund Balance

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

Accounts Receivable - 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 estimated fair market value at the date of donation.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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 of the Town are depreciated using the straight-line method over the following estimated useful lives.

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

Deferred Revenues - Deferred revenues 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 Debt - 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 in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current 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 balance 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 Board of Trustees 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, 2012

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, 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, 2012, cash and investments consisted of the following:

Deposits	\$ 95,240
Investments	<u>6,308,800</u>
Total	<u>\$ 6,404,040</u>

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

Cash and Investments	\$ 5,844,110
Restricted Cash and Investments	201,500
Agency Fund Cash and Investments	<u>358,430</u>
Total	<u>\$ 6,404,040</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.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

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

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organizations.

At December 31, 2012, the Town's investment of \$201,523 in the Federated Treasury Obligations Money Market Fund was rated AAAm by Standard & Poor's.

Local Government Investment Pools - At December 31, 2012, the Town had \$6,083,431 and \$23,846 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively, investment vehicles established by State statutes for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. The pools are rated AAAm by Standard & Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

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

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, is summarized below.

	Balances 12/31/11	Additions	Deletions	Balances 12/31/12
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,275,000	\$ -	\$ -	\$ 1,275,000
Total Capital Assets, Not Being Depreciated	<u>1,275,000</u>	<u>-</u>	<u>-</u>	<u>1,275,000</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	3,905,603	-	-	3,905,603
Machinery and Equipment	<u>519,938</u>	<u>-</u>	<u>-</u>	<u>519,938</u>
Total Capital Assets, Being Depreciated	<u>4,425,541</u>	<u>-</u>	<u>-</u>	<u>4,425,541</u>
Less Accumulated Depreciation				
Buildings and Improvements	(906,433)	(97,846)	-	(1,004,279)
Machinery and Equipment	<u>(366,719)</u>	<u>(35,506)</u>	<u>-</u>	<u>(402,225)</u>
Total Accumulated Depreciation	<u>(1,273,152)</u>	<u>(133,352)</u>	<u>-</u>	<u>(1,406,504)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,152,389</u>	<u>(133,352)</u>	<u>-</u>	<u>3,019,037</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,427,389</u>	<u>\$ (133,352)</u>	<u>\$ -</u>	<u>\$ 4,294,037</u>
Business-Type Activities				
Capital Assets, Being Depreciated				
Water and Sanitation Systems	\$ 3,342,632	\$ -	\$ -	\$ 3,342,632
Recreation Systems	79,009	-	-	79,009
Equipment	<u>183,711</u>	<u>-</u>	<u>-</u>	<u>183,711</u>
Total Capital Assets, Being Depreciated	<u>3,605,352</u>	<u>-</u>	<u>-</u>	<u>3,605,352</u>
Less Accumulated Depreciation				
Water and Sanitation Systems	(1,447,454)	(65,196)	-	(1,512,650)
Recreation Systems	(33,854)	(2,257)	-	(36,111)
Equipment	<u>(78,730)</u>	<u>(21,877)</u>	<u>-</u>	<u>(100,607)</u>
Total Accumulated Depreciation	<u>(1,560,038)</u>	<u>(89,330)</u>	<u>-</u>	<u>(1,649,368)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,045,314</u>	<u>\$ (89,330)</u>	<u>\$ -</u>	<u>\$ 1,955,984</u>

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

Governmental Activities	
General Government	\$ 90,476
Public Works	<u>42,876</u>
Total	<u>\$ 133,352</u>

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2012:

	Balance 12/31/11	Additions	Payments	Balance 12/31/12	Due Within One Year
Governmental Activities					
Accrued Paid Time Off	\$ 28,960	\$ 50,212	\$ 48,183	\$ 30,989	\$ 9,100
2010 Certificates of Participation	1,790,000	-	165,000	1,625,000	170,000
Debt Premium	31,725	-	3,525	28,200	-
Loss on Refunding	(21,303)	-	(2,367)	(18,936)	-
Capital Lease	63,884	-	14,954	48,930	16,021
Total	<u>\$ 1,893,266</u>	<u>\$ 50,212</u>	<u>\$ 229,295</u>	<u>\$ 1,714,183</u>	<u>\$ 195,121</u>

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

Certificates of Participation

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

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

Future debt service payments are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 170,000	\$ 57,638	\$ 227,638
2014	185,000	52,538	237,538
2015	195,000	46,988	241,988
2016	200,000	40,650	240,650
2017	205,000	34,150	239,150
2018 - 2020	670,000	52,212	722,212
Total	<u>\$ 1,625,000</u>	<u>\$ 284,176</u>	<u>\$ 1,909,176</u>

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 4: LONG-TERM DEBT (Continued)

Capital Lease

During 2010, the Town entered into a lease agreement for \$183,856 to purchase a Caterpillar loader. Annual payments of \$35,530 are due under the lease agreement, through January, 2016. Interest accrues on the outstanding balance of the lease at 4% per annum. Capital assets totaling \$183,856 less accumulated depreciation of \$55,158 are reported in the financial statements as a result of this transaction. The lease obligation is paid equally by the General and Water, Sanitation and Recreation Funds.

In January, 2013, the Town refinanced this lease. Under the terms of the new lease agreement, annual payments of \$34,513 are due beginning in December, 2013, through 2015. Interest accrues on the outstanding balance of the lease at 2.89% per annum.

Following is a schedule of the future minimum lease payments required under the refinancing capital lease agreement.

Year Ended December 31,

2013	\$ 34,513
2014	34,513
2015	<u>34,513</u>
Total Minimum Lease Payments	103,539
Less: Interest Portion	<u>(5,347)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 98,192</u>

Following are the changes to long-term debt of the business-type activities for the year ended December 31, 2012:

	Balance 12/31/11	Additions	Payments	Balance 12/31/12	Due Within One Year
Business-Type Activities					
Accrued Paid Time Off	\$ 4,379	\$ 16,941	\$ 17,122	\$ 4,198	\$ -
CWRPDA Notes	91,429	-	23,883	67,546	19,747
1997A Rural Development Notes	219,166	-	4,483	214,683	4,650
1997B Rural Development Notes	213,801	-	4,471	209,330	4,625
Capital Lease	<u>63,884</u>	<u>-</u>	<u>14,954</u>	<u>48,930</u>	<u>16,021</u>
Total	<u>\$ 592,659</u>	<u>\$ 16,941</u>	<u>\$ 64,913</u>	<u>\$ 544,687</u>	<u>\$ 45,043</u>

TOWN OF MINTURN, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4: LONG-TERM DEBT (Continued)

CWRPDA Notes

During 1992, two loans for \$360,000 and \$73,837 were obtained from the Colorado Water Resources and Power Development Authority (CWRPDA) to refinance existing loans. Principal and interest payments were due semi-annually with interest rates ranging from 3.35% to 4.9%, through 2012. The loans were paid in full during the year ended December 31, 2012.

During 1995, a loan for \$300,000 was obtained from the CWRPDA. Payments of \$5,614, including interest accruing at 4.5%, are due quarterly, with the final payment due in 2016. This loan is payable solely from revenues of the Town's water system, net of operations and maintenance expenses. During the year ended December 31, 2012, net revenues of \$234,463 were available to pay annual debt service of \$22,456. Remaining debt service at December 31, 2012, was \$72,983.

Rural Development Notes

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

Future debt service payments for the notes are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 29,022	\$ 23,661	\$ 52,683
2014	30,389	22,294	52,683
2015	31,821	20,862	52,683
2016	16,288	19,553	35,841
2017	11,273	18,953	30,226
2018 - 2022	65,400	85,731	151,131
2023 - 2027	83,463	67,668	151,131
2028 - 2032	106,521	44,610	151,131
2033 - 2037	<u>117,382</u>	<u>16,759</u>	<u>134,141</u>
Total	<u>\$ 491,559</u>	<u>\$ 320,091</u>	<u>\$ 811,650</u>

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 5: INTERFUND TRANSFERS

Interfund transfers during the year ended December 31, 2012, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Battle Mountain Resort	\$ 242,500
Debt Service	General	59,340
Debt Service	Water, Sanitation and Recreation	25,432
Capital Projects	General	<u>255,971</u>
Total		<u>\$ 583,243</u>

The terms of the agreement with the developer of the Battle Mountain Resort allow the Town to use developer reimbursements of \$180,000 each year for administrative costs. This amount was transferred to the General Fund in addition to \$62,500 in reimbursements for legal and consulting costs. The General and Water, Sanitation and Recreation Funds made payments to the Debt Service Fund for debt service on the Certificates of Participation. During the year ended December 31, 2012, developer reimbursements earmarked for improvements to the Little Beach Park were transferred to the Capital Projects Fund.

NOTE 6: SEGMENT INFORMATION

Financial information for the water and sanitation segments of the Water, Sanitation and Recreation Fund for the year ended December 31, 2012, follows.

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>
Operating Revenues			
Charges for Services	\$ 676,129	\$ 100,682	\$ 776,811
Miscellaneous	76,364	-	76,364
Total Operating Revenues	<u>752,493</u>	<u>100,682</u>	<u>853,175</u>
Operating Expenses			
Operating and Maintenance	524,530	81,497	606,027
Depreciation	89,330	-	89,330
Total Operating Expenses	<u>613,860</u>	<u>81,497</u>	<u>695,357</u>
Net Operating Income	138,633	19,185	157,818
Nonoperating Revenues (Expenses)			
Interest Expense	<u>(27,572)</u>	<u>-</u>	<u>(27,572)</u>
Net Income Before Capital Contributions and Transfers	111,061	19,185	130,246
Tap Fees	6,500	-	6,500
Transfers Out	<u>(25,432)</u>	<u>-</u>	<u>(25,432)</u>
Change in Net Position	<u>\$ 92,129</u>	<u>\$ 19,185</u>	<u>\$ 111,314</u>

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 7: RETIREMENT COMMITMENTS

Police Plan

The Town contributes to a single-employer defined contribution money purchase pension plan on behalf of its full-time police officers. The contribution requirements of Plan participants and the Town are established and may be amended by the Town Council.

The Town is required to contribute 8% of each participating employee's compensation, and each employee must contribute a matching amount. All contributions to the Plan become partially vested to the employee upon completion of one year of service and fully vested after five years of service. During the year ended December 31, 2012, the Town and employee contributions were \$9,404 each, equal to the required contributions.

General Employee Plan

All employees, other than police officers, are eligible to participate in an Internal Revenue Code Section 401(a) plan beginning six months from date of hire. The contribution requirements of Plan participants and the Town are established and may be amended by the Town Council. Employees may contribute up to 4% of base salary to the Plan. The Town is required to match each employee's contributions up to 4% of base salary. In addition, employees may make voluntary contributions to the Plan within certain limits. The Town's contributions vest immediately, except for employees hired after February, 1, 2009, for which contributions vest at 25% each year. During the year ended December 31, 2012, the Town and employee contributions to the Plan were \$19,975 and \$27,494, respectively, equal to the required contributions.

NOTE 8: 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 has purchased commercial insurance for workers compensation benefits.

Public Entity Risk Pool

For its property and liability risks, the Town is a member of 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, and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverages and to assist members to prevent and reduce 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.

TOWN OF MINTURN, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 8: RISK MANAGEMENT (Continued)

Public Entity Risk Pool (Continued)

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 9: 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, 2012, the emergency reserve of \$156,000 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 SCHEDULEGENERAL FUND

Year Ended December 31, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes	\$ 1,041,276	\$ 1,052,276	\$ 1,031,540	\$ (20,736)
Licenses and Permits	46,800	46,800	34,768	(12,032)
Fines and Forfeitures	23,500	24,600	15,284	(9,316)
Intergovernmental	101,250	103,750	97,215	(6,535)
Investment Income	9,000	9,000	3,665	(5,335)
Developer Fees	-	-	20,715	20,715
Miscellaneous	122,730	125,830	105,110	(20,720)
TOTAL REVENUES	1,344,556	1,362,256	1,308,297	(53,959)
EXPENDITURES				
Current				
General Government	488,175	519,975	482,763	37,212
Planning and Zoning	119,497	119,497	110,562	8,935
Municipal Court	22,095	22,095	14,923	7,172
Police	351,651	357,751	327,337	30,414
Public Works	231,484	390,834	387,554	3,280
Economic Development	53,701	59,701	58,749	952
Capital Outlay	3,000	3,000	-	3,000
Debt Service				
Principal	13,720	13,720	14,954	(1,234)
Interest and Fiscal Charges	4,045	4,045	2,811	1,234
TOTAL EXPENDITURES	1,287,368	1,490,618	1,399,653	90,965
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	57,188	(128,362)	(91,356)	37,006
OTHER FINANCING SOURCES (USES)				
Transfers In	-	180,000	242,500	62,500
Transfers Out	(50,084)	(57,084)	(315,311)	(258,227)
TOTAL OTHER FINANCING SOURCES (USES)	(50,084)	122,916	(72,811)	(195,727)
NET CHANGE IN FUND BALANCE	7,104	(5,446)	(164,167)	(158,721)
FUND BALANCE, Beginning	1,486,499	1,486,499	1,436,416	(50,083)
FUND BALANCE, Ending	\$ 1,493,603	\$ 1,481,053	\$ 1,272,249	\$ (208,804)

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE
BATTLE MOUNTAIN RESORT FUND
 Year Ended December 31, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Investment Income	\$ -	\$ 6,500	\$ 6,504	\$ 4
Developer Fees	-	-	50,720	50,720
Annexation Reimbursements	-	3,694,715	1,780,000	(1,914,715)
TOTAL REVENUES	-	3,701,215	1,837,224	(1,863,991)
EXPENDITURES				
Current				
General Government	-	300,000	362,597	(62,597)
TOTAL EXPENDITURES	-	300,000	362,597	(62,597)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	3,401,215	1,474,627	(1,926,588)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(180,000)	(242,500)	(62,500)
NET CHANGE IN FUND BALANCE	-	3,221,215	1,232,127	(1,989,088)
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ 3,221,215	\$ 1,232,127	\$ (1,989,088)

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2012

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. Capital outlay and debt principal are budgeted as expenditures.

The Town follows these procedures in establishing the budgetary data 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, 2012, the General Fund, Battle Mountain Resort Fund, Debt Service Fund, and Capital Projects Fund expenditures and transfers out exceeded the amounts budgeted by \$167,262, \$125,097, \$5,720 and \$648, respectively. These may be violations of State statutes.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

TOWN OF MINTURN, COLORADO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2012

	CONSERVATION TRUST	MINTURN MARKET	MINTURN GID	TOTALS
ASSETS				
Cash and Investments	\$ 10,037	\$ 5,985	\$ 3,773	\$ 19,795
TOTAL ASSETS	\$ 10,037	\$ 5,985	\$ 3,773	\$ 19,795
FUND BALANCE				
Restricted for Parks	\$ 10,037	\$ -	\$ -	\$ 10,037
Assigned to Minturn Market	-	5,985	-	5,985
Assigned to GID Activities	-	-	3,773	3,773
TOTAL FUND BALANCE	\$ 10,037	\$ 5,985	\$ 3,773	\$ 19,795

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2012

	CONSERVATION TRUST	MINTURN MARKET	MINTURN GID	TOTALS
REVENUES				
Intergovernmental	\$ 10,300	\$ -	\$ -	\$ 10,300
Investment Income	37	1	-	38
Miscellaneous	-	62,682	-	62,682
TOTAL REVENUES	10,337	62,683	-	73,020
EXPENDITURES				
Current				
General Government	-	-	82	82
Parks and Recreation	9,717	72,458	-	82,175
TOTAL EXPENDITURES	9,717	72,458	82	82,257
NET CHANGE IN FUND BALANCE	620	(9,775)	(82)	(9,237)
FUND BALANCE, Beginning	9,417	15,760	3,855	29,032
FUND BALANCE, Ending	\$ 10,037	\$ 5,985	\$ 3,773	\$ 19,795

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULECONSERVATION TRUST FUND

Year Ended December 31, 2012

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Intergovernmental	\$ 10,000	\$ 10,300	\$ 300
Investment Income	500	37	(463)
TOTAL REVENUES	10,500	10,337	(163)
EXPENDITURES			
Parks and Recreation	15,000	9,717	5,283
TOTAL EXPENDITURES	15,000	9,717	5,283
NET CHANGE IN FUND BALANCE	(4,500)	620	5,120
FUND BALANCE, Beginning	7,428	9,417	1,989
FUND BALANCE, Ending	\$ 2,928	\$ 10,037	\$ 7,109

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULEMINTURN MARKET FUND

Year Ended December 31, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Investment Income	\$ -	\$ -	\$ 1	\$ 1
Minturn Market	<u>57,000</u>	<u>68,000</u>	<u>62,682</u>	<u>(5,318)</u>
TOTAL REVENUES	<u>57,000</u>	<u>68,000</u>	<u>62,683</u>	<u>(5,317)</u>
EXPENDITURES				
Minturn Market	<u>57,000</u>	<u>72,500</u>	<u>72,458</u>	<u>42</u>
TOTAL EXPENDITURES	<u>57,000</u>	<u>72,500</u>	<u>72,458</u>	<u>42</u>
NET CHANGE IN FUND BALANCE	-	(4,500)	(9,775)	(5,275)
FUND BALANCE, Beginning	<u>16,011</u>	<u>16,011</u>	<u>15,760</u>	<u>(251)</u>
FUND BALANCE, Ending	\$ <u><u>16,011</u></u>	\$ <u><u>11,511</u></u>	\$ <u><u>5,985</u></u>	\$ <u><u>(5,526)</u></u>

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

MINTURN GID

Year Ended December 31, 2012

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
EXPENDITURES			
General Government	\$ 500	\$ 82	\$ 418
TOTAL EXPENDITURES	500	82	418
NET CHANGE IN FUND BALANCE	(500)	(82)	418
FUND BALANCE, Beginning	3,925	3,855	(70)
FUND BALANCE, Ending	\$ 3,425	\$ 3,773	\$ 348

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULEDEBT SERVICE FUND

Year Ended December 31, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Investment Income	\$ 500	\$ 500	\$ 24	\$ (476)
Rental and Miscellaneous	157,800	157,800	155,111	(2,689)
TOTAL REVENUES	158,300	158,300	155,135	(3,165)
EXPENDITURES				
Current				
General Government	-	5,725	13,971	(8,246)
Debt Service				
Principal	165,000	165,000	165,000	-
Interest and Fiscal Charges	63,463	63,463	60,937	2,526
TOTAL EXPENDITURES	228,463	234,188	239,908	(5,720)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(70,163)	(75,888)	(84,773)	(8,885)
OTHER FINANCING SOURCES				
Transfers In	70,388	80,388	84,772	4,384
NET CHANGE IN FUND BALANCE	225	4,500	(1)	(4,501)
FUND BALANCE, Beginning	205,475	205,475	205,494	19
FUND BALANCE, Ending	\$ 205,700	\$ 209,975	\$ 205,493	\$ (4,482)

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

Year Ended December 31, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Investment Income	\$ -	\$ 750	\$ 580	\$ (170)
Annexation Reimbursements	-	-	1,982,000	1,982,000
TOTAL REVENUES	-	750	1,982,580	1,981,830
EXPENDITURES				
Parks and Recreation	-	-	648	(648)
TOTAL EXPENDITURES	-	-	648	(648)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	750	1,981,932	1,981,182
OTHER FINANCING SOURCES				
Transfers In	-	-	255,971	255,971
NET CHANGE IN FUND BALANCE	-	750	2,237,903	2,237,153
FUND BALANCE, Beginning	23,700	23,700	18,666	(5,034)
FUND BALANCE, Ending	\$ 23,700	\$ 24,450	\$ 2,256,569	\$ 2,232,119

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

BUDGETARY COMPARISON SCHEDULE
WATER, SANITATION AND RECREATION FUND
 Year Ended December 31, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Water Charges	\$ 576,000	\$ 576,000	\$ 676,129	\$ 100,129
Water Tap Fees	6,500	6,500	6,500	-
Garbage Charges	94,000	94,000	100,682	6,682
Miscellaneous	-	-	76,364	76,364
TOTAL REVENUES	676,500	676,500	859,675	183,175
EXPENSES				
Operating and Maintenance	531,542	726,542	606,027	120,515
Depreciation	65,000	65,000	89,330	(24,330)
Capital Outlay	10,500	10,500	-	10,500
Debt Service				
Principal	46,421	46,421	47,791	(1,370)
Interest	29,123	29,123	27,572	1,551
Transfers Out	20,179	23,179	25,432	(2,253)
TOTAL EXPENSES	702,765	900,765	796,152	104,613
CHANGE IN NET POSITION, Budgetary Basis	\$ <u>(26,265)</u>	\$ <u>(224,265)</u>	63,523	\$ <u>287,788</u>
RECONCILIATION TO GAAP BASIS				
Debt Service Principal			47,791	
CHANGE IN NET POSITION, GAAP Basis			\$ <u>111,314</u>	

See the accompanying Independent Auditors' Report.

TOWN OF MINTURN, COLORADO

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended December 31, 2012

	BALANCE 12/31/11	ADDITIONS	DEDUCTIONS	BALANCE 12/31/12
ASSETS				
Cash and Investments	\$ <u>362,107</u>	\$ <u>1,423</u>	\$ <u>5,100</u>	\$ <u>358,430</u>
LIABILITIES				
Held for Student Scholarships	\$ <u>362,107</u>	\$ <u>1,423</u>	\$ <u>5,100</u>	\$ <u>358,430</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: TOWN OF MINTURN
		YEAR ENDING : December 2012
This Information From The Records Of (example - City of <u>X</u> or County of) TOWN OF MINTURN		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)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	186,476
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	413,167	b. Snow and ice removal	201,078
3. Other local imposts (from page 2)	17,059	c. Other	
4. Miscellaneous local receipts (from page 2)	27,279	d. Total (a. through c.)	201,078
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	114,568
a. Bonds - Original Issues		6. Total (1 through 5)	502,122
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)	457,505	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	44,617	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	502,122	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)	502,122

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	502,122	502,122	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado YEAR ENDING (mm/yy): December 2012	
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	6,936
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 &/or Other	17,059	g. Other Misc. Receipts	
6. Total (1. through 5.)	17,059	h. Other ROAD & BRIDGE	20,343
c. Total (a. + b.)	17,059	i. Total (a. through h.)	27,279
(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	38,529	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	6,088	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	6,088	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	44,617	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			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
		(Carry forward to page 1)	
Notes and Comments:			