

**TOWN OF TELLURIDE, COLORADO**

FINANCIAL STATEMENTS  
AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016



**RECEIVED**

*By the Office of the State Auditor at 10:52 am, Jul 05, 2017*

## Town of Telluride

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**Independent Auditor's Report**

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Honorable Mayor and Town Council  
Town of Telluride  
Telluride, Colorado

## INDEPENDENT AUDITOR'S 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 Telluride, Colorado (the Town) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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.

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, 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 Telluride, Colorado, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Aspen • Glenwood Springs • Rifle • Grand Junction • Montrose • Telluride*

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and budgetary comparison information on pages 45 through 51 be presented to supplement the basic financial statements. Such Information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Telluride, Colorado's basic financial statements. The combining and individual nonmajor fund financial statements and local highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and local highway finance report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the local highway finance report are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Dalby, Wendland & Co., P.C.*

DALBY, WENDLAND & CO., P.C.  
Grand Junction, Colorado

June 20, 2017

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**Management's Discussion and Analysis**

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**TOWN OF TELLURIDE, COLORADO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 31, 2016

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As management of the Town of Telluride (the Town), we offer readers the Town's Financial Statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended December 31, 2016, with comparative information for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the Town.

**A. FINANCIAL HIGHLIGHTS**

- The Town's assets exceeded its liabilities by \$113,531,813 (i.e., net position) at the close of 2016 fiscal year, an increase of \$3,706,977 compared to 2015.
- Governmental funds reported combined ending fund balances of \$13,159,400 a decrease of \$2,425,661 compared to 2015.
- The Town's fund balance for the general fund was \$4,625,296, a decrease of \$119,197 compared to 2015.
- The Town's fund balance includes a restricted 3 percent emergency reserve of \$600,000, as required by Colorado state statute (TABOR), additional restrictions of \$1,094, assigned fund balance of \$131,163, and the unassigned fund balance of \$3,893,039.
- The Town's General Fund policy, as stated in the 2016 budget, is to have a minimum fund balance equal to at least 30 percent of the general fund appropriations net of transfers, with a goal of a 20 percent balance. The 30 percent includes the required 3 percent state mandated emergency reserve.
- Total long-term liabilities decreased by \$1,468,836.

**B. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The government-wide financial statements use the accrual basis of accounting. Certain interfund activities including balances and transfers are eliminated in the government-wide financial statements.

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

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

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

The government-wide financial statements include only the Town itself (known as the primary government).

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental funds are separated into the following major funds: general fund; capital improvement fund; open space fund; and affordable housing fund. All non-major funds are combined as other governmental funds.

An annual appropriated budget is adopted for all governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The enterprise funds are used to account for affordable housing apartments, water and sewer operations, and a parking structure. The

enterprise fund financial statements provide separate information for water, sewer, and housing operations, which are considered to be major funds.

An annual appropriated budget is adopted for all enterprise funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

### **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

At the close of 2016, total net position was \$113,531,813, an increase of \$3,706,977 from prior year. The largest portion of net position is the net investment in capital assets (net of related debt) of \$98,101,619. This amount reflects the investment in all capital assets (e.g., infrastructure, land, buildings, and equipment); less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

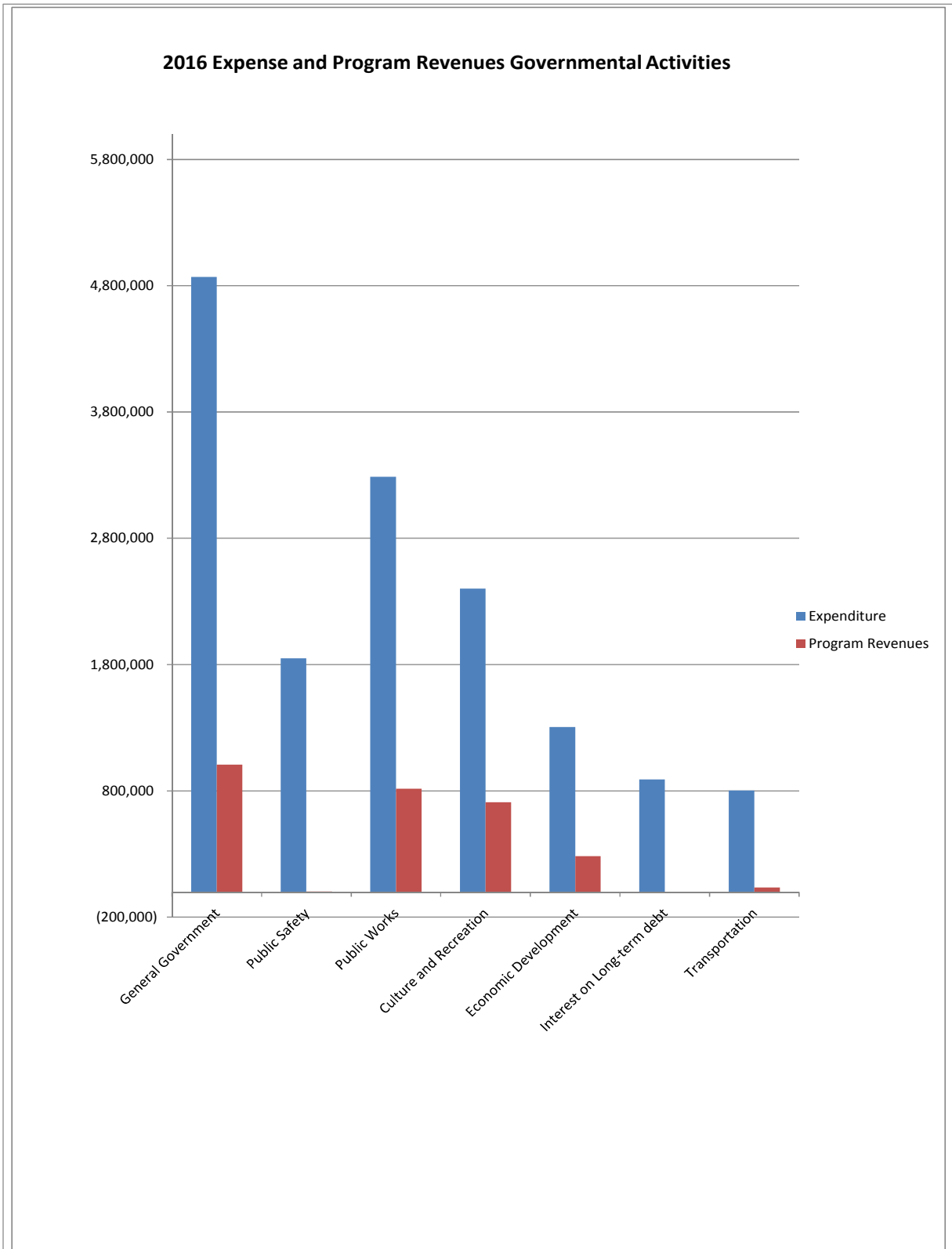
The following table summarizes the Town's governmental and business type net position for 2016 and 2015.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	\$ 14,852,999	\$ 19,518,154	\$ 830,843	\$ 841,585	\$ 15,683,842	\$ 20,359,739
Capital assets	102,315,317	95,272,868	36,040,711	35,614,414	138,356,028	130,887,282
Other assets	1,515,013	121,187	3,007,963	3,673,720	4,522,976	3,794,907
<b>Total Assets</b>	<b>118,683,329</b>	<b>114,912,209</b>	<b>39,879,517</b>	<b>40,129,719</b>	<b>158,562,846</b>	<b>155,041,928</b>
<b>Liabilities</b>						
Current liabilities:	2,680,791	2,230,250	846,866	496,051	3,527,657	2,726,301
Non-current liabilities:						
Due within one year	2,073,543	732,087	939,770	904,755	3,013,313	1,636,842
Due in more than one year	18,350,054	19,623,827	18,891,042	19,913,628	37,241,096	39,537,455
<b>Total liabilities</b>	<b>23,104,388</b>	<b>22,586,164</b>	<b>20,677,678</b>	<b>21,314,434</b>	<b>43,782,066</b>	<b>43,900,598</b>
<b>Deferred Inflows</b>						
Property taxes	642,194	615,448	606,773	701,146	1,248,967	1,316,494
<b>Total deferred inflows</b>	<b>642,194</b>	<b>615,448</b>	<b>606,773</b>	<b>701,146</b>	<b>1,248,967</b>	<b>1,316,494</b>
Net position:						
Net investment in capital assets, net of related debt	81,891,720	75,512,853	16,209,899	16,305,544	98,101,619	91,818,397
Restricted	9,265,267	5,071,142	3,007,963	2,208,864	12,273,230	7,280,006
Unrestricted	3,779,760	11,126,602	(622,796)	(395,538)	3,156,964	10,731,064
<b>Total net position</b>	<b>\$ 94,936,747</b>	<b>\$ 91,710,597</b>	<b>\$ 18,595,066</b>	<b>\$ 18,114,239</b>	<b>\$ 113,531,813</b>	<b>\$ 109,824,836</b>

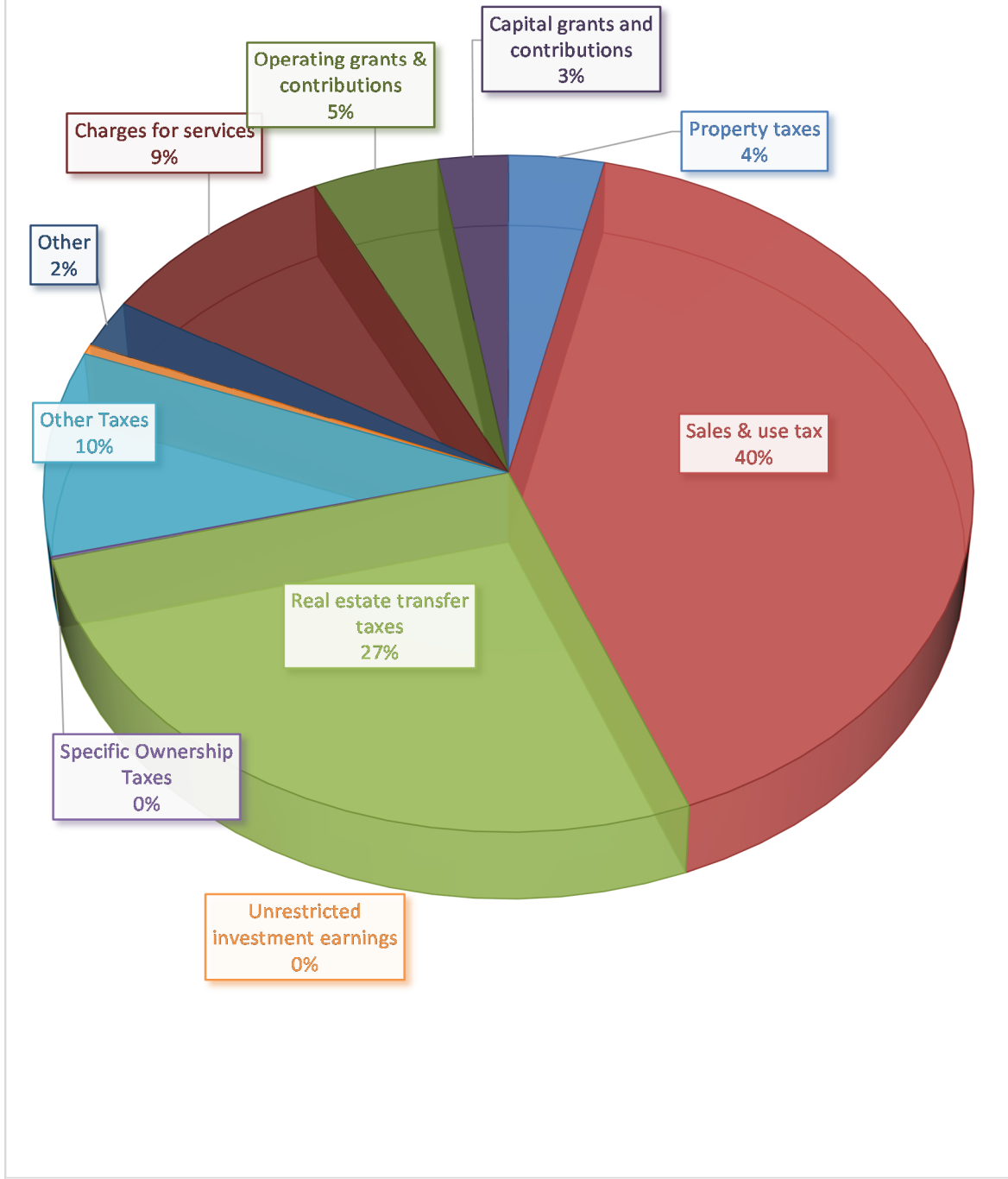
**Changes in net position.** Governmental and business-type activities increased the Town's net position by \$3,706,977 in 2016.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,585,938	\$ 2,822,842	\$ 4,373,649	\$ 3,719,320	\$ 5,959,587	\$ 6,542,162
Operating grants and contributions	815,837	641,005	498,548	354,853	1,314,385	995,858
Capital grants and contributions	451,484	353,384	-	-	451,484	353,384
<b>General Revenues</b>						
Property taxes	616,058	626,054	703,983	638,826	1,320,041	1,264,880
Other taxes	13,508,975	14,510,976	27,325	-	13,536,300	14,510,976
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Grants restricted to specific programs	-	-	-	-	-	-
Other	1,662,857	38,910	652,110	1,142,433	2,314,967	1,181,343
Debt	-	-	-	-	-	-
Transfers	670,942	239,068	(670,942)	(239,068)	-	-
<b>Total revenues</b>	<b>19,312,091</b>	<b>19,232,239</b>	<b>5,584,673</b>	<b>5,616,364</b>	<b>24,896,764</b>	<b>24,848,603</b>
<b>EXPENSES</b>						
General Government	4,868,724	4,127,962	-	-	4,868,724	4,127,962
Public Safety	1,849,142	1,596,524	-	-	1,849,142	1,596,524
Public Works	3,287,333	5,636,737	3,483,124	4,084,692	6,770,457	9,721,429
Culture and Recreation	2,402,462	(111,298)	-	-	2,402,462	(111,298)
Economic Development	1,306,035	1,254,726	-	-	1,306,035	1,254,726
Transportation	802,856	1,016,491	-	-	802,856	1,016,491
Housing	-	-	1,611,209	1,697,841	1,611,209	1,697,841
Interest on Long-term debt	889,901	932,975	-	-	889,901	932,975
<b>Total Expenses</b>	<b>15,406,453</b>	<b>14,454,117</b>	<b>5,094,333</b>	<b>5,782,533</b>	<b>20,500,786</b>	<b>20,236,650</b>
Increase in net position	3,905,638	4,778,122	490,340	(166,169)	4,395,978	4,611,954
Beginning net position-previous reported	91,710,597	86,932,475	18,114,239	18,280,408	109,824,836	105,212,883
Prior Period Adjustments	(174,274)	(174,274)	(9,513)	(9,513)	(183,787)	(183,787)
Classification Adjustments	(505,214)	(505,214)	-	-	(505,214)	(505,214)
Net Position - beginning as restated	91,031,109	-	18,104,726	-	109,135,835	-
<b>Ending net position</b>	<b>\$ 94,936,747</b>	<b>\$ 91,031,109</b>	<b>\$ 18,595,066</b>	<b>\$ 18,104,726</b>	<b>\$ 113,531,813</b>	<b>\$ 109,135,836</b>

**Governmental activities.** Governmental activities increased the Town's net position by \$3,226,150 thereby accounting for an increase in assets.



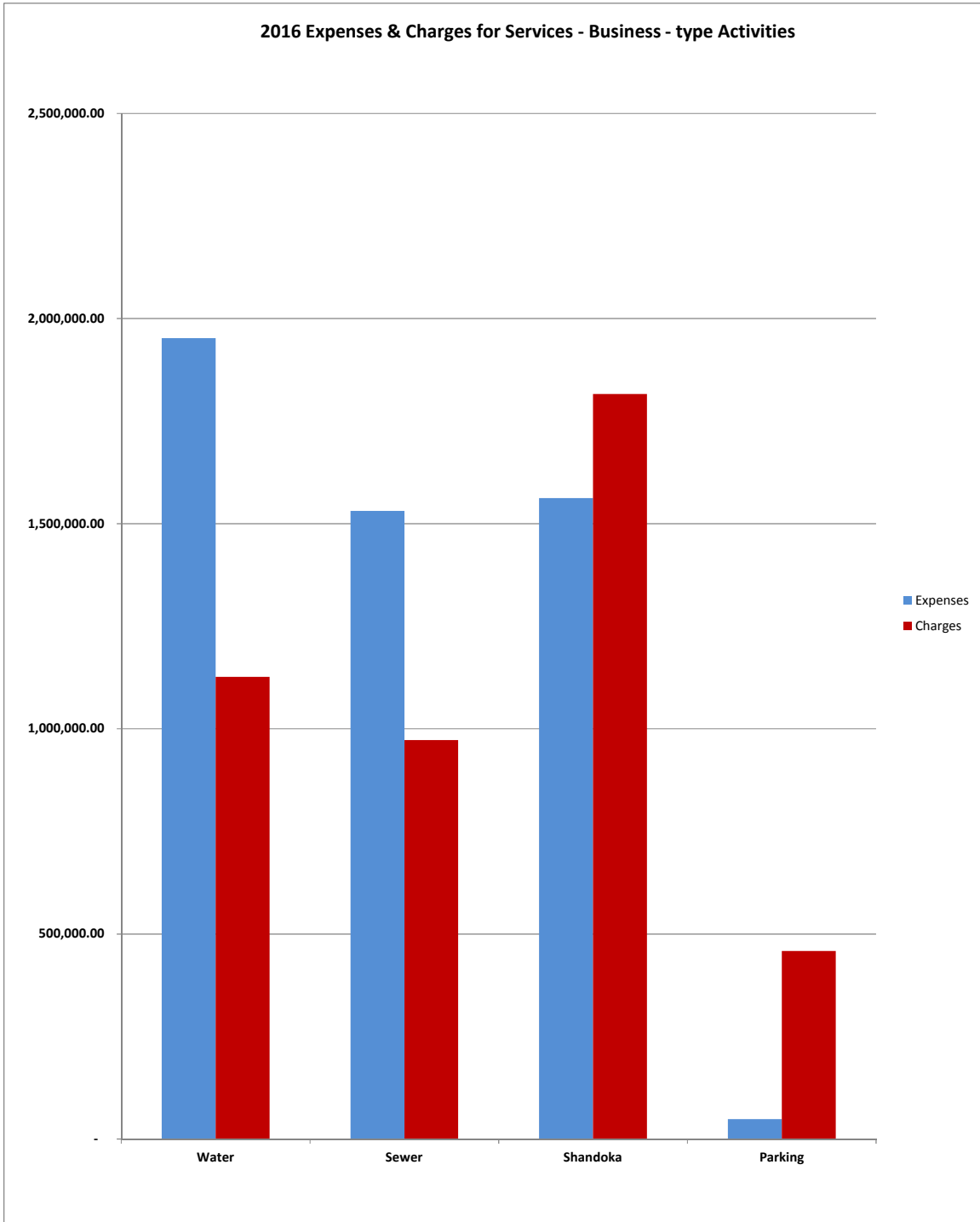
## 2016 REVENUES BY SOURCE GOVERNMENTAL ACTIVITES



Real estate transfer tax decreased in 2016 by 10.6 percent from 2015.  
 Sales and use taxes increased by 1.7 percent in 2016 from 2015.

**Business activities.** Business-type activities for the year resulted in an increase in net position of \$480,827, compared to 2015.

Charges for services accounted for 89.8 percent of total business-type activities program revenues.



## **D. FINANCIAL ANALYSIS OF GOVERNMENT FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds.** The focus of government funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2016, the Town's governmental funds reported combined ending fund balances of \$13,159,400, a decrease of \$2,425,661 in comparison with the prior year. Expenditures for total capital outlay of all governmental funds were \$7,957,760. Of the combined ending fund balances for all governmental funds, 30 percent of this total amount, \$3,893,039, constitutes unassigned fund balance, which is available for appropriation at the Town's discretion. The remaining fund balance is restricted to indicate that it is not available for new spending because it is already committed to: 1) debt service of \$71,997; 2) open space and festival site management of \$3,512,972; 3) affordable housing of \$2,571,483; 4) airline guarantee of \$743; 5) nonspendable of \$1,094; 6) energy mitigation of \$390,129; and 7) to meet a state constitution mandated emergency reserve, \$600,000; or assigned for 1) capital projects of \$1,937,777, 2) transportation of \$131,163; and 3) affordable housing of \$49,003.

The Town has four major governmental funds. They are the General Fund, Capital Improvement Fund, Open Space Fund, and Affordable Housing Fund. Also included in the governmental funds, as a major fund is one component unit, Block 23 Housing Corporation.

The general fund is the primary operating fund for the Town. At the end of 2016, unassigned fund balance of the general fund was \$3,893,039, the required Colorado TABOR emergency reserve balance was \$600,000 a restricted fund balance of \$1,094, and an assigned balance of \$131,163 for a total fund balance of \$4,625,296. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37 percent of the total 2016 expenditures, while total fund balance represents 44 percent of that same amount. The fund balance of the Town's General fund decreased by \$119,197 during 2016.

The Capital Improvement fund accounts for general capital expenditures (other than proprietary fund expenditures). The fund is primarily funded by real estate transfer taxes. At the end of 2016 the Capital Improvement fund had an assigned fund balance of \$1,937,619, assigned for future capital outlay. The 2016 Capital Improvement fund balance decreased by \$1,094,052 during 2016.

The Open Space fund had a total restricted fund balance of \$3,270,741 at the end of 2016. The fund balance is to be used for the acquisition and maintenance of open space. The fund is financed by 20 percent of unencumbered revenues generated from property taxes, sales and use taxes, real estate transfer taxes and business licenses. The fund balance decreased by \$688,426 during 2016.

The Affordable Housing fund had a total restricted fund balance of \$ 2,571,483 at the end of 2016. The fund balance decreased by \$64,859 from the prior year. The fund revenue is from a one-half (½) percent sales and use tax and is for the development and preservation of affordable housing.

The Component Unit Block 23 Housing Corporation is funded by government grants and bank loans for the purpose of constructing affordable housing condominiums for resale.

The Debt Service fund had a total fund balance of \$71,997 at the end of 2016, all of which is restricted for debt service.

**Proprietary funds.** The Town's enterprise fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Town has four enterprise funds, the Water Fund, Sewer Fund, Shandoka Apartment Funds, and Parking Fund. Unrestricted and restricted net position for the enterprise funds at the end of 2016 amounted to \$2,385,167, of which \$281,769 is related to the water fund; \$1,520,699 is related to the sewer fund; \$349,915 is related to the parking fund; and \$232,784 is related to the Shandoka fund. Total net position of the enterprise funds at the end of 2016 amounted to \$18,595,066, of which \$8,939,325 is related to the water fund; \$5,301,492 is related to the sewer fund; \$3,842,782 is related to the Shandoka fund; and \$511,467 is related to the parking fund. Total net position increased by \$480,827 of which a decrease of \$39,203 is related to the water fund; a decrease of \$101,890 is related to the sewer fund; and increase of \$110,453 is related to the Shandoka fund; and an increase of \$511,467 is related to the parking fund.

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between original budget and the final amended budget for General Fund activities resulted in an overall increase in appropriations of \$232,249. The increase in appropriations is a result of the increase in available fund balance at the end of 2015 which was more than the amount projected during the 2016 budget approval process.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town's net investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounts to \$98,101,619, an increase of \$6,287,853 from the prior year.

**Long-term debt.** At the end of 2016, total debt outstanding was \$40,046,606. Of this amount, \$7,515,000 comprises general obligation debt and \$13,277,834 is certificates of participation. The remainder of the Town's debt of \$19,253,772 represents bonds secured solely by specific revenue sources (i.e., revenue bonds) and a loan payable. Of the total debt, \$20,215,794 was for governmental activities and \$19,830,812 was for business-type activities.

#### **G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The Town continues to maintain reserves at levels higher than required in the Town's budget policy of 35 percent of expenditures.
- Total taxable assessed value in 2016 increased by 1.1 percent. The 2016 valuation was not a full valuation.
- Dollar value of real estate sales decreased in 2016 resulting in a decrease of 10.64 percent in real estate transfer tax revenues from 2015. The 2017 real estate transfer tax revenue has been budgeted with an increase of \$116,400 over the 2016 final budget. The year end 2016 was higher than the 2016 budget.

- Sales tax revenues are estimated to increase in 2017 budget from 2016. The Sales Tax revenue was budgeted with an increase of 4 percent over the 2016 estimated year end, this is 7.3 percent increase over the 2016 budget.
- General Fund appropriations for 2017 increased by 2.3 percent.
- Capital Improvement Fund appropriations for 2017 decreased by 17.9 percent.

### **REQUESTS FOR INFORMATION**

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

Finance Director  
Town of Telluride  
P.O. Box 397  
Telluride, Colorado 81435

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## Basic Financial Statements

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**Government-wide Financial Statements**

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**TOWN OF TELLURIDE**  
**STATEMENT OF NET POSITION**  
December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,912,503	\$ 103,996	\$ 4,016,499
Investments	9,041,244	-	9,041,244
Receivables:			
Taxes	704,862	606,773	1,311,635
Trade	172,782	359,106	531,888
Notes	118,042	-	118,042
Intergovernmental	336,179	198,428	534,607
Miscellaneous	3,831	-	3,831
Due from other funds	437,460	(437,460)	-
Prepaid expenses	1,094	-	1,094
Restricted cash and investments	1,396,971	3,007,963	4,404,934
Housing held for resale	243,044	-	243,044
Capital assets			
Non-depreciable			
Land	66,851,645	4,721,011	71,572,656
Construction in progress	2,340,941	201,452	2,542,393
Depreciable, net of accumulated depreciation			
Buildings and building improvements	7,118,265	6,519,147	13,637,412
Treatment plants and systems - improvements	1,452,351	24,276,196	25,728,547
Infrastructure	16,857,132	-	16,857,132
Equipment	7,694,983	322,905	8,017,888
<i>Total Assets</i>	<u>118,683,329</u>	<u>39,879,517</u>	<u>158,562,846</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	1,256,892	452,201	1,709,093
Deposits	532,780	198,626	731,406
Unearned revenues	533,702	45,792	579,494
Accrued interest payable	85,911	112,844	198,755
Accrued compensated absences payable	271,506	37,403	308,909
Noncurrent liabilities:			
Due within one year	2,073,543	939,770	3,013,313
Due after one year	18,350,054	18,891,042	37,241,096
<i>Total Liabilities</i>	<u>23,104,388</u>	<u>20,677,678</u>	<u>43,782,066</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	642,194	606,773	1,248,967
<i>Total Deferred Inflows of Resources</i>	<u>642,194</u>	<u>606,773</u>	<u>1,248,967</u>
<b>NET POSITION</b>			
Net investment in capital assets	81,891,720	16,209,899	98,101,619
Restricted for:			
Parks and open space	3,512,972	-	3,512,972
Affordable housing	2,620,486	-	2,620,486
Airline guarantee	743	-	743
Energy mitigation	390,129	-	390,129
Debt service	71,997	3,007,963	3,079,960
Transportation	131,163	-	131,163
Capital outlay	1,937,777	-	1,937,777
Emergency reserve	600,000	-	600,000
Unrestricted	3,779,760	(622,796)	3,156,964
<i>Total Net Position</i>	<u>\$ 94,936,747</u>	<u>\$ 18,595,066</u>	<u>\$ 113,531,813</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 4,868,724	\$ 545,924	\$ 460,978	\$ -	\$ (3,861,822)	\$ -	\$ (3,861,822)
Public safety	1,849,142	-	3,285	-	(1,845,857)	-	(1,845,857)
Public works	3,287,333	14,291	351,574	451,484	(2,469,984)	-	(2,469,984)
Culture and recreation	2,402,462	709,755	-	-	(1,692,707)	-	(1,692,707)
Economic development	1,306,035	282,572	-	-	(1,023,463)	-	(1,023,463)
Transportation	802,856	33,396	-	-	(769,460)	-	(769,460)
Interest on long-term debt	889,901	-	-	-	(889,901)	-	(889,901)
Total government activities	<u>15,406,453</u>	<u>1,585,938</u>	<u>815,837</u>	<u>451,484</u>	<u>(12,553,194)</u>	<u>-</u>	<u>(12,553,194)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water operations	1,952,382	1,126,945	-	-	-	(825,437)	(825,437)
Sewer operations	1,530,742	972,214	498,548	-	-	(59,980)	(59,980)
Housing	1,562,469	1,816,283	-	-	-	253,814	253,814
Parking	48,740	458,207	-	-	-	409,467	409,467
Total business-type activities	<u>5,094,333</u>	<u>4,373,649</u>	<u>498,548</u>	<u>-</u>	<u>-</u>	<u>(222,136)</u>	<u>(222,136)</u>
Total government	<u>\$ 20,500,786</u>	<u>\$ 5,959,587</u>	<u>\$ 1,314,385</u>	<u>\$ 451,484</u>	<u>(12,553,194)</u>	<u>(222,136)</u>	<u>(12,775,330)</u>
General Revenues:							
Property taxes					616,058	703,983	1,320,041
Specific ownership taxes					23,987	27,325	51,312
Sales and use taxes					7,074,046	-	7,074,046
Franchise taxes					206,234	-	206,234
Excise taxes					1,329,472	-	1,329,472
Real estate transfer taxes					4,702,796	-	4,702,796
Other taxes					172,440	-	172,440
Licenses and permits					870,868	-	870,868
Fines and forfeitures					165,860	-	165,860
Tap fees					-	521,597	521,597
Build America Bonds rebate					-	119,389	119,389
Donations					104,269	-	104,269
Investment earnings					80,097	11,124	91,221
Miscellaneous revenues					411,635	-	411,635
Transfers In/ (Out)					670,942	(670,942)	-
Proceeds from sale of capital assets					50,886	-	50,886
Gain/ (Loss) on sale of capital assets					(20,758)	-	(20,758)
Total general revenues and transfers					<u>16,458,832</u>	<u>712,476</u>	<u>17,171,308</u>
Change in net position					<u>3,905,638</u>	<u>490,340</u>	<u>4,395,978</u>
Net position - beginning, as previously reported					91,710,597	18,114,239	109,824,836
Prior period adjustments					(174,274)	(9,513)	(183,787)
Classification adjustments					(505,214)	-	(505,214)
Net position - beginning, as restated					<u>91,031,109</u>	<u>18,104,726</u>	<u>109,135,835</u>
Net position - ending					<u>\$ 94,936,747</u>	<u>\$ 18,595,066</u>	<u>\$ 113,531,813</u>

See accompanying notes.

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**Fund Financial Statements**

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**TOWN OF TELLURIDE**  
**BALANCE SHEET –**  
**GOVERNMENTAL FUNDS**  
December 31, 2016

	General	Capital Improvement	Open Space	Affordable Housing	Block 23 Housing Corp.	Nonmajor Governmental Funds	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 3,564,603	\$ -	\$ -	\$ 300,197	\$ 47,703	\$ -	\$ 3,912,503
Investments	6,610,730	1,398,875	1,031,639	-	-	-	9,041,244
Receivables:							
Taxes	704,862	-	-	-	-	-	704,862
Trade	131,482	-	-	40,000	1,300	-	172,782
Notes	-	118,042	-	-	-	-	118,042
Intergovernmental	-	151,898	-	-	-	184,281	336,179
Miscellaneous	-	-	-	-	-	3,831	3,831
Due from other funds	132,210	481,357	1,551,917	2,344,257	-	741,346	5,251,087
Prepaid expenses	1,094	-	-	-	-	-	1,094
Restricted cash and investments	-	-	745,478	651,493	-	-	1,396,971
<i>Total Assets</i>	<u>\$ 11,144,981</u>	<u>\$ 2,150,172</u>	<u>\$ 3,329,034</u>	<u>\$ 3,335,947</u>	<u>\$ 49,003</u>	<u>\$ 929,458</u>	<u>\$ 20,938,595</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 626,270	\$ 65,482	\$ 58,293	\$ 390,809	\$ -	\$ 116,038	\$ 1,256,892
Due to other funds	4,705,465	-	-	-	-	108,162	4,813,627
Deposits	475,537	29,029	-	28,214	-	-	532,780
Unearned Revenue	70,219	118,042	-	345,441	-	-	533,702
<i>Total Liabilities</i>	<u>5,877,491</u>	<u>212,553</u>	<u>58,293</u>	<u>764,464</u>	<u>-</u>	<u>224,200</u>	<u>7,137,001</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Property tax revenue	642,194	-	-	-	-	-	642,194
<i>Total Deferred Inflows of Resources</i>	<u>642,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,194</u>
<b>FUND BALANCE</b>							
Nonspendable	1,094	-	-	-	-	-	1,094
Restricted for:							
Parks and open space	-	-	3,270,741	-	-	242,231	3,512,972
Affordable housing	-	-	-	2,571,483	-	-	2,571,483
Airline guarantee	-	-	-	-	-	743	743
Energy mitigation	-	-	-	-	-	390,129	390,129
Debt service	-	-	-	-	-	71,997	71,997
Emergency reserve	600,000	-	-	-	-	-	600,000
Assigned for:							
Affordable housing	-	-	-	-	49,003	-	49,003
Transportation	131,163	-	-	-	-	-	131,163
Capital outlay	-	1,937,619	-	-	-	158	1,937,777
Unassigned	3,893,039	-	-	-	-	-	3,893,039
<i>Total Fund Balance</i>	<u>4,625,296</u>	<u>1,937,619</u>	<u>3,270,741</u>	<u>2,571,483</u>	<u>49,003</u>	<u>705,258</u>	<u>13,159,400</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 11,144,981</u>	<u>\$ 2,150,172</u>	<u>\$ 3,329,034</u>	<u>\$ 3,335,947</u>	<u>\$ 49,003</u>	<u>\$ 929,458</u>	<u>\$ 20,938,595</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

December 31, 2016

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<b>Total Fund Balance - Governmental Funds</b>		\$ 13,159,400
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the funds:		
Cost	128,041,189	
Accumulated depreciation	<u>(25,725,872)</u>	102,315,317
Home inventory is expensed in the funds but recognized as inventory available for sale in the government-wide statements.		
		243,044
Long term liabilities including bonds and notes payable, capital leases, compensated absences, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.		
2010 Excise tax refunding bonds	(8,045,000)	
2010 Certificates of participation refunding bonds	(8,105,000)	
2009 Sales and use tax bonds	(2,347,001)	
2013 Certificates of participation bonds	(323,022)	
Block 23 Housing Corporation loan payable	(1,395,771)	
Unamortized premium on 2010 excise tax refunding bonds	(193,563)	
Unamortized premium on 2010 certificates of participation refunding bonds	(14,240)	
Accrued interest payable	(85,911)	
Compensated absences	<u>(271,506)</u>	<u>(20,781,014)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ 94,936,747</u></u></b>

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**GOVERNMENTAL FUNDS**

For the year ended December 31, 2016

	General	Capital Improvement	Open Space	Affordable Housing	Block 23 Housing Corp.	Nonmajor Governmental Funds	Total
<b>REVENUES</b>							
Taxes	\$ 5,912,362	\$ 3,759,012	\$ 2,341,712	\$ 782,475	\$ -	\$ 1,329,472	\$ 14,125,033
Licenses and permits	784,031	-	86,837	-	-	-	870,868
Intergovernmental	680,788	160,242	-	-	-	426,291	1,267,321
Charges for services	1,244,386	-	-	266,972	15,600	58,980	1,585,938
Fines and forfeitures	132,221	-	-	-	-	33,639	165,860
Donations	-	-	100,000	-	-	4,269	104,269
Investment earnings	68,871	-	6,731	4,427	31	37	80,097
Miscellaneous	42,146	40,391	953	314,273	-	13,872	411,635
<i>Total Revenues</i>	<u>8,864,805</u>	<u>3,959,645</u>	<u>2,536,233</u>	<u>1,368,147</u>	<u>15,631</u>	<u>1,866,560</u>	<u>18,611,021</u>
<b>EXPENDITURES</b>							
Current							
General government	4,472,473	221,848	-	-	-	32,054	4,726,375
Public safety	1,802,422	-	-	-	-	5,273	1,807,695
Public works	1,640,739	-	-	-	-	78,912	1,719,651
Culture and recreation	1,759,719	-	66,072	-	-	31,731	1,857,522
Economic development	-	-	-	-	3,243	1,302,792	1,306,035
Transportation	802,856	-	-	-	-	-	802,856
Capital outlay	-	2,526,974	1,909,784	1,678,552	-	1,842,450	7,957,760
Debt service							
Principal	-	-	535,000	112,135	-	74,150	721,285
Interest	-	-	732,219	158,051	-	13,649	903,919
Fees/issuance costs	-	-	-	500	-	-	500
<i>Total Expenditures</i>	<u>10,478,209</u>	<u>2,748,822</u>	<u>3,243,075</u>	<u>1,949,238</u>	<u>3,243</u>	<u>3,381,011</u>	<u>21,803,598</u>
<i>Excess (Deficiency) of Revenues Over Expenditures</i>	<u>(1,613,404)</u>	<u>1,210,823</u>	<u>(706,842)</u>	<u>(581,091)</u>	<u>12,388</u>	<u>(1,514,451)</u>	<u>(3,192,577)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from sale of capital assets	-	-	-	50,886	-	-	50,886
Transfers in	2,020,491	-	-	522,799	-	1,071,877	3,615,167
Transfers out	(426,637)	(2,321,000)	(30,000)	(38,000)	-	(128,588)	(2,944,225)
<i>Total Other Financing Sources (Uses)</i>	<u>1,593,854</u>	<u>(2,321,000)</u>	<u>(30,000)</u>	<u>535,685</u>	<u>-</u>	<u>943,289</u>	<u>721,828</u>
<i>Net Change in Fund Balance</i>	<u>(19,550)</u>	<u>(1,110,177)</u>	<u>(736,842)</u>	<u>(45,406)</u>	<u>12,388</u>	<u>(571,162)</u>	<u>(2,470,749)</u>
<b>Fund Balance - January 1 - as previously reported</b>	4,644,846	3,031,671	3,959,167	2,636,342	36,615	1,276,420	15,585,061
<b>Prior period adjustment</b>	-	16,125	48,416	(19,453)	-	-	45,088
<b>Fund Balance - January 1 - as restated</b>	<u>4,644,846</u>	<u>3,047,796</u>	<u>4,007,583</u>	<u>2,616,889</u>	<u>36,615</u>	<u>1,276,420</u>	<u>15,630,149</u>
<b>Fund Balance - December 31</b>	<u>\$ 4,625,296</u>	<u>\$ 1,937,619</u>	<u>\$ 3,270,741</u>	<u>\$ 2,571,483</u>	<u>\$ 49,003</u>	<u>\$ 705,258</u>	<u>\$ 13,159,400</u>

See accompanying notes.

**TOWN OF TELLURIDE**

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

December 31, 2016

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<b>Net Change in Fund Balance - Total Governmental Funds</b>		\$ (2,470,749)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	7,957,760	
Depreciation expense	<u>(2,319,818)</u>	5,637,942
The net effect of disposals of capital assets is to decrease net assets.		(20,758)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however, this transaction has no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in 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 premiums on long-term debt	10,904	
Debt principal payments	721,285	
Decrease in accrued interest	3,614	
Increase in compensated absences	<u>23,400</u>	759,203
<b>Change in Net Position of Governmental Activities</b>		<b><u><u>\$ 3,905,638</u></u></b>

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
December 31, 2016

	<b>Major Funds</b>			<b>Nonmajor</b>	<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Shandoka</b>	<b>Fund</b>	
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ 68,900	\$ 35,096	\$ 103,996
Receivables					
Taxes	606,773	-	-	-	606,773
Trade	166,094	170,422	22,590	-	359,106
Intergovernmental	-	198,428	-	-	198,428
Due from other funds	-	1,318,891	-	392,118	1,711,009
Restricted cash and investments	1,274,151	-	1,733,812	-	3,007,963
Capital assets					
Non-depreciable					
Land	-	308,011	4,413,000	-	4,721,011
Construction in progress	-	39,900	-	161,552	201,452
Depreciable, net of accumulated depreciation					
Buildings and building improvements	-	6,773	6,512,374	-	6,519,147
Treatment plants and systems	21,011,333	3,264,863	-	-	24,276,196
Equipment	8,201	161,246	153,458	-	322,905
<i>Net Capital Assets</i>	<u>21,019,534</u>	<u>3,780,793</u>	<u>11,078,832</u>	<u>161,552</u>	<u>36,040,711</u>
<i>Total Assets</i>	<u>23,066,552</u>	<u>5,468,534</u>	<u>12,904,134</u>	<u>588,766</u>	<u>42,027,986</u>
<b>LIABILITIES</b>					
Accounts payable	236,395	126,036	12,471	77,299	452,201
Due to other funds	849,627	-	1,298,842	-	2,148,469
Security deposits	-	-	198,626	-	198,626
Unearned revenue	16,873	16,873	12,046	-	45,792
Accrued interest payable	48,086	-	64,758	-	112,844
Accrued compensated absences payable	7,495	24,133	5,775	-	37,403
Noncurrent liabilities:					
Due within one year	641,770	-	298,000	-	939,770
Due after one year	11,720,208	-	7,170,834	-	18,891,042
<i>Total Liabilities</i>	<u>13,520,454</u>	<u>167,042</u>	<u>9,061,352</u>	<u>77,299</u>	<u>22,826,147</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property tax revenue	606,773	-	-	-	606,773
<i>Total Deferred Inflows of Resources</i>	<u>606,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>606,773</u>
<b>NET POSITION</b>					
Net investment in capital assets	8,657,556	3,780,793	3,609,998	161,552	16,209,899
Restricted for debt service	1,274,151	-	1,733,812	-	3,007,963
Unrestricted	(992,382)	1,520,699	(1,501,028)	349,915	(622,796)
<i>Total Net Position</i>	<u>\$ 8,939,325</u>	<u>\$ 5,301,492</u>	<u>\$ 3,842,782</u>	<u>\$ 511,467</u>	<u>\$ 18,595,066</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

For the year ended December 31, 2016

	Major Funds			Nonmajor	Total
	Water	Sewer	Shandoka	Fund	
<b>OPERATING REVENUES</b>					
Charges for sales and services	\$ 1,103,638	\$ 928,215	\$ 1,719,658	\$ 458,207	\$ 4,209,718
Miscellaneous	2,364	43,999	96,625	-	142,988
Meter sales	20,943	-	-	-	20,943
<i>Total Operating Revenues</i>	<u>1,126,945</u>	<u>972,214</u>	<u>1,816,283</u>	<u>458,207</u>	<u>4,373,649</u>
<b>OPERATING EXPENSES</b>					
Costs of sales and service	354,440	1,219,908	827,601	48,740	2,450,689
Depreciation	874,334	314,665	282,984	-	1,471,983
<i>Total Operating Expenses</i>	<u>1,228,774</u>	<u>1,534,573</u>	<u>1,110,585</u>	<u>48,740</u>	<u>3,922,672</u>
<i>Operating Income (Loss)</i>	<u>(101,829)</u>	<u>(562,359)</u>	<u>705,698</u>	<u>409,467</u>	<u>450,977</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Tax revenue	731,308	-	-	-	731,308
Investment earnings	9,297	-	1,827	-	11,124
Intergovernmental revenue	-	498,548	-	-	498,548
Interest rebate, Build America Bonds	119,389	-	-	-	119,389
Capital repairs and maintenance	(168,213)	-	-	-	(168,213)
Treasurer's fees	(14,080)	-	-	-	(14,080)
Interest expense	(536,203)	-	(451,884)	-	(988,087)
Gain (loss) on disposal of capital assets	(5,112)	3,831	-	-	(1,281)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>136,386</u>	<u>502,379</u>	<u>(450,057)</u>	<u>-</u>	<u>188,708</u>
<i>Income (Loss) before Capital Contributions and Transfers</i>	<u>34,557</u>	<u>(59,980)</u>	<u>255,641</u>	<u>409,467</u>	<u>639,685</u>
Capital contributions - tap fees	209,343	312,254	-	-	521,597
Transfers in	206,000	-	-	102,000	308,000
Transfers out	(416,877)	(416,877)	(145,188)	-	(978,942)
<i>Change in Net Position</i>	<u>33,023</u>	<u>(164,603)</u>	<u>110,453</u>	<u>511,467</u>	<u>490,340</u>
<b>Net Position - January 1, as previously reported</b>	<u>8,978,528</u>	<u>5,403,382</u>	<u>3,732,329</u>	<u>-</u>	<u>18,114,239</u>
<b>Prior period adjustment</b>	<u>(72,226)</u>	<u>62,713</u>	<u>-</u>	<u>-</u>	<u>(9,513)</u>
<b>Net Position - January 1, as restated</b>	<u>8,906,302</u>	<u>5,466,095</u>	<u>3,732,329</u>	<u>-</u>	<u>18,104,726</u>
<b>Net Position - December 31</b>	<u>\$ 8,939,325</u>	<u>\$ 5,301,492</u>	<u>\$ 3,842,782</u>	<u>\$ 511,467</u>	<u>\$ 18,595,066</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2016

	Major Funds			Nonmajor Fund	Total
	Water	Sewer	Shandoka		
Cash flows from operating activities:					
Charges for sales and services	\$ 1,107,307	\$ 920,816	\$ 1,730,648	\$ 458,207	\$ 4,216,978
Other operating receipts	3,649	43,998	96,625	-	144,272
Payments to employees	(141,693)	(319,712)	(313,105)	-	(774,510)
Payments to suppliers	(13,093)	(857,020)	(537,097)	28,559	(1,378,651)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>956,170</u>	<u>(211,918)</u>	<u>977,071</u>	<u>486,766</u>	<u>2,208,089</u>
Cash flows from non-capital financing activities:					
Interfund activity	(319,575)	317,428	322,484	(392,118)	(71,781)
Transfers from (to) other funds	(210,877)	(416,877)	(145,188)	102,000	(670,942)
<i>Net Cash Provided by (Used for) Non-Capital Financing Activities</i>	<u>(530,452)</u>	<u>(99,449)</u>	<u>177,296</u>	<u>(290,118)</u>	<u>(742,723)</u>
Cash flows from capital and related financing activities:					
Taxes	731,308	-	-	-	731,308
Treasurer's fees	(14,080)	-	-	-	(14,080)
Tap fees	209,343	312,254	-	-	521,597
(Acquisition) and disposition of capital assets	(204,962)	(527,423)	(990,065)	(161,552)	(1,884,002)
Capital maintenance and repair	(240,439)	-	-	-	(240,439)
Intergovernmental	-	526,536	-	-	526,536
Principal payments on noncurrent liabilities	(670,379)	-	(280,000)	-	(950,379)
Interest payments on noncurrent liabilities	(555,900)	-	(423,138)	-	(979,038)
Interest rebate - Build America Bonds	119,389	-	-	-	119,389
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(625,720)</u>	<u>311,367</u>	<u>(1,693,203)</u>	<u>(161,552)</u>	<u>(2,169,108)</u>
Cash flows from investing activities:					
Investment income	9,297	-	1,827	-	11,124
Net change in investments - Colotrust	190,705	-	475,051	-	665,756
<i>Net Cash Provided by Investing Activities</i>	<u>200,002</u>	<u>-</u>	<u>476,878</u>	<u>-</u>	<u>676,880</u>
<i>Net Increase (Decrease) in Cash</i>	<u>-</u>	<u>-</u>	<u>(61,958)</u>	<u>35,096</u>	<u>(26,862)</u>
<b>Cash at - January 1</b>	<u>-</u>	<u>-</u>	<u>130,858</u>	<u>-</u>	<u>130,858</u>
<b>Cash at - December 31</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,900</u>	<u>\$ 35,096</u>	<u>\$ 103,996</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

December 31, 2016

	Major Funds			Nonmajor Fund	Total
	Water	Sewer	Shandoka		
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (101,829)	\$ (562,359)	\$ 705,698	\$ 409,467	\$ 450,977
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	874,334	314,665	282,984	-	1,471,983
Loss on disposal of capital assets	1,282	-	-	-	1,282
Changes in operating assets and liabilities:					
Accounts receivable	(14,774)	(4,899)	(1,056)	-	(20,729)
Accounts payable	200,307	42,014	(25,893)	77,299	293,727
Security deposits	-	-	6,426	-	6,426
Unearned revenue	(2,500)	(2,500)	12,046	-	7,046
Compensated absences	(650)	1,161	(3,134)	-	(2,623)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 956,170</u>	<u>\$ (211,918)</u>	<u>\$ 977,071</u>	<u>\$ 486,766</u>	<u>\$ 2,208,089</u>
<b>Reconciliation of cash flow statement to statement of net position</b>					
Cash	\$ -	\$ -	\$ 68,900	\$ 35,096	\$ 103,996
Restricted cash and investments	1,274,151	-	1,733,812	-	3,007,963
	<u>\$ 1,274,151</u>	<u>\$ -</u>	<u>\$ 1,802,712</u>	<u>\$ 35,096</u>	<u>\$ 3,111,959</u>
<b>Non-cash transfer of assets from (to) other funds</b>	<u>\$ 445,780</u>	<u>\$ -</u>	<u>\$ (445,780)</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

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**Notes to Basic Financial Statements**

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**TOWN OF TELLURIDE, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Telluride, Colorado (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Financial Reporting Entity**

The Town operates under a Home Rule Charter and a Council-Manager form of government with seven elected Council members. As required by accounting principles generally accepted in the United States of America, these financial statements present the accounts and operations of all functions of the Town of Telluride (the primary government) and its component unit. The Town's major operations include public safety, street construction and maintenance, community development, parks, recreation programs, water and sewer services, and general administration.

Blended Component Unit

Block 23 Housing Corporation is a not-for-profit organization and is presented as a blended component unit of the Town because the Town exercises effective operational and financial control over the organization. Separate financial statements are not prepared for Block 23 Housing Corporation.

Related Organizations

The Town and the Town of Mountain Village entered into an agreement for the joint construction and operation of a regional sewage treatment facility. Each entity obtains its own financing for construction and improvements to the joint facility. The reserved capacity rights are 65% for the Town and 35% for the Town of Mountain Village. The Town owns and operates the joint facility. The Town reports its percentage interest in the joint facility as a capital asset and the entire joint facilities operating costs as an operating expense.

The Town entered into an agreement with San Miguel County, Colorado to jointly fund the costs of transit services in the Telluride region. The agreement is renewed annually. The system is governed by an oversight board and is operated by the Town.

The Marketing Telluride, Inc. (a Colorado nonprofit corporation) was formed primarily to provide the community of Telluride with services necessary to maintain, promote and manage tourism. The Marketing Telluride, Inc. receives funding from the Town, the Telluride Ski and Golf Company, the Town of Mountain Village, and San Miguel County. The total Town's contribution to The Marketing Telluride, Inc. consists of 80% of the Town's business license revenues, net of an administrative charge.

The San Miguel Community Facilities, Inc. is a Colorado nonprofit corporation that was formed to develop and construct community facilities such as early education and childcare facilities for the benefit of the Town and San Miguel County. The board is comprised of two members from the Town including the Town Manager and the Mayor and two members from San Miguel County including the County Manager and a member of the Board of County Commissioners.

### **Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town and its component unit. For the most part, the effect of interfund activity has been removed from these statements. 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 user charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those 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 properly excluded from program revenues are reported instead as general revenues.

### **Basis of Presentation - Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, if any, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and enterprise funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

### **Basis of Presentation - Fund Financial Statements**

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets, current liabilities, and appropriate deferred inflows of resources and deferred outflows of resources. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

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

The Town reports the following major governmental funds:

- *General Fund* – accounts for all financial resources of the Town, except those required to be accounted for in another fund. It is the Town's primary operating fund. Accounts of the Transportation subfund are included with the General Fund.
- *Capital Improvement Fund* – accounts for general government capital projects and outlays, economic and cultural development, public works and government facility maintenance, and transportation subsidies. It is financed primarily by real estate transfer tax revenues.

- *Open Space Fund* – accounts for the acquisition and maintenance of open space financed by twenty percent of unencumbered revenues generated from property taxes, sales and use taxes, real estate transfer taxes and business licenses. Reserves are developed over time and are then utilized to acquire real properties to be dedicated as open spaces.
- *Affordable Housing Fund* – accounts for a one-half (1/2) percent sales and use tax to finance the development and preservation of affordable housing.
- *Block 23 Housing Corporation (a blended component unit)* – accounts for the intergovernmental receipts and construction of affordable housing.

The remaining governmental funds are aggregated and presented as non-major funds. Those funds include:

- *Conservation Trust Fund* – accounts for State of Colorado lottery funds to be used for parks and recreation services and capital investment.
- *Airline Guarantee Fund* – accounts for excise taxes used to provide financial guarantees to airlines serving the Town.
- *Energy Mitigation Fund* – accounts for green energy fees charged by the Town to be used for energy conservation projects.
- *Street and Alley Fund* – accounts for resources to be used for the acquisition and construction of major capital assets.
- *Debt Service Fund* – accounts for special assessment debt service requirements, special assessment levies, general obligation debt service and lease purchase agreements.
- *Fund 22* – accounts for miscellaneous fees and donations to preserve and maintain parks.

The Town reports the following major enterprise funds:

- *Water Fund* – accounts for the revenues charged to constituents for water provided by the Town and the expenses to provide those services.
- *Sewer Fund* – accounts for the revenues charged to constituents as well as residents of several nearby communities for sewer services provided by the Town and the expenses to provide those services.
- *Shandoka Fund* – accounts for the activity in the Shandoka affordable housing units including the mortgage on the units, the rental income from the units and the costs to manage and maintain the affordable housing units.

The remaining enterprise funds are aggregated and presented as non-major funds. This includes:

- *Parking Fund* – accounts for all Town parking meter fees and parking permit fees and related activity.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only

the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

### **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. 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, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales tax, use tax, franchise fees, grant revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue sources. All other revenue items are considered to be measurable and available only when cash is received by the government.

### **Cash and Cash Equivalents**

For the purpose of the statement of cash flows of the enterprise funds, cash and cash equivalents consist of operating and restricted cash and highly liquid securities with an original maturity of three months or less from date of acquisition.

### **Investments**

Investments are presented at fair value determined from quoted market prices. The state investment pools exist under the laws of the State of Colorado and are registered with the Securities Commissioner of the State. The investment pools are similar to money market funds, with each share valued at \$1.

Colorado State Statutes authorize the Town to invest in obligations of the United States or obligations unconditionally guaranteed by the United States, bonds of the State of Colorado and its political subdivisions, certain obligations secured by mortgages, bankers acceptances, commercial paper, state investment pools, repurchase agreements, money market funds and guaranteed investment contracts.

### Housing Held for Resale

The housing inventory held for resale reported in the governmental activities column in the government-wide financial statements consists of a residential unit held for sale and is valued at cost which approximates market. Subsequent to year end, the residential unit was sold to a town employee (see Note P).

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### Restricted Cash and Investments

Certain proceeds of general obligation and revenue bonds, as well as other resources, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants, laws, ordinances or contracts. Restricted cash and investments consist of bond contingency reserves set aside to subsidize potential deficiencies from operations that could adversely affect debt service payment.

### Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the Town as assets that have a useful life of five or more years, and for which the initial, individual value equals or exceeds the following dollar amounts:

Asset Class	Minimum Dollar Value
Land	No Minimum
Buildings	No Minimum
Building and other improvements	\$ 20,000
Furniture and equipment	\$ 5,000
Infrastructure	\$ 25,000

All purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life are not capitalized. Gains or losses on dispositions of property and equipment are included in income.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Asset Class	Useful Life
Buildings	15 years
Building and other improvements	25 – 35 years
Furniture and equipment	5 – 10 years
Infrastructure	15 – 40 years

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capitalized assets because their useful life often extends beyond most other capital assets and are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Accrued Compensated Absences Payable**

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In the government-wide financial statements, vacation and sick pay are reported as expenses when incurred. In the governmental funds, vacation and sick pay that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable, available financial resources are not reported as expenditures in the governmental funds.

**Noncurrent Liabilities**

In the government-wide financial statements and in the enterprise fund financial statements, noncurrent liabilities, such as bonds payable, and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities columns in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the term of the related debt using the straight-line method of amortization.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as expenditures.

Certain of the Town's general obligation bonds, revenue bonds, refunding bonds, certificates of participation, and capital leases are serviced from taxes and other revenues of various governmental funds. Other general obligation bonds are serviced from the enterprise funds. The long-term compensated absences are serviced from revenues of the General Fund from future appropriations.

**Net Position**

Net position represents the difference between assets, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets. Net position is reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**Fund Balance**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

In addition to committed and assigned fund balances, there is a nonspendable fund balance which represents amounts that are not in spendable form (such as prepaid expenses or inventory) or are required to be maintained intact.

Restricted fund balance represents amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-making authority for the Town that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town Council has, by resolution, authorized the Town Manager to assign fund balance. The Town Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The Town Council or Town Manager has adopted financial policies to:

- assign funds for affordable housing needs.
- assign funds for transportation needs.
- assign funds for future capital projects.

Unassigned fund balance represents the residual portion of fund balance that does not meet any of the above criteria and is available for any purpose. The Town will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is Town policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

### **Minimum Fund Balance**

The Town has implemented a policy to maintain a General Fund balance of 15% of General Fund appropriations excluding appropriations for grant expenditures. The 15% minimum includes the 3% reserve required by TABOR.

### **Revenues and Expenditures/Expenses**

#### Program revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

### Property taxes

Property taxes as set by the Town Council are collected by the County Treasurer. Property taxes may be paid in installments with one-half of the total amount due payable on February 28 and the second half payable on June 15, or they may be paid in full by April 30. The County Treasurer remits property taxes collected to the Town by the 10th day of the month following collection. Property taxes receivable represent 2016 taxes collectible in 2017 and are shown as a deferred inflows of resources.

### Enterprise funds operating and nonoperating revenues and expenses

Enterprise 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 an enterprise fund's principal ongoing operations. The principal operating revenues of the water fund, sewer fund, Shandoka fund, and parking fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **NOTE B - BUDGETS**

The Town adheres to the following procedures in establishing budgetary data reflected in the financial statements:

- By August 1st of each year, the manager shall give public notice of budget preparation for the next fiscal year. The manager asks that all Town departments, boards, commissions or citizens submit within thirty days from the notice, any request for funds under the budget being prepared. The manager, with assistance from the finance director, then prepares a proposed budget for the ensuing fiscal year and submits it to the Council no later than forty-five days prior to any date required by state law for the certification to the County of the tax levy.
- The budget provides a complete financial plan of all Town funds and activities for the ensuing fiscal year, indicating anticipated revenues, proposed operating and capital expenditures, a provision for contingencies, and anticipated net surplus or deficit for the ensuing fiscal year.
- The manager and staff also prepare and submit to the Council each year an updated five-year financial plan for the Capital Improvement Fund. The update includes a five-year cash flow projection for the fund and highlights the restricted reserves established by law or budget policy.
- A public hearing on the proposed budget and proposed capital program is held by the Council in late October or early November.
- The Council adopts the budget by resolution on or before the final day established by law for the certification of the ensuing year's tax levy to the County. Adoption of the budget by the Council shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated and shall constitute a levy of the property tax therein proposed.
- If during the fiscal year the manager determines that there are revenues in excess of those estimated in the budget, the Council by ordinance may make supplemental appropriations for the year up to the amount of such excess. To meet an emergency affecting public property, health, peace or safety, the Council may make emergency appropriations. If at any time during the fiscal year it appears probable to the manager that the revenues available will be insufficient to meet the amount appropriated, the manager reports to the Council, indicating the estimated amount of deficit, any remedial action already taken, and a recommendation as to any other steps to be taken. Any time during the fiscal year the manager may transfer part or all of any

unencumbered appropriation balance within a department, office, agency or fund. Expenditures may not exceed appropriations at the fund level.

- Budget appropriations lapse at the end of each year.

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for long-term receivables and advances and capital lease financing, which are budgeted when liquidated rather than when the receivable/liability is incurred.

Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds. A reconciliation of the budgetary basis of reporting to reporting under generally accepted accounting principles is included the Statement of Revenues, Expenses and Changes in Net Position – Enterprise Funds.

Block 23 Affordable Housing, as a component unit, does not require a budget.

## **NOTE C - CASH DEPOSITS AND INVESTMENTS**

### **Cash deposits with financial institutions**

*Custodial credit risk for deposits.* The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to the custodial credit risk. The Town's deposits are governed by Colorado Statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is 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 aggregate uninsured deposits. All deposits of the Town are insured or collateralized with securities held by or for the entity. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2016, \$1,027,703 of the Town's deposits were covered by FDIC insurance and \$6,196,260 were collateralized under the PDPA.

### **Investments**

*Custodial credit risk for investments.* The custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The Town's investments are not deemed to be exposed to custodial credit risk because they are held by the Town or the Town's custody agent in the Town's name. Colorado statutes specify investments meeting defined rating and risk criteria in which local government may invest which include the following investments with terms of five years or less:

- Obligations of the United States and certain U.S. government agency securities
- Local government investment pools
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Guaranteed investment contracts
- Commercial paper

- Written repurchase agreements collateralized by certain authorized securities
- Banker’s acceptances of certain banks
- Certain money market funds

As of December 31, 2016, the Town had \$10,902,689 in governmental and business type funds in several local government investment pools established for local governments in Colorado to pool surplus funds (Colotrust). These pools are regulated by the Colorado Securities Commissioner. These pools operate similar to a money market fund and each share is equal in value to \$1.00. Investments of these pools consist of U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and agency securities. A designated custodial bank provides safekeeping and depository services to the pools in connection with the direct investment and withdrawal functions of the pools. Securities owned by the pools are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by the specific pool. Each pool is rated AAAM by Standard and Poor’s. Colotrust’s financial statements are available on their website at [www.colotrust.com](http://www.colotrust.com).

The above investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

The composition of all cash and investments held by the Town at December 31, 2016 is as follows:

Cash on hand:	\$	1,556
Deposits:		
Cash in checking account(s)		4,858,424
Money market funds		1,500,692
Certificates of deposit		199,316
	<i>Total deposits</i>	<u>6,559,988</u>
Investment pools		<u>10,902,689</u>
	<i>Total cash, deposits and investments</i>	<u>\$ 17,462,677</u>

The descriptions on the statement of net position related to cash and investments are as follows:

Cash and cash equivalents	\$	4,016,499
Investments		9,041,244
Restricted cash and investments		4,404,934
		<u>\$ 17,462,677</u>

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town manages its exposure to fair value losses arising from increasing interest rates by adhering to Colorado statutes which do not allow investment maturities to exceed five years unless specifically authorized by the governing body. The Town Council has not authorized longer maturities.

*Concentration of credit risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer or institution. The Town places no limit on the amount the Town may invest in any one issuer. More than five percent of the Town’s investments are in public entity investment pools. These investments represent 62% of the Town’s total cash, deposits and investments at December 31, 2016.

## NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance December 31, 2015	Additions	Deletions	Transfers	Balance December 31, 2016
<b>Governmental Activities</b>					
Capital Assets not being depreciated:					
Land	\$ 66,851,645	\$ -	\$ -	\$ -	\$ 66,851,645
Construction in progress	1,317,346	1,925,209	-	(901,614)	2,340,941
	<u>68,168,991</u>	<u>1,925,209</u>	<u>-</u>	<u>(901,614)</u>	<u>69,192,586</u>
Capital Assets being depreciated:					
Buildings	11,712,065	1,395,771	-	-	13,107,836
Infrastructure	30,405,043	1,309,982	-	-	31,715,025
Equipment & vehicles	5,427,822	378,389	(159,448)	-	5,646,763
Improvements	3,133,185	4,344,180	-	901,614	8,378,979
	<u>50,678,115</u>	<u>7,428,322</u>	<u>(159,448)</u>	<u>901,614</u>	<u>58,848,603</u>
Less accumulated depreciation:					
Buildings	(5,679,024)	(310,547)	-	-	(5,989,571)
Infrastructure	(13,687,642)	(1,170,251)	-	-	(14,857,893)
Equipment & vehicles	(3,820,489)	(512,613)	138,690	-	(4,194,412)
Improvements	(357,589)	(326,407)	-	-	(683,996)
	<u>(23,544,744)</u>	<u>(2,319,818)</u>	<u>138,690</u>	<u>-</u>	<u>(25,725,872)</u>
<i>Capital Assets being depreciated net:</i>	27,133,371	5,108,504	(20,758)	901,614	33,122,731
<i>Total Governmental Activities Capital Assets</i>	<u>\$ 95,302,362</u>	<u>\$ 7,033,713</u>	<u>\$ (20,758)</u>	<u>\$ -</u>	<u>\$ 102,315,317</u>
	Balance December 31, 2015	Additions	Deletions	Transfers	Balance December 31, 2016
<b>Business-type Activities</b>					
Capital Assets not being depreciated:					
Land	\$ 4,721,011	\$ -	\$ -	\$ -	\$ 4,721,011
Construction in progress	233,202	201,452	-	(233,202)	201,452
	<u>4,954,213</u>	<u>201,452</u>	<u>-</u>	<u>(233,202)</u>	<u>4,922,463</u>
Capital Assets being depreciated:					
Treatment plant & systems	36,415,361	511,549	(14,422)	233,202	37,145,690
Building & improvements	10,568,191	886,238	(51,299)	-	11,403,130
Equipment	477,072	300,323	(13,922)	-	763,473
	<u>47,460,624</u>	<u>1,698,110</u>	<u>(79,643)</u>	<u>233,202</u>	<u>49,312,293</u>
Less accumulated depreciation:					
Treatment plant & systems	(11,788,441)	(1,162,775)	14,422	-	(12,936,794)
Building & improvements	(4,616,580)	(250,120)	50,017	-	(4,816,683)
Equipment	(395,402)	(59,088)	13,922	-	(440,568)
	<u>(16,800,423)</u>	<u>(1,471,983)</u>	<u>78,361</u>	<u>-</u>	<u>(18,194,045)</u>
<i>Capital Assets being depreciated net:</i>	30,660,201	226,127	(1,282)	233,202	31,118,248
<i>Total Business-type Activities Capital Assets</i>	<u>\$ 35,614,414</u>	<u>\$ 427,579</u>	<u>\$ (1,282)</u>	<u>\$ -</u>	<u>\$ 36,040,711</u>

Depreciation expense was charged to function as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General Government	\$ 165,749	Water	\$ 874,334
Public Safety	41,447	Sewer	314,665
Public Works	1,567,682	Shandoka	282,984
Parks and Recreation	544,940	<i>Total</i>	<u>\$ 1,471,983</u>
<i>Total</i>	<u>\$ 2,319,818</u>		

**NOTE E - UNEARNED REVENUES**

Governmental funds and enterprise funds report *unearned revenue* in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds and enterprise funds were as follows:

<u>General Fund</u>		<u>Unearned</u>
Business licenses		<u>\$ 70,219</u>
	<i>Total General Fund</i>	<u>70,219</u>
 <u>Capital Improvements Fund</u>		
San Miguel Community Facilities		<u>118,042</u>
	<i>Total Capital Improvements Fund</i>	<u>118,042</u>
 <u>Affordable Housing Fund</u>		
Unearned revenues for mortgage due between funds		342,603
Boomerang lodge escrow		1,633
Housing bonds refundable		<u>1,205</u>
	<i>Total Affordable Housing Fund</i>	<u>345,441</u>
	<i>Total unavailable/unearned revenue for governmental funds</i>	<u>\$ 533,702</u>
 <u>Water Fund</u>		<u>Unearned</u>
Laundry tap fees		<u>\$ 16,873</u>
	<i>Total Water Fund</i>	<u>16,873</u>
 <u>Sewer Fund</u>		
Laundry tap fees		<u>16,873</u>
	<i>Total Sewer Fund</i>	<u>16,873</u>
 <u>Shandoka Fund</u>		
Unearned rent		<u>12,046</u>
	<i>Total Shandoka Fund</i>	<u>12,046</u>
	<i>Total unavailable/unearned revenue for enterprise funds</i>	<u>\$ 45,792</u>

**NOTE F - LONG-TERM LIABILITIES**

The following is a summary of long-term liability activity of the Town for the year ended December 31, 2016:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<b>Governmental Activities</b>					
Excise Tax Revenue Bonds:					
Series 2010	\$ 8,315,000	\$ -	\$ 270,000	\$ 8,045,000	\$ 275,000
Series 2010 Premium	203,752	-	10,189	193,563	-
Taxable Sales Tax Revenue Bonds:					
Series 2009	2,459,136	-	112,135	2,347,001	119,542
Certificates of Participation Series 2010	8,370,000	-	265,000	8,105,000	270,000
Certificates of Participation Series 2013	335,937	-	12,915	323,022	13,230
Premiums on certificates of participation	14,955	-	715	14,240	-
Block 23 Housing Corporation loan payable	-	1,395,771	-	1,395,771	1,395,771
Obligations under capital leases	61,235	-	61,235	-	-
Liabilities for Compensated Absences	294,906	416,785	440,185	271,506	-
<i>Total</i>	<u>\$ 20,054,921</u>	<u>\$ 1,812,556</u>	<u>\$ 1,172,374</u>	<u>\$ 20,695,103</u>	<u>\$ 2,073,543</u>

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<b>Business-type Activities</b>					
General Obligation Bonds:					
Tax Exempt GO Bonds					
Series 2010A	\$ 440,000	\$ -	\$ 440,000	\$ -	\$ -
Series 2010A Premium	38,294	-	38,294	-	-
Taxable GO Bonds Series 2010B	7,515,000	-	-	7,515,000	445,000
Multifamily Housing Revenue Bonds, Series 2002	6,055,000	-	225,000	5,830,000	240,000
Multifamily Housing Revenue Bonds, Series 2003	1,691,000	-	55,000	1,636,000	58,000
Certificates of Participation Series 2013	5,039,063	-	189,251	4,849,812	196,770
Liabilities for Compensated Absences	40,026	54,649	57,272	37,403	-
<i>Total</i>	<u>\$ 20,818,383</u>	<u>\$ 54,649</u>	<u>\$ 1,004,817</u>	<u>\$ 19,868,215</u>	<u>\$ 939,770</u>

**Long-term Governmental Activities**

Excise Tax Revenue Bonds:

The Town issued \$9,655,000 in Excise Tax Refunding Bonds, Series 2010 in August 2010 bearing interest from 2.00% to 5.00%. Principal and interest are payable semiannually on June 1 and December 1 and the final maturity date is December of 2036. The bonds were issued to refund the Adjustable Rate Excise Tax Revenue Bonds, Series 2007.

Taxable Sales Tax Revenue Bonds:

The Town issued Taxable Sales Tax Revenue Bonds on November 2, 2009 for the development and preservation of affordable housing within Telluride and the Telluride region. \$3,000,000 of the authorized \$5,000,000 was issued in this first series. The bonds mature on November 1, 2029 and are subject to mandatory sinking fund redemption, payable semi-annually on May 1 and November 1. Annual payments are \$270,186 with interest at 6.5%. The bonds maturing on November 1, 2019 and thereafter are subject to optional redemption at the option of the Town at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium.

Debt service requirements for governmental activities bonded debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 394,542	\$ 497,050	\$ 891,592
2018	412,439	481,591	894,030
2019	425,857	464,623	890,480
2020	444,831	446,949	891,880
2021	464,398	428,382	892,780
2022 – 2026	2,689,135	1,773,588	4,462,723
2027 – 2031	2,865,799	1,050,691	3,916,490
2032 – 2036	2,695,000	417,500	3,112,500
<i>Totals</i>	<u>\$ 10,392,001</u>	<u>\$ 5,560,374</u>	<u>\$ 15,952,375</u>

Certificates of Participation:

The Town issued \$5,755,000 in Certificates of Participation, Series 2013 on October 1, 2013 bearing an effective interest rate not to exceed 5.25%. Principal and interest are payable semiannually on June 1 and December 1 and are scheduled to mature in December of 2033. \$360,000 of the proceeds from the issuance was used to pay off a 2001 lease reported in the government wide statement of net position. \$5,395,000 of the proceeds was used for infrastructure improvements in the Water Fund.

The Town issued \$9,785,000 in Certificates of Participation, Series 2010 on August 10, 2010 bearing interest from 2.00% to 5.00% with a scheduled maturity of December 2036. Principal and interest are payable semiannually on June 1 and December 1. The COPs were issued to refund the Adjustable Rate Excise Tax Revenue Bonds, Series 2007.

Minimum future payments under the certificates of participation obligations for governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 283,230	\$ 383,244	\$ 666,474
2018	288,860	374,573	663,433
2019	299,490	365,587	665,077
2020	310,120	355,700	665,820
2021	320,750	343,984	664,734
2022 – 2026	1,824,775	1,505,101	3,329,876
2027 – 2031	2,286,825	1,043,657	3,330,482
2032 – 2036	2,813,972	431,871	3,245,843
<i>Totals</i>	<u>\$ 8,428,022</u>	<u>\$ 4,803,717</u>	<u>\$ 13,231,739</u>

### Block 23 Housing Corporation Loan Payable:

During the year ended December 31, 2016, the Town took out a loan with a principal balance of \$1,395,771 bearing interest at 3.75% to purchase a building for the Block 23 Housing Corporation. The loan and the building were transferred to the Block 23 Housing Corporation on December 30, 2016. The loan matures and becomes due on March 30, 2017.

### Business-type Activities

#### General Obligation Bonds:

During 2010, the Town issued the Tax-Exempt General Obligation Bonds Series 2010A for \$2,485,000 and Taxable General Obligation Bonds (Direct Pay Build America Bonds) Series 2010B for \$7,515,000.

Series 2010 bonds were issued to finance the construction of water facilities for the Town including a new water treatment plant, hydroelectric facilities, a booster pump station, and a chemical storage and transfer facility. The Series 2010A bonds included a net premium of \$51,343 that was amortized over the life of the 2010A bonds which matured in 2016.

Series 2010 Bonds require annual debt service payments from \$698,610 to \$824,398 including interest rates ranging from 2.00% to 4.70%. The Series 2010B (Build America Bonds) average coupon rate of 4.06% is established at a higher rate than those prevalent in the tax-exempt market because the interest paid is taxable to the investor. The US Treasury, in turn, will rebate 35% of the interest paid over the life of the bonds to the Town which are scheduled to mature in December 2030.

#### Revenue Bonds:

The Town, when establishing the Shandoka enterprise fund, recorded the establishment of the Multifamily Housing Revenue Bonds, Series 2002 with an unpaid balance of \$7,640,000 with monthly payments of \$45,707 and a final payment \$4,301,873 to be paid on October 15, 2022. The Town also recorded the establishment of the Multifamily Housing Revenue Bonds, Series 2003 with an unpaid balance of \$2,081,000 and monthly payment of \$11,637 with a final payment of \$1,085,000 on October 15, 2024.

Debt service requirements to maturity for business-type activities bonded debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 743,000	\$ 754,740	\$ 1,497,740
2018	766,000	724,425	1,490,425
2019	793,000	691,058	1,484,058
2020	827,000	655,330	1,482,330
2021	856,000	617,193	1,473,193
2022 – 2026	8,501,000	1,579,197	10,080,197
2027 - 2031	2,495,000	368,817	2,863,817
<i>Totals</i>	<u>\$ 14,981,000</u>	<u>\$ 5,390,760</u>	<u>\$ 20,371,760</u>

#### Certificates of Participation:

The Town issued \$5,755,000 in Certificates of Participation, Series 2013 on October 1, 2013 bearing an effective interest rate not to exceed 5.25% with a scheduled maturity of December 2033. Principal and interest are payable semiannually on June 1 and December 1. \$360,000 of the proceeds from the issuance was used to pay off a 2001 lease reported in the government wide statement of net position. \$5,395,000 of the proceeds was used for infrastructure improvements in the Water Fund.

The following are the debt service requirements to maturity for the Certificate of Participation in the Water Fund:

	Principal	Interest	Total
2017	\$ 196,770	\$ 210,839	\$ 407,609
2018	206,140	202,275	408,415
2019	215,510	193,303	408,813
2020	224,880	183,923	408,803
2021	234,250	174,136	408,386
2022 – 2026	1,335,225	708,371	2,043,596
2027 – 2031	1,663,175	390,479	2,053,654
2032 - 2033	773,862	50,569	824,431
<i>Totals</i>	<u>\$ 4,849,812</u>	<u>\$ 2,113,895</u>	<u>\$ 6,963,707</u>

**NOTE G – PENSION PLANS**

The Town’s full-time marshals are required to participate in the Town of Telluride Marshal’s Pension Plan, created in accordance with Internal Revenue Code Section 401. In this defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments earnings.

Both the employees and the Town contribute an amount equal to 11% upon hire and 12.5% after five years of the employee’s compensation. In 2016, the Town contributed \$75,397 to the plan.

For employees other than marshals, the Town has adopted the Town of Telluride Pension Plan, created in accordance with the Internal Revenue Code Section 401. In this defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All full-time employees, excluding elected officials, are required to participate in the plan. The Town and employees contribute 3% of employee compensation upon hire, 5% after the 5-year anniversary and 6% after the 10-year anniversary. In 2016, the Town contributed \$172,798 to the plan.

The Town has adopted the Town of Telluride Executive Retirement Plan for the manager and attorney, in accordance with Internal Revenue Code Section 401. The Town contributes 7% of compensation for the manager and the manager contributes 5%.The Town contributes 7% of compensation for the town attorney and the town attorney contributes 6%. During 2016, the Town contributed \$21,597 to the plan.

The Town offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held for the exclusive benefit of the participants or their beneficiaries. The Town has no ownership interest in the plan; nor is the Town liable for any losses under the plan.

**NOTE H - PUBLIC ENTITY RISK POOL**

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA) property and casualty pool, a public entity risk pool. CIRSA provides workers compensation, property and casualty insurance coverage to the Town. The coverage is provided through joint self-insurance, insurance and reinsurance, or any combination thereof. CIRSA’s rate setting policies are established by the Board of Directors, in consultation with independent actuaries. The Board of Directors is elected by the membership for two year terms. All actions of the membership require a 2/3 majority vote of all members

present at a meeting. The Town is subject to a supplemental assessment in the event of deficiencies, and may receive credit on future contributions in the event of a surplus.

CIRSA has entered into various excess insurance contracts to limit large losses and minimize exposure on large risks. Excess of loss contracts in effect during 2016 limit CIRSA's per occurrence exposure to \$500,000 for workers' compensation coverage, \$600,000 for liability coverage, \$500,000 for property coverage, and \$150,000 for crime coverage, and provide coverage to specified upper limits.

The Town Council approves the Town's continued membership in CIRSA via their annual review of the Town's budget.

#### **NOTE I – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, theft or damage to assets, errors and omissions, injuries to employees, and natural disasters.

Effective November 15, 1997, the Town adopted the Town of Telluride Employee Medical Benefit Plan to provide medical benefits to its employees. The plan self-insures the first \$35,000 per individual per year of covered medical claims. The maximum liability per individual is \$2,000,000 per employee on an annual basis. All funds of the Town participate in the program and make payments to the General Fund based on estimates of the amounts needed to pay prior and current-year claims. The claims liability of \$165,649, reported in the General Fund at December 31, 2016, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

As discussed in Note H, the Town is a member of CIRSA. CIRSA has a legal obligation for claims against its members to the extent that funds are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so. The ultimate liability to the Town from claims not covered by CIRSA is not presently determinable. Management and the Town's attorney are of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the Town's financial statements.

#### **NOTE J – CONTINGENCIES AND COMMITMENTS**

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town. The Town has also received notices of claims for damages. Since no suits have been filed, no determination of any potential liabilities can be made at this time.

The Town is in discussions regarding pending litigation related to property damage resulting from a municipal raw water pipeline. A lawsuit has not formally been filed. It is unknown whether the Town's insurance policy will cover the damages or if the Town will be liable for some or all of the costs. The amount, if any, the Town will owe is unknown.

The Town has had discussions regarding the use of one of their parking lots. The lot was financed through a grant in previous years and the Town is uncertain if any modifications to the lot or changes in use would require repayment of grant funds.

The Town receives a significant portion of its revenues from taxes, charges for services, and other income that is generated within the Town limits. This represents a geographic concentration of risk.

**NOTE K – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of December 31, 2016, is as follows:

	Due From Other Funds	Due to Other Funds
General fund	\$ 132,210	\$ -
Capital improvement fund	481,357	-
Open space fund	1,551,917	-
Affordable housing fund	2,344,257	-
Conservation trust fund	69,512	-
Airline guarantee fund	33,704	-
Energy mitigation fund	388,958	-
Debt service fund	71,997	-
Fund 22	177,175	-
Sewer fund	1,318,891	-
Parking fund	392,118	-
General fund	-	4,705,465
Street and alley fund	-	108,162
Water fund	-	849,627
Shandoka fund	-	1,298,842
<i>Total</i>	<u>\$ 6,962,096</u>	<u>\$ 6,962,096</u>

Interfund transfers:

	Transfers In						Total Transfers Out
	General	Affordable Housing	Street and Alley	Fund 22	Water	Parking	
General	\$ 104,760	\$ 250,000	\$ -	\$ 71,877	\$ -	\$ -	\$ 426,637
Capital improvement	865,000	250,000	1,000,000	-	206,000	-	2,321,000
Open space	30,000	-	-	-	-	-	30,000
Affordable housing	38,000	-	-	-	-	-	38,000
Airline guarantee	26,588	-	-	-	-	-	26,588
Debt Service	-	-	-	-	-	102,000	102,000
Water	416,877	-	-	-	-	-	416,877
Sewer	416,877	-	-	-	-	-	416,877
Shandoka	122,389	22,799	-	-	-	-	145,188
<i>Total transfer in</i>	<u>\$ 2,020,491</u>	<u>\$ 522,799</u>	<u>\$ 1,000,000</u>	<u>\$ 71,877</u>	<u>\$ 206,000</u>	<u>\$ 102,000</u>	<u>\$ 3,923,167</u>

**NOTE L - TAX, SPENDING AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, excluding “enterprises”. On November 8, 1994, the Town electorate authorized the Town to collect, receive, retain and spend all Town revenues beginning with the year ended December 31, 1994, without limitations imposed by TABOR. TABOR requires that an emergency reserve be maintained in the amount of three percent of the fiscal year spending. A portion of the General Fund’s fund balance is classified as restricted for emergencies as required. TABOR is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of TABOR.

**NOTE M – RELATED PARTY TRANSACTIONS**

On September 19, 2012 the Town of Telluride made a loan to the San Miguel Community Facilities, Inc. (SMCF) in the amount of \$140,000 for the construction of a childcare facility. SMCF is a related party due to the fact that the Town Manager and Town Mayor sit on the SMCF Board of Directors. Until October 1, 2017, SMCF will pay interest on the principal balance of the loan at an annual rate of 2.5%. Beginning October 1, 2017, SMCF will pay interest to the Town at an annual rate to be determined by adding .25% to the most recent Prime Rate published in the Wall Street Journal on the date that is 45 days before the Adjustment Date. Principal and interest payments on the loan are paid monthly commencing on November 1, 2012 and continuing until October 1, 2022 at which time the entire remaining principal balance shall become due and payable to the Town. The principal balance on the note receivable was \$118,042 at December 31, 2016.

**NOTE N – OPERATING LEASES**

The Town has lease agreements with unrelated parties for the use of office equipment with maturity dates ranging from 2017-2020. Total operating lease expenses paid by the Town for the year ended December 31, 2016 were \$40,164. The future minimum operating lease payments are as follows:

2017	\$	30,237
2018		10,275
2019		4,494
2020		3,078
	\$	<u>48,084</u>

**NOTE O - PRIOR PERIOD ADJUSTMENTS AND CLASSIFICATION ADJUSTMENTS**

Net position as of January 1, 2016 in the government-wide statements has been adjusted to reflect the sale of housing units held for resale that was not reflected in the government wide financial statements for the year ended December 31, 2015. Had these transactions been reflected, the net position as of December 31, 2015 would have decreased by \$248,859. The prior period adjustment is shown in the government-wide statement of activities as a change in beginning net position and is comprised of the following:

Reduction housing held for resale	\$	<u>(219,362)</u>
Decrease in net position	\$	<u>(219,362)</u>

Certain components of net position as of January 1, 2016 in the government-wide statements has been reclassified to reflect a change in classification of unearned revenues and notes receivable from presentation as government-wide assets and liabilities to presentation as governmental fund assets and liabilities as of December 31, 2015. Had this presentation been reflected, net position as of December 31, 2015 would have decreased by \$505,214. These reclassifications are shown in the government-wide statement of activities as a change in the beginning net position and are comprised of the following:

Reduction notes receivable	\$ (121,187)
Reduction unearned revenues	<u>\$ (384,027)</u>
Decrease in net position	<u>\$ (505,214)</u>

Fund balance as of January 1, 2016 in the Capital Improvement fund has been adjusted to reflect a correction to revenue related to real estate transfer taxes that was understated and was not reflected in the governmental fund statements for the year ended December 31, 2015. Had these transactions been reflected, the fund balance as of December 31, 2015 would have increased by \$16,125. The prior period adjustment is shown in the governmental funds statement of revenues, expenditures, and changes in fund balance as a change in beginning fund balance and is comprised of the following:

Increase in revenue	\$ 16,125
Increase in fund balance	<u>\$ 16,125</u>

Fund balance as of January 1, 2016 in the Open Space fund has been adjusted to reflect a correction to revenue related to real estate transfer taxes and related cash that was understated and was not reflected in the governmental fund statements for the year ended December 31, 2015. Had these transactions been reflected, the fund balance as of December 31, 2015 would have increased by \$48,416. The prior period adjustment is shown in the governmental funds statement of revenues, expenditures, and changes in fund balance as a change in beginning fund balance and is comprised of the following:

Increase in revenue	\$ 48,416
Increase in fund balance	<u>\$ 48,416</u>

Fund balance as of January 1, 2016 in the Affordable Housing fund has been adjusted to reflect a correction to construction in process and related capital outlay expenditures and accounts payable that were understated and were not reflected in the governmental fund statements or government wide statements for the year ended December 31, 2015. Fund balance as of January 1, 2016 in the Affordable Housing fund has also been adjusted to reflect a correction to THA fee revenue and accounts receivable that were understated and were not reflected in the governmental fund statements for the year ended December 31, 2015. Had these transactions been reflected, the fund balance as of December 31, 2015 would have decreased by \$19,453. The prior period adjustments is shown in the governmental funds statement of revenues, expenditures, and changes in fund balance as a change in beginning fund balance and is comprised of the following:

Increase in revenue	\$ 10,042
Increase in capital outlay expenditures	<u>\$ 29,495</u>
Decrease in fund balance	<u>\$ (19,453)</u>

Net position as of January 1, 2016 in the Water fund has been adjusted to reflect a correction to expenses related to an operating agreement and related accounts payable that were understated and were not reflected in the proprietary fund statements for the year ended December 31, 2015. Had these transactions been reflected, the net position as of December 31, 2015 would have decreased by \$72,226. The prior period adjustment is shown in the proprietary funds statement of revenues, expenditures, and changes in net position as a change in beginning net position and is comprised of the following:

Increase in expenses	<u>\$ 72,226</u>
Decrease in fund balance	<u>\$ (72,226)</u>

Net position as of January 1, 2016 in the Sewer fund has been adjusted to reflect a correction to revenue related to operating and maintenance reimbursements and related accounts receivable that were understated and were not reflected in the proprietary fund statements for the year ended December 31, 2015. Had these transactions been reflected, the net position as of December 31, 2015 would have increased by \$62,713. The prior period adjustment is shown in the proprietary funds statement of revenues, expenditures, and changes in net position as a change in beginning net position and is comprised of the following:

Increase in revenue	<u>\$ 62,713</u>
Increase in fund balance	<u>\$ 62,713</u>

The combined net effect of all prior period adjustments on the governmental funds and enterprise funds is as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
Capital Improvement Fund	\$ 16,125	Water Fund	\$ (72,226)
Open Space Fund	48,416	Sewer Fund	<u>62,713</u>
Affordable Housing Fund	<u>(19,453)</u>	<i>Total</i>	<u>\$ (9,513)</u>
<i>Total</i>	<u>\$ 45,088</u>		

The combined net effect of all prior period adjustments on government wide statement of activities is as follows:

Cumulative governmental funds prior period adjustments	\$ 45,088
Government-wide housing held for resale prior period adjustment	(219,362)
Government-wide reclassification adjustments	<u>(505,214)</u>
<i>Net effect of prior period adjustments and reclassification adjustments</i>	<u>\$ (679,488)</u>

#### **NOTE P - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 20, 2017, which is the date the financial statements were available to be issued.

On March 8, 2017 the Town and the Telluride Housing Authority closed on the \$8,602,000 Series 2017 Housing Revenue Bonds. The bond proceeds will be used to construct rental housing units and fees collected from renting these units will be used to make bond payments.

Subsequent to year end, the remaining housing unit held for resale was sold to a town employee for \$243,044 with the stipulation that the Town reserves the right of first refusal to repurchase the property if the employee defaults on the loan or terminates employment.

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**Required Supplemental Information**

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**TOWN OF TELLURIDE**  
**GENERAL FUND AND RELATED SUB-FUND**  
**COMBINING BALANCE SHEET**

December 31, 2016

	<b>General</b>	<b>Transportation</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,564,603	\$ -	\$ 3,564,603
Investments	6,610,730	-	6,610,730
Receivables:			
Taxes	704,862	-	704,862
Trade	131,482	-	131,482
Intergovernmental	-	-	-
Due from other funds	-	132,210	132,210
Prepaid expenses	1,094	-	1,094
<i>Total Assets</i>	\$ 11,012,771	\$ 132,210	\$ 11,144,981
<b>LIABILITIES</b>			
Accounts payable	\$ 625,223	\$ 1,047	\$ 626,270
Due to other funds	4,705,465	-	4,705,465
Deposits	475,537	-	475,537
Unearned revenue	70,219	-	70,219
<i>Total Liabilities</i>	5,876,444	1,047	5,877,491
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	642,194	-	642,194
<i>Total Deferred Inflows of Resources</i>	642,194	-	642,194
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Nonspendable	1,094	-	1,094
Restricted for:			
Emergency reserve	600,000	-	600,000
Assigned for:			
Transportation	-	131,163	131,163
Unassigned	3,893,039	-	3,893,039
<i>Total Fund Balance</i>	4,494,133	131,163	4,625,296
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	\$ 11,012,771	\$ 132,210	\$ 11,144,981

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL –**  
**GENERAL FUND AND RELATED SUB-FUND**

For the year ended December 31, 2016

	General Fund				Transportation Fund				Total Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<b>REVENUES</b>									
Taxes									
Sales taxes	\$ 5,515,321	\$ 5,595,321	\$ 4,620,880	\$ (974,441)	\$ -	\$ -	\$ -	\$ -	\$ 4,620,880
Use taxes	550,000	550,000	379,140	(170,860)	-	-	-	-	379,140
Motor vehicle taxes	160,000	190,000	166,186	(23,814)	-	-	-	-	166,186
Property taxes	614,633	614,633	509,681	(104,952)	-	-	-	-	509,681
Specific ownership tax	19,000	19,000	23,987	4,987	-	-	-	-	23,987
Penalties and interest on property tax	1,000	1,000	1,969	969	-	-	-	-	1,969
Franchise tax	191,000	191,000	206,234	15,234	-	-	-	-	206,234
Occupation tax	5,000	5,000	4,285	(715)	-	-	-	-	4,285
	<u>7,055,954</u>	<u>7,165,954</u>	<u>5,912,362</u>	<u>(1,253,592)</u>	-	-	-	-	<u>5,912,362</u>
Licenses and permits									
Business licenses	370,000	435,000	354,186	(80,814)	-	-	-	-	354,186
Building licenses and permits	230,000	253,000	239,805	(13,195)	-	-	-	-	239,805
Other	107,100	152,100	190,040	37,940	-	-	-	-	190,040
	<u>707,100</u>	<u>840,100</u>	<u>784,031</u>	<u>(56,069)</u>	-	-	-	-	<u>784,031</u>
Intergovernmental									
State									
Mineral leasing tax	36,000	36,000	30,192	(5,808)	-	-	-	-	30,192
Highway users tax	64,500	64,500	69,516	5,016	-	-	-	-	69,516
Marijuana sales	45,000	45,000	54,251	9,251	-	-	-	-	54,251
Tobacco tax	13,000	13,000	19,429	6,429	-	-	-	-	19,429
Grants	900	3,285	3,285	-	-	-	-	-	3,285
Motor vehicle registration tax	8,000	8,000	9,114	1,114	-	-	-	-	9,114
County									
Road and bridge tax	238,000	238,000	241,017	3,017	-	-	-	-	241,017
Other	1,000	1,000	1,311	311	250,000	250,000	252,673	2,673	253,984
	<u>406,400</u>	<u>408,785</u>	<u>428,115</u>	<u>19,330</u>	<u>250,000</u>	<u>250,000</u>	<u>252,673</u>	<u>2,673</u>	<u>680,788</u>
Charges for services									
General government	493,950	374,769	486,944	112,175	-	-	-	-	486,944
Public works	160,000	160,000	14,291	(145,709)	-	-	-	-	14,291
Parks and recreation fees	343,300	343,300	391,501	48,201	-	-	-	-	391,501
Festival attendance fee	250,000	281,049	318,254	37,205	-	-	-	-	318,254
Transportation	-	-	-	-	54,000	34,200	33,396	(804)	33,396
	<u>1,247,250</u>	<u>1,159,118</u>	<u>1,210,990</u>	<u>51,872</u>	<u>54,000</u>	<u>34,200</u>	<u>33,396</u>	<u>(804)</u>	<u>1,244,386</u>
Fines and forfeitures	74,550	74,550	132,221	57,671	-	-	-	-	132,221
Investment earnings	8,000	8,000	68,871	60,871	-	-	-	-	68,871
Miscellaneous	17,841	17,841	42,146	24,305	-	-	-	-	42,146
<i>Total Revenues</i>	<u>9,517,095</u>	<u>9,674,348</u>	<u>8,578,736</u>	<u>(1,095,612)</u>	<u>304,000</u>	<u>284,200</u>	<u>286,069</u>	<u>1,869</u>	<u>8,864,805</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL –**  
**GENERAL FUND AND RELATED SUB-FUND**

For the year ended December 31, 2016

	General Fund				Transportation Fund				Total Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<b>EXPENDITURES</b>									
General government									
Council	213,434	213,434	197,086	16,348	-	-	-	-	197,086
Court	51,085	51,085	46,332	4,753	-	-	-	-	46,332
Manager	365,830	366,750	362,234	4,516	-	-	-	-	362,234
Finance	427,930	427,930	384,004	43,926	-	-	-	-	384,004
Town attorney	334,700	349,770	347,622	2,148	-	-	-	-	347,622
Clerk	298,570	316,990	290,725	26,265	-	-	-	-	290,725
Planning	395,160	433,170	387,204	45,966	-	-	-	-	387,204
Building division	264,520	296,230	288,932	7,298	-	-	-	-	288,932
General services	982,269	989,269	943,028	46,241	-	-	-	-	943,028
Administrative services	259,550	267,240	265,269	1,971	-	-	-	-	265,269
Building maintenance	138,800	160,300	160,239	61	-	-	-	-	160,239
Community support	130,075	130,075	130,075	-	-	-	-	-	130,075
Salary Reserve	401,100	-	-	-	-	-	-	-	-
Contract services	598,520	682,220	669,723	(12,497)	-	-	-	-	669,723
	4,861,543	4,684,463	4,472,473	186,996	-	-	-	-	4,472,473
Public safety									
Law enforcement	1,645,768	1,802,517	1,802,422	95	-	-	-	-	1,802,422
	1,645,768	1,802,517	1,802,422	95	-	-	-	-	1,802,422
Public works									
Roads and utility	819,150	967,670	967,611	59	-	-	-	-	967,611
Administration and engineering	644,730	673,180	673,128	(52)	-	-	-	-	673,128
	1,463,880	1,640,850	1,640,739	7	-	-	-	-	1,640,739
Culture and recreation									
Parks	753,105	779,045	775,569	3,476	-	-	-	-	775,569
Recreation	810,310	859,980	859,909	71	-	-	-	-	859,909
CASE	127,656	127,656	124,241	(3,415)	-	-	-	-	124,241
	1,691,071	1,766,681	1,759,719	132	-	-	-	-	1,759,719
Transportation	-	-	-	-	892,125	892,125	802,856	(89,269)	802,856
<i>Total Expenditures</i>	9,662,262	9,894,511	9,675,353	187,230	892,125	892,125	802,856	(89,269)	10,478,209
<i>Deficiency of Revenues Over Expenditures</i>	(145,167)	(220,163)	(1,096,617)	(908,382)	(588,125)	(607,925)	(516,787)	(87,400)	(1,613,404)

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL –**  
**GENERAL FUND AND RELATED SUB-FUND**

For the year ended December 31, 2016

	General Fund				Transportation Fund				Total Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	1,332,463	1,332,463	1,335,491	3,028	675,000	685,000	685,000	-	2,020,491
Transfers out	(1,691,668)	(1,839,545)	(321,877)	1,517,668	(104,760)	(104,760)	(104,760)	-	(426,637)
<i>Total Other Financing Sources (Uses)</i>	<u>(359,205)</u>	<u>(507,082)</u>	<u>1,013,614</u>	<u>1,520,696</u>	<u>570,240</u>	<u>580,240</u>	<u>580,240</u>	<u>-</u>	<u>1,593,854</u>
<i>Net Change in Fund Balance</i>	<u>(504,372)</u>	<u>(727,245)</u>	<u>(83,003)</u>	<u>612,314</u>	<u>(17,885)</u>	<u>(27,685)</u>	<u>63,453</u>	<u>(87,400)</u>	<u>(19,550)</u>
<b>Fund Balance - January 1 - as previously reported</b>	4,577,136	4,577,136	4,577,136	-	67,710	67,710	67,710	-	4,644,846
<b>Prior period adjustment</b>	-	-	-	-	-	-	-	-	-
<b>Fund Balance - January 1 - as restated</b>	<u>4,577,136</u>	<u>4,577,136</u>	<u>4,577,136</u>	<u>-</u>	<u>67,710</u>	<u>67,710</u>	<u>67,710</u>	<u>-</u>	<u>4,644,846</u>
<b>Fund Balance - December 31</b>	<u>\$ 4,072,764</u>	<u>\$ 3,849,891</u>	<u>\$ 4,494,133</u>	<u>\$ 612,314</u>	<u>\$ 49,825</u>	<u>\$ 40,025</u>	<u>\$ 131,163</u>	<u>\$ (87,400)</u>	<u>\$ 4,625,296</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL – CAPITAL IMPROVEMENT FUND**

For the year ended December 31, 2016

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>			
Taxes	\$ 4,210,000	\$ 3,759,012	\$ (450,988)
Intergovernmental	160,649	160,242	(407)
Miscellaneous	64,200	40,391	(23,809)
<i>Total Revenues</i>	<u>4,434,849</u>	<u>3,959,645</u>	<u>(475,204)</u>
<b>EXPENDITURES</b>			
General government	3,261,905	221,848	3,040,057
Capital outlay	-	2,526,974	(2,526,974)
<i>Total Expenditures</i>	<u>3,261,905</u>	<u>2,748,822</u>	<u>513,083</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,172,944</u>	<u>1,210,823</u>	<u>37,879</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	125,000	-	(125,000)
Transfers out	(3,265,000)	(2,321,000)	944,000
<i>Total Other Financing Sources (Uses)</i>	<u>(3,140,000)</u>	<u>(2,321,000)</u>	<u>819,000</u>
<i>Net Change in Fund Balance</i>	<u>(1,967,056)</u>	<u>(1,110,177)</u>	<u>856,879</u>
<b>Fund Balance - January 1 - as previously reported</b>	3,031,671	3,031,671	-
<b>Prior period adjustment</b>	-	16,125	16,125
<b>Fund Balance - January 1 - as restated</b>	<u>3,031,671</u>	<u>3,047,796</u>	<u>16,125</u>
<b>Fund Balance - December 31</b>	<u>\$ 1,064,615</u>	<u>\$ 1,937,619</u>	<u>\$ 873,004</u>

See accompanying notes.

**TOWN OF TELLURIDE**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET TO ACTUAL – OPEN SPACE FUND

For the year ended December 31, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>				
Taxes	\$ 2,133,232	\$ 2,309,232	\$ 2,341,712	\$ 32,480
Licenses and permits	71,816	88,360	86,837	(1,523)
Intergovernmental	445,000	445,000	-	(445,000)
Donations	250,000	250,000	100,000	(150,000)
Investment earnings	1,400	1,400	6,731	5,331
Miscellaneous	-	-	953	953
<i>Total Revenues</i>	<u>2,901,448</u>	<u>3,093,992</u>	<u>2,536,233</u>	<u>(557,759)</u>
<b>EXPENDITURES</b>				
Culture and recreation	3,277,080	3,063,353	66,072	2,997,281
Capital outlay	-	-	1,909,784	(1,909,784)
Debt service				
Principal	535,000	535,000	535,000	-
Interest	732,220	732,220	732,219	1
<i>Total Expenditures</i>	<u>4,544,300</u>	<u>4,330,573</u>	<u>3,243,075</u>	<u>1,087,498</u>
<i>Deficiency of Revenues Under Expenditures</i>	<u>(1,642,852)</u>	<u>(1,236,581)</u>	<u>(706,842)</u>	<u>529,739</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(30,000)	(30,000)	(30,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(1,672,852)	(1,266,581)	(736,842)	529,739
<b>Fund Balance - January 1 - as previously reported</b>	3,959,167	3,959,167	3,959,167	-
<b>Prior period adjustment</b>	-	-	48,416	48,416
<b>Fund Balance - January 1 - as restated</b>	<u>3,959,167</u>	<u>3,959,167</u>	<u>4,007,583</u>	<u>48,416</u>
<b>Fund Balance - December 31</b>	<u>\$ 2,286,315</u>	<u>\$ 2,692,586</u>	<u>\$ 3,270,741</u>	<u>\$ 578,155</u>

See accompanying notes.

**TOWN OF TELLURIDE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET TO ACTUAL – AFFORDABLE HOUSING FUND**

For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>				
Taxes	\$ 714,000	\$ 714,000	\$ 782,475	\$ 68,475
Charges for services	106,000	75,900	266,972	191,072
Investment earnings	700	700	4,427	3,727
Miscellaneous	28,800	28,800	314,273	285,473
<i>Total Revenues</i>	<u>849,500</u>	<u>819,400</u>	<u>1,368,147</u>	<u>548,747</u>
<b>EXPENDITURES</b>				
Economic development	5,643,467	6,128,085	-	6,128,085
Capital outlay	-	-	1,678,552	(1,678,552)
Debt service				
Principal	1,837,136	1,837,136	112,135	1,725,001
Interest	158,051	158,051	158,051	-
Fees/issuance costs	500	500	500	-
<i>Total Expenditures</i>	<u>7,639,154</u>	<u>8,123,772</u>	<u>1,949,238</u>	<u>6,174,534</u>
<i>Deficiency of Revenues Under Expenditures</i>	<u>(6,789,654)</u>	<u>(7,304,372)</u>	<u>(581,091)</u>	<u>6,723,281</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of housing units	2,402,245	2,402,245	-	(2,402,245)
Proceeds from sale of capital assets	50,886	50,886	50,886	-
Proceeds from debt issuance	1,700,000	1,700,000	-	(1,700,000)
Transfers in	522,799	522,799	522,799	-
Transfers out	(38,000)	(38,000)	(38,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>4,637,930</u>	<u>4,637,930</u>	<u>535,685</u>	<u>(4,102,245)</u>
<i>Net Change in Fund Balance</i>	<u>(2,151,724)</u>	<u>(2,666,442)</u>	<u>(45,406)</u>	<u>2,621,036</u>
<b>Fund Balance - January 1 - as previously reported</b>	2,636,342	2,636,342	2,636,342	-
<b>Prior period adjustment</b>	-	-	(19,453)	(19,453)
<b>Fund Balance - January 1 - as restated</b>	<u>2,636,342</u>	<u>2,636,342</u>	<u>2,616,889</u>	<u>(19,453)</u>
<b>Fund Balance - December 31</b>	<u>\$ 484,618</u>	<u>\$ (30,100)</u>	<u>\$ 2,571,483</u>	<u>\$ 2,601,583</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL – CONSERVATION TRUST FUND**

For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>				
Intergovernmental	\$ 23,000	\$ 23,000	\$ 27,394	\$ 4,394
Miscellaneous	30	30	37	7
<i>Total Revenues</i>	<u>23,030</u>	<u>23,030</u>	<u>27,431</u>	<u>4,401</u>
<b>EXPENDITURES</b>				
Culture and recreation	23,030	117,868	10,591	107,277
Capital outlay	-	-	42,165	(42,165)
<i>Total Expenditures</i>	<u>23,030</u>	<u>117,868</u>	<u>52,756</u>	<u>65,112</u>
<i>Deficiency of Revenues Under Expenditures</i>	<u>-</u>	<u>(94,838)</u>	<u>(25,325)</u>	<u>69,513</u>
<i>Net Change in Fund Balance</i>	<u>-</u>	<u>(94,838)</u>	<u>(25,325)</u>	<u>69,513</u>
<b>Fund Balance - January 1</b>	<u>94,837</u>	<u>94,837</u>	<u>94,837</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 94,837</u>	<u>\$ (1)</u>	<u>\$ 69,512</u>	<u>\$ 69,513</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL – AIRLINE GUARANTEE FUND**

For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>REVENUES</b>				
Taxes	\$ 1,144,000	\$ 1,349,000	\$ 1,329,472	\$ (19,528)
<i>Total Revenues</i>	<u>1,144,000</u>	<u>1,349,000</u>	<u>1,329,472</u>	<u>(19,528)</u>
<b>EXPENDITURES</b>				
Economic development	<u>1,121,120</u>	<u>1,322,020</u>	<u>1,302,792</u>	<u>19,228</u>
<i>Excess of Revenues Over Expenditures</i>	<u>22,880</u>	<u>26,980</u>	<u>26,680</u>	<u>(300)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(22,880)</u>	<u>(26,980)</u>	<u>(26,588)</u>	<u>(392)</u>
<i>Net Change in Fund Balance</i>	<u>-</u>	<u>-</u>	<u>92</u>	<u>(692)</u>
<b>Fund Balance - January 1</b>	<u>651</u>	<u>651</u>	<u>651</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 651</u>	<u>\$ 651</u>	<u>\$ 743</u>	<u>\$ (692)</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL – ENERGY MITIGATION FUND**

For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>				
Charges for services	\$ 185,000	\$ 93,562	\$ 57,780	\$ (35,782)
Miscellaneous	20,000	20,000	9,872	(10,128)
<i>Total Revenues</i>	<u>205,000</u>	<u>113,562</u>	<u>67,652</u>	<u>(45,910)</u>
<b>EXPENDITURES</b>				
General government	50,000	55,000	32,054	22,946
<i>Excess of Revenues Over Expenditures</i>	<u>155,000</u>	<u>58,562</u>	<u>35,598</u>	<u>(22,964)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(125,000)	(125,000)	-	125,000
<i>Total Other Financing Sources (Uses)</i>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>125,000</u>
<i>Net Change in Fund Balance</i>	30,000	(66,438)	35,598	102,036
<b>Fund Balance - January 1</b>	<u>354,531</u>	<u>354,531</u>	<u>354,531</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 384,531</u>	<u>\$ 288,093</u>	<u>\$ 390,129</u>	<u>\$ 102,036</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL – STREET AND ALLEY FUND**

For the year ended December 31, 2016

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>			
Intergovernmental	\$ 300,000	\$ 398,897	\$ 98,897
<i>Total Revenues</i>	<u>300,000</u>	<u>398,897</u>	<u>98,897</u>
<b>EXPENDITURES</b>			
Public works	1,987,000	78,912	1,908,088
Capital outlay	-	1,785,985	(1,785,985)
<i>Total Expenditures</i>	<u>1,987,000</u>	<u>1,864,897</u>	<u>122,103</u>
<i>Deficiency of Revenues Under Expenditures</i>	<u>(1,687,000)</u>	<u>(1,466,000)</u>	<u>221,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,000,000	1,000,000	-
<i>Total Other Financing Sources (Uses)</i>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(687,000)	(466,000)	221,000
<b>Fund Balance - January 1</b>	466,158	466,158	-
<b>Fund Balance - December 31</b>	<u>\$ (220,842)</u>	<u>\$ 158</u>	<u>\$ 221,000</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL – DEBT SERVICE FUND**

For the year ended December 31, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>				
Charges for services	\$ 2,000	\$ 2,000	\$ 1,200	\$ (800)
<i>Total Revenues</i>	<u>2,000</u>	<u>2,000</u>	<u>1,200</u>	<u>(800)</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	72,393	72,393	74,150	(1,757)
Interest	16,831	16,831	13,649	3,182
<i>Total Expenditures</i>	<u>89,224</u>	<u>89,224</u>	<u>87,799</u>	<u>1,425</u>
<i>Deficiency of Revenues Under Expenditures</i>	<u>(87,224)</u>	<u>(87,224)</u>	<u>(86,599)</u>	<u>625</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(102,000)	(102,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(102,000)</u>	<u>(102,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(87,224)</u>	<u>(189,224)</u>	<u>(188,599)</u>	<u>625</u>
<b>Fund Balance - January 1</b>	<u>260,596</u>	<u>260,596</u>	<u>260,596</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 173,372</u>	<u>\$ 71,372</u>	<u>\$ 71,997</u>	<u>\$ 625</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL – FUND 22**

For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>				
Fines and forfeitures	\$ 41,100	\$ 41,100	\$ 33,639	\$ (7,461)
Donations	2,500	4,269	4,269	-
Miscellaneous	-	4,000	4,000	-
<i>Total Revenues</i>	<u>43,600</u>	<u>49,369</u>	<u>41,908</u>	<u>(7,461)</u>
<b>EXPENDITURES</b>				
Public safety	6,935	6,935	5,273	1,662
Culture and recreation	39,200	168,079	21,140	146,939
Capital outlay	-	-	14,300	(14,300)
<i>Total Expenditures</i>	<u>46,135</u>	<u>175,014</u>	<u>40,713</u>	<u>134,301</u>
<i>Excess (Deficiency) of Revenues Over Expenditures</i>	<u>(2,535)</u>	<u>(125,645)</u>	<u>1,195</u>	<u>126,840</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	71,877	71,877	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>71,877</u>	<u>71,877</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(2,535)</u>	<u>(53,768)</u>	<u>73,072</u>	<u>126,840</u>
<b>Fund Balance - January 1</b>	<u>99,647</u>	<u>99,647</u>	<u>99,647</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 97,112</u>	<u>\$ 45,879</u>	<u>\$ 172,719</u>	<u>\$ 126,840</u>

See accompanying notes.

**TOWN OF TELLURIDE**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET TO ACTUAL - WATER FUND**

For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>				
Charges for sales	\$ 1,015,024	\$ 1,015,024	\$ 1,103,638	\$ 88,614
Tap fees	500,000	401,970	209,343	(192,627)
Meter sales	24,000	24,000	20,943	(3,057)
Taxes	636,430	636,430	731,308	94,878
Investment earnings	4,000	4,000	9,297	5,297
Miscellaneous	2,000	2,000	2,364	364
Interest rebate	128,000	128,000	119,389	(8,611)
Transfers in	206,000	206,000	206,000	-
<i>Total Revenues</i>	<u>2,515,454</u>	<u>2,417,424</u>	<u>2,402,282</u>	<u>(15,142)</u>
<b>EXPENSES</b>				
Cost of sales and service	553,780	553,780	354,440	199,340
Treasurer's fees	14,000	14,000	14,080	(80)
Capital repairs and maintenance	864,050	864,050	168,213	695,837
Capital outlay	-	-	666,302	(666,302)
Debt service:				
Principal	632,085	632,085	632,187	(102)
Interest	564,077	594,077	536,203	57,874
Transfers out	416,877	416,877	416,877	-
<i>Total Expenses</i>	<u>3,044,869</u>	<u>3,074,869</u>	<u>2,788,302</u>	<u>286,567</u>
<i>Change in Net Position - Budgetary Basis</i>	<u>\$ (529,415)</u>	<u>\$ (657,445)</u>	<u>(386,020)</u>	<u>\$ 271,425</u>
Adjustments to GAAP Basis				
Loss on disposal of capital assets			(5,112)	
Capital outlay			666,302	
Depreciation expense			(874,334)	
Debt service principal			632,187	
<i>Change in Net Position - GAAP Basis</i>			<u>33,023</u>	
<b>Net Position</b> - January 1, as previously reported			8,978,528	
<b>Prior period adjustment</b>			<u>(72,226)</u>	
<b>Net Position</b> - January 1, as restated			<u>8,906,302</u>	
<b>Net Position</b> - December 31			<u>\$ 8,939,325</u>	

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET TO ACTUAL - SEWER FUND**

For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>				
Charges for sales and services	\$ 936,952	\$ 936,952	\$ 928,215	\$ (8,737)
Tap fees	500,000	401,970	312,254	(89,716)
Intergovernmental	709,015	709,015	498,548	(210,467)
Miscellaneous	20,000	20,000	43,999	23,999
<i>Total Revenues</i>	<u>2,165,967</u>	<u>2,067,937</u>	<u>1,783,016</u>	<u>(284,921)</u>
<b>EXPENSES</b>				
Cost of sales and service	2,025,755	2,229,005	1,219,908	1,009,097
Capital outlay	-	-	487,522	(487,522)
Transfers out	416,877	416,877	416,877	-
<i>Total Expenses</i>	<u>2,442,632</u>	<u>2,645,882</u>	<u>2,124,307</u>	<u>521,575</u>
<i>Change in Net Position - Budgetary Basis</i>	<u>\$ (276,665)</u>	<u>\$ (577,945)</u>	<u>(341,291)</u>	<u>\$ 236,654</u>
Adjustments to GAAP Basis				
Gain on disposal of capital assets			3,831	
Capital outlay			487,522	
Depreciation expense			(314,665)	
<i>Change in Net Position - GAAP Basis</i>			<u>(164,603)</u>	
<b>Net Position - January 1, as previously reported</b>			5,403,382	
<b>Prior period adjustment</b>			<u>62,713</u>	
<b>Net Position - January 1, as restated</b>			<u>5,466,095</u>	
<b>Net Position - December 31</b>			<u>\$ 5,301,492</u>	

See accompanying notes.

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**Other Supplemental Information**

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**TOWN OF TELLURIDE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET TO ACTUAL - SHANDOKA FUND**

For the year ended December 31, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>				
Charges for sales and services	\$ 1,712,832	\$ 1,712,832	\$ 1,719,658	\$ 6,826
Investment earnings	600	600	1,827	1,227
Miscellaneous	81,150	81,150	96,625	15,475
<i>Total Revenues</i>	1,794,582	1,794,582	1,818,110	23,528
<b>EXPENSES</b>				
Costs of sales and service	1,214,699	1,399,451	827,601	571,850
Capital outlay	-	-	507,921	(507,921)
Debt service:				
Principal	315,752	315,752	315,752	-
Interest	423,239	423,239	451,884	(28,645)
Transfer out	145,188	145,188	145,188	-
<i>Total Expenses</i>	2,098,878	2,283,630	2,248,346	35,284
<i>Change in Net Position - Budgetary Basis</i>	\$ (304,296)	\$ (489,048)	(430,236)	\$ 58,812
Adjustments to GAAP Basis				
Capital outlay			507,921	
Depreciation expense			(282,984)	
Debt service principal			315,752	
<i>Change in Net Position - GAAP Basis</i>			110,453	
<b>Net Position - January 1</b>			3,732,329	
<b>Net Position - December 31</b>			\$ 3,842,782	

See accompanying notes.

**TOWN OF TELLURIDE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET TO ACTUAL - PARKING FUND**

For the year ended December 31, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
<b>REVENUES</b>				
Charges for services	\$ 368,000	\$ 368,000	\$ 458,207	\$ 90,207
Transfers in	-	102,000	102,000	-
<i>Total Revenues</i>	368,000	470,000	560,207	90,207
<b>EXPENSES</b>				
Costs of sales and service	59,000	261,000	48,740	212,260
Capital outlay	-	-	161,552	(161,552)
<i>Total Expenses</i>	59,000	261,000	210,292	50,708
<i>Change in Net Position - Budgetary Basis</i>	\$ 309,000	\$ 209,000	349,915	\$ 140,915
Adjustments to GAAP Basis				
Capital outlay			161,552	
<i>Change in Net Position - GAAP Basis</i>			511,467	
<b>Net Position - January 1</b>			-	
<b>Net Position - December 31</b>			\$ 511,467	

See accompanying notes.

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: Town of Telleride
		YEAR ENDING : December 2016
This Information From The Records Of (example - City of _ or County of )	Prepared By: Lynne Beck	Phone: 9707282152

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

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

**II. RECEIPTS FOR ROAD AND STREET PURPOSES**

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	977,657
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	922,999
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	155,369
2. General fund appropriations	1,525,082	b. Snow and ice removal	241,903
3. Other local imposts (from page 2)	1,074,290	c. Other	
4. Miscellaneous local receipts (from page 2)	22,030	d. Total (a. through c.)	397,272
5. Transfers from toll facilities		4. General administration & miscellaneous	249,077
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	153,026
a. Bonds - Original Issues		6. Total (1 through 5)	2,700,031
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	2,621,402	b. Redemption	0
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	78,629	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	2,700,031	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	0
		<b>D. Payments to toll facilities</b>	0
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	2,700,031

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>	158,568		158,568	0
1. Bonds (Refunding Portion)				
<b>B. Notes (Total)</b>				0

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	2,700,031	2,700,031	0	0

Notes and Comments:

<b>LOCAL HIGHWAY FINANCE REPORT</b>		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2016	
<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	0	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	22,030
1. Sales Taxes	809,286	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	241,017	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	23,987	g. Other Misc. Receipts	
6. Total (1. through 5.)	1,074,290	h. Other	
c. Total (a. + b.)	1,074,290	i. Total (a. through h.)	22,030
	(Carry forward to page 1)		(Carry forward to page 1)
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	69,515	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	9,114	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.)	9,114	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	78,629	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		977,657	977,657
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)		0	977,657
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		0	977,657
			(Carry forward to page 1)
<b>Notes and Comments:</b>			