The Goldfield Corporation

Annual Report • 2016

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Forward-Looking Statements

This Annual Report includes forward-looking statements within the meaning of the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995 throughout this document. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate," "plan," and "continue" or similar words. We have based these statements on our current expectations about future events. Although we believe that our expectations reflected in or suggested by our forward-looking statements are reasonable, we cannot assure you that these expectations will be achieved. Our actual results may differ materially from what we currently expect. Factors that may affect the results of our operations include, among others: the level of construction activities by public utilities; the concentration of revenue from a limited number of utility customers; the loss of one or more significant customers; the timing and duration of construction projects for which we are engaged; our ability to estimate accurately with respect to fixed-price construction contracts; and heightened competition in the electrical construction field, including intensification of price competition. Other factors that may affect the results of our operations include, among others: adverse weather; natural disasters; effects of climate changes; changes in generally accepted accounting principles; ability to obtain necessary permits from regulatory agencies; our ability to maintain or increase historical revenue and profit margins; general economic conditions, both nationally and in our region; adverse legislation or regulations; availability of skilled construction labor and materials and material increases in labor and material costs; and our ability to obtain additional and/or renew financing. Other important factors which could cause our actual results to differ materially from the forward-looking statements in this document include, but are not limited to, those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this Annual Report and in the "Risk Factors" section in the Company's Form 10-K and the Company's other filings with the Securities and Exchange Commission which are available on the Company's website: http://www.goldfieldcorp.com and should be considered while evaluating our business, financial condition, results of operations and prospects.

You should read this Annual Report in conjunction with the other documents referenced to above and with the understanding that our actual future results may be materially different from what we expect. We may not update these forward-looking statements, even in the event that our situation changes in the future, except as required by law. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

TO OUR SHAREHOLDERS

In 2016, Goldfield achieved the highest revenue and earnings in our 110-year history as a public company and realized the fifth consecutive year of record revenues. The company's performance demonstrates our commitment to grow the business, strengthen operations and deliver results for our stockholders, all while successfully and safely executing projects and meeting customer needs.

Solid Growth

Compared to last year,

- *Revenue* grew 8% to a record $130 million from $121 million resulting from continued growth in fixed-price contracts and other electrical construction work;
- *Net income* increased to a record $13 million from $4.5 million fueled by revenue growth and sharply improved operating margins; and
- *Earnings per share* improved 183% to a record $0.51 from $0.18.

Over the past five years,

- *Revenue* has grown nearly 300%;
- *Earnings per share* have improved from $0.03 per share to $0.51 per share; and
- *Shareholders' equity* achieved a compounded annual growth rate of 26%.

Overall, these results demonstrate solid growth and a strong position in our marketplace in the Southeast and mid-Atlantic regions of the United States and Texas as a leading provider to the electric utility industry. We believe that our rigorous focus on operating efficiencies, maintaining a well-qualified work force and the strength of our long-standing customer relationships provide a solid foundation to build on our current successes.

Focus on Safety

Goldfield again finished 2016 with strong safety performance, taking a proactive approach to safety with a "Zero Incident" accident prevention policy. With executive level management and ongoing safety training for all employees, we ensure that safety remains top priority on every job entrusted to us. We are very proud to be a member of the Electrical Transmission & Distribution Partnership, a formal collaboration of industry stakeholders including premier electrical contractors, OSHA, EEI, IBEW and NECA working together to improve safety for workers.

Infrastructure Spending Growth

Looking forward, we are optimistic that the growth of energy infrastructure spending will remain robust. We believe our comprehensive service offering of transmission, foundations, substations, distribution, telecom/fiber and storm restoration will allow us to benefit from a broad range of future opportunities driven by increased utility demand.

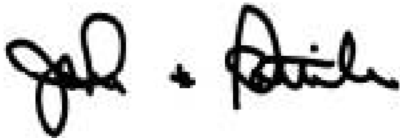
National initiatives to prioritize and jump-start infrastructure projects around the country are driven by the need to ensure grid reliability, the integration of renewable energy, and the upgrade of aging infrastructure throughout the United States. Regional efforts by utilities to replace oil and coal plants with natural gas plants and advanced, fuel-efficient energy centers will continue to present us with a solid source of project opportunities. Our large, modern fleet of equipment improves our efficiency and competitive edge to execute projects of all sizes and complexity, particularly in transmission construction.

While we cannot predict the scope of Goldfield's involvement, a number of our long-standing customers have announced significant initiatives in which we believe we are well positioned to participate, including:

- Florida Power & Light estimates investing $390 million in transmission and distribution and substation projects in 2017; [1]
- Duke Energy plans to invest $10 billion over the next five years focusing on grid modernization projects in Florida and the Carolinas;[2] and
- Lower Colorado River Authority capital plans include transmission projects of $232 million in 2017 and $528 million over the next five years through 2021.[3]

Moving Forward

The strategies which helped us achieve our 2016 milestones should continue to serve us well. With growing revenues and a solid balance sheet to support growing capital demand, we have a strong foundation to build long-term sustainable value for our shareholders, customers and employees. We look forward to 2017 with confidence.



President and Chief Executive Officer

April 19, 2017

[1]Source: http://newsroom.fpl.com/2015-07-02-FPL-announces-plans-to-move-forward-with-next-major-investment-in-continued-modernization-of-its-power-plant-fleet-building-on-successful-strategy-of-advancing-affordable-clean-energy-in-Florida and http://newsroom.fpl.com

[2]Source: https://www.duke-energy.com/_/media/pdfs/our-company/investors/news-and-events/2017/1qresults/4q2016slidesr2.pdf?la=en

[3]Source: http://www.lcra.org/about/financial-highlights/Documents/lcra-fy-2017-business-and-capital-plans.pdf

COMMON STOCK INFORMATION

Our Common Stock is listed on the NYSE MKT LLC under the symbol GV. Our Common Stock is the longest traded security on the NYSE MKT LLC and its predecessor exchanges, having commenced trading in 1906. The following table shows the reported high and low sales price at which our Common Stock was traded in 2016 and 2015:

	2016		2015	
	High	**Low**	**High**	**Low**
First Quarter	$ 1.74	$ 1.13	$ 2.85	$ 1.68
Second Quarter	3.44	1.70	2.06	1.20
Third Quarter	4.00	2.54	1.99	1.28
Fourth Quarter	5.40	2.60	1.93	1.44

As of March 13, 2017, there were 6,017 holders of record of our Common Stock.

SELECTED FINANCIAL DATA

The following table sets forth summary consolidated financial information for each of the years in the five-year period ended December 31, 2016:

	Year Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
	(In thousands except per share and share amounts)				
Continuing operations					
Revenue					
Electrical construction	$ 125,771	$ 119,617	$ 94,827	$ 88,755	$ 80,433
Other	4,652	955	3,537	449	1,196
Total revenue	$ 130,423	$ 120,571	$ 98,363	$ 89,204	$ 81,629
Income before taxes from continuing operations	$ 20,918	$ 8,204	$ 778	$ 7,792	$ 16,745
Income tax provision	7,810	3,378	653	3,285	4,783
Income from continuing operations	13,108	4,826	125	4,507	11,961
Discontinued operations [(1)]					
Loss from operations, net of tax	(108)	(333)	(444)	(724)	—
Net income	$ 13,000	$ 4,493	$ (319)	$ 3,783	$ 11,961
Earnings (loss) per share — basic and diluted					
Continuing operations	$ 0.52	$ 0.19	$ —	$ 0.18	$ 0.47
Discontinued operations	—	(0.01)	(0.02)	(0.03)	—
Net income (loss)	$ 0.51	$ 0.18	$ (0.01)	$ 0.15	$ 0.47
Weighted average shares outstanding — basic and diluted	25,451,354	25,451,354	25,451,354	25,451,354	25,451,354
Balance sheet data					
Total assets [(2)]	$ 91,302	$ 81,164	$ 79,910	$ 77,530	$ 57,073
Long term debt including current portion, net [(2)]	22,333	26,472	26,284	31,483	17,710
Stockholders' equity	48,251	35,251	30,758	31,077	27,293
Working capital	32,993	25,498	19,674	21,923	18,822

The total of the above categories may differ from the sum of the components due to rounding.

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(1) For information as to Discontinued Operations, see note 4 to the consolidated financial statements.

(2) Reflects the presentation of debt issuance costs in accordance with the adoption of Accounting Standard Update No. 2015-03 and 2015-15, which resulted in a reduction of total assets and long term debt of $60,000, $49,000, and $45,000 as of December 31, 2014, 2013 and 2012, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a provider of electrical construction services, primarily in the Southeast and mid-Atlantic regions of the United States and Texas. For the year ended December 31, 2016, our total consolidated revenue grew 8.2% to $130.4 million from $120.6 million in the same period in 2015.

Through our subsidiaries, Power Corporation of America ("PCA"), Southeast Power Corporation ("Southeast Power"), and C and C Power Line, Inc. ("C&C"), we are engaged in the construction of electrical infrastructure for the utility industry and industrial customers. Southeast Power performs electrical contracting services including the construction of transmission lines, distribution systems, substations, drilled pier foundations and other electrical services. Southeast Power is headquartered in Titusville, Florida and has additional offices in Bastrop, Texas and Spartanburg, South Carolina. C&C, headquartered in Jacksonville, Florida, is a full service electrical contractor that provides similar services as Southeast Power with a unionized workforce.

The electrical construction business is highly competitive and fragmented. We compete with other independent contractors, including larger regional and national firms that may have financial, operational, technical and marketing resources that exceed our own. We also face competition from existing and prospective customers establishing or augmenting in-house services and organizations that employ personnel who perform some of the same types of services as those provided by us. In addition, a significant portion of our electrical construction revenue is derived from a small group of customers, several of which account for a substantial portion of our revenue in any given year. The relative revenue contribution by any single customer or group of customers may significantly fluctuate from period-to-period. For example, for the years ended December 31, 2016 and 2015, three of our customers accounted for approximately 58% and 62% of our consolidated revenue, respectively. The loss of, or decrease in current demand from one or more of these customers, would, if not replaced by other business, result in a decrease in revenue, margins and profits, which could be material.

Critical Accounting Estimates

This discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to fixed-price electrical construction contracts, the adequacy of our accrued remediation costs and deferred tax assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities, that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our management has discussed the selection and development of our critical accounting policies, estimates, and related disclosure with the Audit Committee of the Board of Directors.

Percentage of Completion

We recognize revenue from fixed-price contracts on a percentage-of-completion basis, using primarily the cost-to-cost method based on the percentage of total cost incurred to date, in proportion to total estimated cost to complete the contract. Total estimated cost, and thus contract income, is impacted by several factors including, but not limited to: changes in productivity and scheduling, the cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, site conditions and scheduling that differ from those assumed in the original bid (to the extent contract remedies are unavailable), customer needs, customer delays in providing approvals and materials, the availability and skill level of workers in the geographic location of the project, a change in the availability and proximity of materials, and governmental regulation, may also affect the progress and estimated cost of a project's completion and thus the timing of income and revenue recognition.

A change order is a modification to a contract that changes the provisions of the contract, typically resulting from changes in scope, specifications, design, manner of performance, facilities, equipment, materials, sites, or period of completion of the work under the contract. Revenue from a change order is included in total estimated contract revenue only when it is probable that the change order will result in an addition to contract value and can be reliably estimated.

The accuracy of our revenue and profit recognition in a given period is almost solely dependent on the accuracy of our estimates of the cost to complete each project. Our projects can be complex and in almost every case the profit margin estimates for a project will either increase or decrease, to some extent, from the amount that was originally estimated at the time of bid. If a current estimate of total costs indicates a loss on a contract, the projected loss is recognized in full when determined. Accrued contract losses were insignificant as of December 31, 2016 and were $65,000 as of December 31, 2015. The accrued contract losses as of December 31, 2015 were mainly attributable to transmission projects experiencing either adverse weather conditions or unexpected construction issues. Revenue from change orders, extra work, variations in the scope of work and claims is recognized when realization is probable and estimable.

Accrued Remediation Costs

As described in note 4 to the consolidated financial statements, we completed remediation activities at a mining site which we sold over 50 years ago. We had a balance of accrued remediation costs, related mainly to Environmental Protection Agency response costs and monitoring of the site, as of December 31, 2016 and 2015, of $215,000 and $243,000, respectively. We anticipate that this accrual will be adequate to cover the full remediation costs. The accrual will be reviewed periodically based upon facts and circumstances available at the time.

Deferred Tax Assets and Liabilities

We account for income taxes in accordance with ASC Topic 740, *Income Taxes,* which establishes the recognition requirements. Deferred tax assets and liabilities are recognized for the future tax effects attributable to temporary differences and carryforwards between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

As of December 31, 2016, in accordance with ASU 2015-17, our deferred tax assets and liabilities are netted and reported as a non-current deferred tax liability on our balance sheet. Our non-current deferred tax liabilities are primarily comprised of tax depreciation in excess of book depreciation and are offset by our deferred tax assets, largely comprised of accrued vacation, accrued payables, accrued workers' compensation claims, accrued remediation costs, inventory adjustments and capitalized acquisition costs (refer to note 3 to the consolidated financial statements). The carrying amounts of deferred tax assets are reduced by a valuation allowance, if based on the available evidence, it is more likely than not such assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the deferred tax assets are expected to be recovered or settled. In the assessment for a valuation allowance, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with loss carryforwards expiring unused, and tax planning alternatives. If we determine we will not be able to realize all or part of our deferred tax assets, a valuation allowance would be recorded to reduce our deferred tax assets to the amount that is more likely than not to be realized.

Based on our assumption with respect to forecasts of future taxable income and tax planning strategies, among others, we anticipate being able to generate sufficient taxable income to utilize our deferred tax assets. Therefore, we have not recorded a valuation allowance against deferred tax assets. The minimum amount of future taxable income required to be generated to fully realize the deferred tax assets as of December 31, 2016 is approximately $2.0 million.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

The table below presents our operating income from continuing operations for the two year period ended December 31 as indicated:

	2016	2015
Revenue		
Electrical construction	$ 125,771,361	$ 119,616,561
Other	4,652,102	954,610
Total revenue	130,423,463	120,571,171
Costs and expenses		
Electrical construction	93,566,045	99,726,789
Other	3,242,887	785,405
Selling, general and administrative	5,913,132	4,747,492
Depreciation and amortization	6,312,164	6,559,241
Gain on sale of property and equipment	(17,535)	(22,840)
Total costs and expenses	109,016,693	111,796,087
Total operating income	$ 21,406,770	$ 8,775,084

Operating income equals total operating revenue less operating costs and expenses inclusive of depreciation and amortization, and selling, general and administrative expenses. Operating costs and expenses also include any gains or losses on the sale of property and equipment. Operating income excludes interest expense, interest income, other income, and income taxes.

Revenue

Total revenue for the year ended December 31, 2016, increased 8.2% to $130.4 million, from $120.6 million in 2015. Electrical construction operations revenue grew $6.2 million (5.1%) to $125.8 million, from $119.6 million in 2015, due primarily to continued growth in fixed-price contracts, partially offset by lower master service agreement (“MSAs”) volume, due to customer project scheduling.

Revenue from real estate development is included under the caption “Other” and was $4.7 million and $955,000 for the years ended December 31, 2016 and 2015, respectively, representing approximately 4% and 1%, respectively, of our total revenue for such years. This increase was mainly due to increased sales of residential properties. Our current real estate development activity is the construction of single and multi-family residential projects in Brevard County, Florida.

Backlog

Our backlog represents future services to be performed under existing project-specific fixed-price and maintenance contracts and the estimated value of future services that we expect to provide under our existing MSAs.

The table below presents our total backlog as of December 31, 2016 and 2015 along with an estimate of the backlog amounts expected to be realized within 12 months and during the life of each of the MSAs. The existing MSAs have initial terms ranging from one year to three years and some provide for renewals at the option of the customer. The calculation assumes exercise of the renewal options by the customer. Revenue from assumed exercise of renewal options represents $118.9 million (73.0%) of our total estimated MSA backlog as of December 31, 2016.

	Backlog as of December 31, 2016		Backlog as of December 31, 2015	
Electrical Construction Operations	**12-Month**	**Total**	**12-Month**	**Total**
Project-Specific Firm Contracts	$ 27,094,081	$ 27,094,081	$ 56,996,145	$ 60,195,066
Estimated MSAs	70,464,180	162,923,289	27,724,000	142,675,666
Total	$ 97,558,261	$ 190,017,370	$ 84,720,145	$ 202,870,732

Our 12-month backlog as of December 31, 2016 increased $12.8 million, due to favorable timing in the release of expected MSA projects. Project-specific firm backlog decreased as a result of the completion of several large fixed-price contracts in 2016.

Our total backlog as of December 31, 2016, was $190.0 million, compared to $202.9 million as of December 31, 2015, a decrease of 6.3%. The decrease in total backlog is primarily due to the aforementioned completion of several large fixed-price contracts in 2016.

Of our total backlog as of December 31, 2016, we expect approximately $97.6 million (51.3%) to be completed during 2017.

Backlog is only estimated at a particular point in time and is not determinative of total revenue in any particular period. It does not reflect future revenue from a significant number of short-term projects undertaken and completed between the estimated dates. Our electrical construction revenue in 2016 exceeded our 12-month backlog as of December 31, 2015 by 48.5%.

The estimated amount of backlog for work under MSAs is calculated by using recurring historical trends inherent in current MSAs and projected customer needs based upon ongoing communications with the customer. Our estimated backlog also assumes exercise of existing customer renewal options. Certain MSAs are not exclusive to the Company and, therefore, the size and amount of projects we may be awarded cannot be determined with certainty. Accordingly, the amount of future revenue from MSA contracts may vary substantially from reported backlog. Even if we realize all of the revenue from the projects in our backlog, there is no guarantee of profit from the projects awarded under MSAs.

As of December 31, 2016 and 2015, MSAs accounted for approximately 85.7% and 70.3% of total backlog, respectively. We plan to continue our efforts to grow MSA business. MSA contracts are generally multi-year and should provide improved operating efficiencies.

Backlog is not a term recognized under U.S. generally accepted accounting principles, but is a common measurement used in our industry. While we believe that our methodology of calculation is appropriate, such methodology may not be comparable to that employed by some other companies. Given the duration of our contracts and MSAs and our method of calculating backlog, our backlog at any point in time may not accurately represent the revenue that we expect to realize during any period and our backlog as of the end of the year may not be indicative of the revenue we expect to earn in the following year and should not be viewed or relied upon as a stand-alone indicator. Consequently, we cannot provide assurance as to our customers’ requirements or our estimates of backlog.

Revenue estimates included in our backlog may be subject to change as a result of project accelerations, additions, cancellations or delays due to various factors, including but not limited to: commercial issues, material deficiencies, permitting, regulatory requirements and adverse weather. Our customers are not contractually committed to a specific level of services under our MSAs.

While we did not experience any material cancellations during the current period, most of our contracts may be terminated, even if we are not in default under the contract.

Operating Results

Total operating income increased to $21.4 million for the year ended December 31, 2016, from $8.8 million in 2015. This increase was mainly attributable to the increase in electrical construction revenue and in electrical construction operations operating margin as a result of completing several large profitable projects. Also contributing to this increase were improved operating efficiencies and an overall increase in "Other." The 2015 results included operating losses from Texas projects which were not experienced in 2016.

Electrical construction operations operating income (a non-GAAP financial measure) increased to $24.8 million for the year ended December 31, 2016, from $13.2 million in 2015. This was mainly due to the aforementioned increase in revenue and improved operating margins, primarily attributable to improved performance on projects in Texas and the successful completion of several large fixed-price contracts, partially offset by increased electrical construction costs consistent with the higher level of operations. As a result, electrical construction operations operating margins (a non-GAAP financial measure) increased to 19.7% for the year ended December 31, 2016, from 11.0% in 2015.

The table below provides a reconciliation of (i) our total operating income to our electrical construction operations operating income (a non-GAAP financial measure) and (ii) our operating margins to our electrical construction operations operating margins (a non-GAAP financial measure) for the years ended December 31, 2016 and 2015:

Electrical Construction Operations Operating Income	**2016**	**2015**
Total operating income (GAAP as reported)	$ 21,406,770	$ 8,775,084
Total operating income (GAAP as reported) as a percentage of total revenue ($130,423,463 and $120,571,171 for the years ended December 31, 2016 and 2015, respectively)	16.4%	7.3%
Other operations gross margin	(1,409,215)	(169,205)
Non-electrical construction selling, general and administrative	4,647,321	4,443,178
Non-electrical construction depreciation and amortization	132,333	134,771
Non-electrical construction loss on sale of property and equipment	206	113
Electrical construction operations operating income	$ 24,777,415	$ 13,183,941
Electrical construction operations operating income as a percentage of electrical construction revenue ($125,771,361 and $119,616,561 for the years ended December 31, 2016 and 2015, respectively)	19.7%	11.0%

Electrical construction operations operating income (a non-GAAP financial measure) is defined as total operating income adjusted for non-electrical construction activity within total operating income including: other operations gross (margin) loss and non-electrical construction selling, general and administrative, depreciation and amortization, and gain or loss on sale of property and equipment. Electrical construction operations operating income does not purport to be an alternative to the Company's total operating income as a measure of operations. Because not all companies use identical calculations, this presentation of electrical construction operations operating income may not be comparable to other similarly-titled measures of other companies. We believe investors benefit from the presentation of electrical construction operations operating income in evaluating our operating performance because it provides our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations and is useful in comparing our operating results with those of our competitors.

The table below provides a reconciliation of our net income to EBITDA (a non-GAAP financial measure) for the years ended December 31, 2016 and 2015:

EBITDA	**2016**	**2015**
Net income (GAAP as reported)	$ 12,999,749	$ 4,493,142
Interest expense, net of amount capitalized	591,176	667,596
Provision for income taxes, net [(1)]	7,743,691	3,177,446
Depreciation and amortization [(2)]	6,312,164	6,559,241
EBITDA	$ 27,646,780	$ 14,897,425

[(1)] Provision for income tax, net is equal to the total amount of tax provision, which includes the tax benefit for discontinued operations.

[(2)] Depreciation and amortization includes depreciation on property, plant and equipment and amortization of finite-lived intangible assets.

EBITDA, a non-GAAP performance measure used by management, is defined as net income plus: interest expense, provision (benefit) for income taxes and depreciation and amortization, as shown in the table above. EBITDA, a non-GAAP financial measure, does not purport to be an alternative to net income as a measure of operating performance or to net cash flows provided by operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly-titled measures of other companies. We use, and we believe investors benefit from the presentation of, EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that EBITDA is useful to investors and other external users of our financial statements in evaluating our operating performance because EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, and depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired.

Using EBITDA as a performance measure has material limitations as compared to net income, or other financial measures as defined under U.S. GAAP as it excludes certain recurring items which may be meaningful to investors. EBITDA excludes interest expense; however, as we have borrowed money in order to finance transactions and operations, interest expense is an element of our cost structure and can affect our ability to generate revenue and returns for our stockholders. Further, EBITDA excludes depreciation and amortization; however, as we use capital and intangible assets to generate revenues, depreciation and amortization are a necessary element of our costs and ability to generate revenue. Finally, EBITDA excludes income taxes; however, as we are organized as a corporation, the payment of taxes is a necessary element of our operations. As a result of these exclusions from EBITDA, any measure that excludes interest expense, depreciation and amortization and income taxes has material limitations as compared to net income. When using EBITDA as a performance measure, management compensates for these limitations by comparing EBITDA and net income in each period, so as to allow for the comparison of the performance of the underlying core operations with the overall performance of the company on a full-cost, after-tax basis. Using both EBITDA and net income to evaluate the business allows management and investors to (a) assess our relative performance against our competitors and (b) monitor our capacity to generate returns for our stockholders.

Costs and Expenses

Total costs and expenses decreased by $2.8 million to $109.0 million for the year ended December 31, 2016, from $111.8 million in the same period in 2015. This decrease is the result of the aforementioned improvements in operating efficiencies and the completion in 2015 of the higher costs associated with the Texas projects not experienced in 2016.

Electrical construction operations costs and expenses (excludes depreciation and amortization, selling, general and administrative expenses, and loss on sale of property and equipment) decreased by $6.2 million to $93.6 million for the year ended December 31, 2016, from $99.7 million in 2015. This decrease was primarily attributable to the continued operating efficiencies and improved performance of our projects in Texas.

The increase in our "Other" costs and expenses of $2.5 million is mainly due to the costs of sales attributable to the residential properties sold during the year ended December 31, 2016. These costs totaled $3.2 million, for the year ended December 31, 2016, compared to $785,000 in 2015.

The following table sets forth selling, general and administrative ("SG&A") expenses for the years ended December 31 as indicated:

	2016	2015
Electrical construction operations	$ 1,265,811	$ 304,314
Other	832,260	489,027
Corporate	3,815,061	3,954,151
Total	$ 5,913,132	$ 4,747,492

SG&A expenses increased 24.6% to $5.9 million for the year ended December 31, 2016, from $4.7 million for the year ended December 31, 2015. The increase in SG&A expenses was mainly attributable to increases in corporate administrative expenditures, mainly compensation, during the year ended December 31, 2016, when compared to the same period in 2015, primarily due to the Company's growth. As a percentage of revenue, SG&A expenses increased to 4.5% for 2016, from 3.9% in 2015, due primarily to the aforementioned increase in SG&A expenses during 2016. For the year ended December 31, 2016, electrical construction operations SG&A expenses includes amounts allocated from our Corporate SG&A expenses, mainly due to the Company's growth.

The following table sets forth depreciation and amortization expense for the years ended December 31 as indicated:

	2016	2015
Electrical construction operations	$ 6,179,831	$ 6,424,470
Other	15,103	14,770
Corporate	117,230	120,001
Total	$ 6,312,164	$ 6,559,241

Depreciation and amortization expense, which includes $62,000 of amortization expense for acquired intangibles, decreased to $6.3 million for the year ended December 31, 2016, from $6.6 million for the year ended December 31, 2015, as a result of lower capital expenditures.

Income Taxes

The following table presents our provision for income tax and effective income tax rate from continuing operations for the years ended December 31 as indicated:

	2016	2015
Income tax provision	$ 7,809,768	$ 3,378,205
Effective income tax rate	37.3%	41.2%

Our effective tax rate for the year ended December 31, 2016 was 37.3% and differs from the federal statutory rate of 35% mainly due to state income taxes and nondeductible expenses offset by a significant domestic production activities deduction. Our effective tax rate for the year ended December 31, 2015 was 41.2% and differs from the federal statutory rate of 34% mainly due to state income taxes and a similar amount of nondeductible expenses as 2016, offset by a smaller domestic production activities deduction.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital Analysis

Our primary cash needs have been for capital expenditures and working capital. Our primary sources of cash have been cash flow from operations and borrowings under our lines of credit and equipment financing. As of December 31, 2016, we had cash and cash equivalents of $20.6 million and working capital of $33.0 million, as compared to cash and cash equivalents of $11.4 million, and working capital of $25.5 million as of December 31, 2015.

In addition to cash flow from operations, we have an $18.0 million revolving line of credit, of which $13.6 million was available for borrowing as of December 31, 2016. This revolving line of credit is used as a Working Capital Loan, as discussed in note 7 to the consolidated financial statements. We anticipate that this cash on hand, our credit facilities and our future cash flows from operating activities will provide sufficient cash to enable us to meet our operating needs and debt requirements for the next twelve months.

Cash Flow Analysis

The following table presents our net cash flows for each of the years ended December 31 as indicated:

	2016	2015
Net cash provided by operating activities	$ 18,057,251	$ 5,567,807
Net cash used in investing activities	(4,669,739)	(4,153,000)
Net cash (used in) provided by financing activities	(4,162,102)	137,252
Net increase in cash and cash equivalents	$ 9,225,410	$ 1,552,059

Operating Activities

Cash flows from operating activities are comprised of net income, adjusted to reflect the timing of cash receipts and disbursements therefrom. Our cash flows are influenced by the level of operations, operating margins and the types of services we provide, as well as the stages of our electrical construction projects.

Cash provided by our operating activities totaled $18.1 million for the year ended December 31, 2016, compared to cash provided by operating activities of $5.6 million for 2015. The increase in cash flows from operating activities was approximately $12.5 million, and was primarily due to the changes reflected in our net income. Operating cash flows normally fluctuate relative to the status of our electrical construction projects.

Days of Sales Outstanding Analysis

We evaluate fluctuations in our "accounts receivable and accrued billings" and "costs and estimated earnings in excess of billings on uncompleted contracts," for our electrical construction operations, by comparing days of sales outstanding ("DSO"). We calculate DSO as of the end of any period by utilizing the respective quarter's electrical construction revenue to determine sales per day. We then divide "accounts receivable and accrued billings, net of allowance for doubtful accounts" at the end of the period, by sales per day, to calculate DSO for accounts receivable. To calculate DSO for costs and estimated earnings in excess of billings, we divide "costs and estimated earnings in excess of billings on uncompleted contracts," by sales per day.

For the quarters ended December 31, 2016 and 2015, our DSO for accounts receivable were 58 and 54, respectively, and our DSO for costs and estimated earnings in excess of billings on uncompleted contracts were 22 and 33, respectively. The increase in our DSO for accounts receivable and accrued billings for the quarter ended December 31, 2016, when compared to the same quarterly period in 2015 was mainly due to the aforementioned increase in revenue mainly attributable to the increase in fixed-price contract project revenue. The decrease in our DSO for costs and estimated earnings in excess of billings was mainly due to the decrease in the balance of costs and estimated earnings in excess of billings of large projects when compared to the same quarterly period in 2015. As of March 13, 2017, we have received approximately 98.8% of our December 31, 2016 outstanding trade accounts receivable and have billed 88.6% of our costs and estimated earnings in excess of billings balance.

Income Taxes Paid

Income tax payments increased to $8.1 million for the year ended December 31, 2016 from $88,000 for the year ended December 31, 2015. Taxes paid for the year ended December 31, 2016 included approximately $500,000 for 2015 and the remaining $7.6 million for the estimated 2016 income tax liability. Taxes paid for the year ended December 31, 2015 included $26,000 for the 2014 income tax liability, $7,000 for the settlement of unrecognized tax benefits on state income taxes from prior years and the remaining $55,000 for the estimated 2015 income tax liability.

Investing Activities

Cash used in investing activities for the year ended December 31, 2016, was $4.7 million, compared to cash used in investing activities of $4.2 million for 2015. The increase in cash used in our investing activities for the year ended December 31, 2016, when compared to 2015, is attributable to a decrease in proceeds from the sales of property, plant and equipment of $1.5 million, offset by a decrease in capital expenditures of $1.0 million when compared to 2015. Our capital expenditures are mainly for the

purchases of equipment, primarily trucks and heavy machinery, used by our electrical construction operations for the upgrading and replacement of equipment. Our capital budget for 2017 is expected to total approximately $9.1 million, the majority of which is for continued upgrading and purchases of equipment, for our electrical construction operations. We plan to fund these purchases through our cash on hand and equipment financing, consistent with past practices.

Financing Activities

Cash used in financing activities for the year ended December 31, 2016, was $4.2 million, compared to cash provided by financing activities of $137,000 for 2015. Our financing activities for the current year consisted mainly of repayments totaling $8.8 million, as follows: $3.4 million on our $17.0 Million Equipment Loan, repayments of $2.4 million on our $10.0 Million Equipment Loan, repayments of $2.3 million on our Working Capital Loan and repayments of $743,000 on our $2.0 Million Equipment Loan (as such loans are defined in note 7 to the consolidated financial statements). These repayments were offset by net borrowings of $4.7 million on our Working Capital Loan (as defined in note 7 to the consolidated financial statements). Our financing activities for the year ended December 31, 2015 consisted mainly of net borrowings totaling $24.5 million as follows: $17.0 million on our $17.0 Million Equipment Loan, borrowings of $5.5 million on our Working Capital Loan, and borrowings of $2.0 million on our $2.0 Million Equipment Loan (as such loans are defined in note 7 to the consolidated financial statements). These borrowings were offset by repayments totaling $24.3 million as follows: $10.2 million on our electrical construction equipment loans, repayments of $4.0 million on our Working Capital Loan, repayments of $4.0 million on our $17.0 Million Equipment Loan, repayments of $2.9 million on our $3.5 Million Acquisition Loan (as defined in note 7 to the consolidated financial statements), and installment loan repayments of $3.3 million.

We have paid no cash dividends on our Common Stock since 1933, and it is not expected that we will pay any cash dividends on our Common Stock in the immediate future.

Debt Covenants

Our debt arrangements contain various financial and other covenants including cross-default provisions whereby any default under any loans of the Company (or its subsidiaries) with the lender will constitute a default under all of the other loans of the Company (and its subsidiaries) with the lender. The most significant of the covenants are: maximum debt to tangible net worth ratio and fixed charge coverage ratio. We must maintain: a tangible net worth of at least $20.0 million calculated quarterly; no more than $500,000 in outside debt (with certain exceptions); a maximum debt to tangible net worth ratio of no greater than 2.5 : 1.0 and a fixed charge coverage ratio that is to equal or exceed 1.3 : 1.0. The earnings to fixed charge coverage ratio is calculated annually using EBITDAR (earnings before interest expense, taxes, depreciation, amortization and rental expense) divided by the sum of CPLTD (current portion of long term debt), interest expense and rental expense. We were in compliance with all of our covenants as of December 31, 2016.

The following are computations of these most restrictive financial covenants:

Covenants Measured at Quarter End:		**Covenant**		**Actual as of December 31, 2016**
Tangible net worth minimum	$	20,000,000	$	47,336,989
Outside debt not to exceed	$	500,000	$	—
Maximum debt/tangible net worth ratio not to exceed		2.5 : 1.0		0.91 : 1.00
Covenants Measured at Year End:				
Earnings to fixed charge coverage ratio must equal or exceed		1.3 : 1.0		3.95 : 1:00

Forecast

We anticipate our cash on hand and cash flows from operations and credit facilities will provide sufficient cash to enable us to meet our working capital needs, debt service requirements and planned capital expenditures, for at least the next twelve months. The amount of our planned capital expenditures will depend, to some extent, on the results of our future performance. However, our revenue, results of operations and cash flows, as well as our ability to seek additional financing, may be negatively impacted by factors including, but not limited to: a decline in demand for electrical construction services, general economic conditions, heightened competition, availability of construction materials, increased interest rates, and adverse weather conditions.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

The Goldfield Corporation:

We have audited the accompanying consolidated balance sheets of The Goldfield Corporation and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, cash flows and stockholders' equity for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Goldfield Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Orlando, Florida

March 15, 2017

Certified Public Accountants

THE GOLDFIELD CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 20,599,648	$ 11,374,238
Accounts receivable and accrued billings	19,094,407	17,250,067
Costs and estimated earnings in excess of billings on uncompleted contracts	7,313,099	10,292,199
Income taxes receivable	533,837	—
Current portion of notes receivable	—	47,851
Residential properties under construction	1,552,131	145,450
Prepaid expenses	1,037,715	1,210,780
Deferred income taxes	—	773,245
Other current assets	1,298,044	1,140,779
Total current assets	51,428,881	42,234,609
Property, buildings and equipment, at cost, net of accumulated depreciation of $33,140,214 in 2016 and $28,653,138 in 2015	33,245,947	34,671,947
Deferred charges and other assets		
Land and land development costs	4,930,331	2,417,089
Cash surrender value of life insurance	550,672	549,600
Restricted cash	173,041	307,092
Notes receivable, less current portion	—	8,197
Goodwill	101,407	101,407
Intangibles, net of accumulated amortization of $201,634 in 2016 and $140,134 in 2015	812,166	873,666
Other assets	59,712	—
Total deferred charges and other assets	6,627,329	4,257,051
Total assets	$ 91,302,157	$ 81,163,607
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 11,386,119	$ 10,067,553
Billings in excess of costs and estimated earnings on uncompleted contracts	845,057	234,161
Current portion of notes payable, net	6,101,855	5,815,510
Income taxes payable	—	483,763
Accrued remediation costs	102,526	135,786
Total current liabilities	18,435,557	16,736,773
Deferred income taxes	8,204,324	8,328,492
Accrued remediation costs, less current portion	112,380	107,429
Notes payable, less current portion, net	16,231,373	20,656,402
Other accrued liabilities	67,961	83,698
Total liabilities	43,051,595	45,912,794
Commitments and contingencies (notes 4, 7 and 8)		
Stockholders' equity		
Preferred stock, $1 par value, 5,000,000 shares authorized, none issued		
Common stock, $.10 par value, 40,000,000 shares authorized; 27,813,772 shares issued and 25,451,354 shares outstanding	2,781,377	2,781,377
Additional paid-in capital	18,481,683	18,481,683
Retained earnings	28,295,689	15,295,940
Treasury stock, 2,362,418 shares, at cost	(1,308,187)	(1,308,187)
Total stockholders' equity	48,250,562	35,250,813
Total liabilities and stockholders' equity	$ 91,302,157	$ 81,163,607

See accompanying notes to consolidated financial statements

THE GOLDFIELD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2016	2015
Revenue		
Electrical construction	$ 125,771,361	$ 119,616,561
Other	4,652,102	954,610
Total revenue	130,423,463	120,571,171
Costs and expenses		
Electrical construction	93,566,045	99,726,789
Other	3,242,887	785,405
Selling, general and administrative	5,913,132	4,747,492
Depreciation and amortization	6,312,164	6,559,241
Gain on sale of property and equipment	(17,535)	(22,840)
Total costs and expenses	109,016,693	111,796,087
Total operating income	21,406,770	8,775,084
Other income (expense), net		
Interest income	33,465	20,727
Interest expense, net of amount capitalized	(591,176)	(667,596)
Other income, net	68,465	75,880
Total other expense, net	(489,246)	(570,989)
Income from continuing operations before income taxes	20,917,524	8,204,095
Income tax provision	7,809,768	3,378,205
Income from continuing operations	13,107,756	4,825,890
Loss from discontinued operations, net of income tax benefit of $66,077 in 2016 and $200,759 in 2015	(108,007)	(332,748)
Net income	$ 12,999,749	$ 4,493,142
Net income (loss) per share of common stock — basic and diluted		
Continuing operations	$ 0.52	$ 0.19
Discontinued operations	—	(0.01)
Net income	$ 0.51	$ 0.18
Weighted average shares outstanding — basic and diluted	25,451,354	25,451,354

See accompanying notes to consolidated financial statements

THE GOLDFIELD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2016	2015
Cash flows from operating activities		
Net income	$ 12,999,749	$ 4,493,142
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	6,312,164	6,559,241
Amortization of debt issuance costs	23,418	51,028
Deferred income taxes	649,077	1,841,604
Gain on sale of property and equipment	(17,535)	(22,840)
Other gains	(1,072)	(3,309)
Changes in operating assets and liabilities		
Accounts receivable and accrued billings	(1,844,340)	590,613
Costs and estimated earnings in excess of billings on uncompleted contracts	2,979,100	(3,754,919)
Residential properties under construction	(1,406,681)	(145,450)
Income taxes receivable	(533,837)	763,821
Prepaid expenses and other assets	(43,912)	(1,503,251)
Land and land development costs	(2,513,242)	147,360
Restricted cash	134,051	259,229
Income taxes payable	(483,763)	483,763
Accounts payable and accrued liabilities	1,286,576	414,244
Contract loss accruals	(65,089)	(2,482,494)
Billings in excess of costs and estimated earnings on uncompleted contracts	610,896	(1,303,810)
Accrued remediation costs	(28,309)	(820,165)
Net cash provided by operating activities	18,057,251	5,567,807
Cash flows from investing activities		
Proceeds from disposal of property and equipment	263,876	1,796,786
Proceeds from notes receivable	56,048	47,380
Purchases of property, buildings and equipment	(4,989,663)	(5,997,166)
Net cash used in investing activities	(4,669,739)	(4,153,000)
Cash flows from financing activities		
Proceeds from notes payable	4,700,000	24,500,000
Repayments on notes payable	(8,840,137)	(21,056,805)
Installment loan repayments	—	(3,259,635)
Debt issuance costs	(21,965)	(46,308)
Net cash (used in) provided by financing activities	(4,162,102)	137,252
Net increase in cash and cash equivalents	9,225,410	1,552,059
Cash and cash equivalents at beginning of year	11,374,238	9,822,179
Cash and cash equivalents at end of year	$ 20,599,648	$ 11,374,238
Supplemental disclosure of cash flow information		
Interest paid, net of amounts capitalized	$ 548,959	$ 652,419
Income taxes paid, net	$ 8,112,214	$ 88,258
Supplemental disclosure of non-cash investing and financing activities		
Liability for equipment acquired	$ 165,703	$ 84,361

See accompanying notes to consolidated financial statements

THE GOLDFIELD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
	Shares	Amount				
Balance as of December 31, 2014	27,813,772	$ 2,781,377	$ 18,481,683	$ 10,802,798	$ (1,308,187)	$ 30,757,671
Net income	—	—	—	4,493,142	—	4,493,142
Balance as of December 31, 2015	27,813,772	2,781,377	18,481,683	15,295,940	(1,308,187)	35,250,813
Net income	—	—	—	12,999,749	—	12,999,749
Balance as of December 31, 2016	27,813,772	$ 2,781,377	$ 18,481,683	$ 28,295,689	$ (1,308,187)	$ 48,250,562

See accompanying notes to consolidated financial statements

Note 1 – Organization and Summary of Significant Accounting Policies

Overview

The Goldfield Corporation (the "Company") was incorporated in Wyoming in 1906 and subsequently reincorporated in Delaware in 1968. The Company's principal line of business is the construction of electrical infrastructure for the utility industry and industrial customers. The principal market for the Company's electrical construction operation is primarily in the Southeast and mid-Atlantic regions of the United States and Texas.

Basis of Financial Statement Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company adopted Accounting Standards Updates ("ASU") ASU 2011-05 and ASU 2011-12, which require comprehensive income to be reported in either a single statement or in two consecutive statements reporting net income and other comprehensive income. The amendment eliminates the option to report other comprehensive income and its components in the statement of changes in stockholders' equity. However, comprehensive income is equivalent to net income for the Company, and therefore, the Company's accompanying financial statements do not include a Statement of Other Comprehensive Income.

Cash and Cash Equivalents

The Company considers highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on customer specific information and historical write-off experience. The Company reviews its allowance for doubtful accounts quarterly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2016 and 2015, upon its review, management determined it was not necessary to record an allowance for doubtful accounts due to the majority of accounts receivable being generated by electrical utility customers who the Company considers creditworthy based on timely collection history and other considerations.

Property, Buildings, Equipment and Depreciation

Property, buildings and equipment are stated at cost. Depreciation on property, buildings and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term, including renewals that are deemed to be reasonably assured, or the estimated useful life of the improvement.

In accordance with Accounting Standard Codification ("ASC") ASC Topic 360-10-05, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company assesses the need to record impairment losses on long-lived assets when events and circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when future estimated undiscounted cash flows expected to result from use of the asset are less than the asset's carrying value. Any resulting loss would be measured at fair value based on discounted expected cash flows.

Electrical Construction Revenue

The Company accepts contracts on a fixed-price, unit-price and service agreement basis. Revenue from fixed-price construction contracts are recognized on the percentage-of-completion method, measured by the ratio of costs incurred to date, to the estimated total costs to be incurred for each contract. Revenue from unit-price contracts is recognized on either the percentage-of-completion method or a man-hour or man-hour plus equipment basis. Revenue from service agreements are recognized as services are performed. Revenue from service agreements are billed on either a man-hour or man-hour plus equipment basis. Terms of the Company's service agreements may extend for periods beyond one year.

The Company's contracts allow it to bill additional amounts for change orders and claims. The Company considers a claim to be for additional work performed outside the scope of the contract and contested by the customer. Historically, claims relating to electrical construction work have not been significant.

A change order is a modification to a contract that changes the provisions of the contract, typically resulting from changes in scope, specifications, design, manner of performance, facilities, equipment, materials, sites, or period of completion of the work under the contract. It is the Company's policy to include revenue from change orders in contract value only when they can be reliably estimated and realization is considered probable, in accordance with ASC Topic 605-35-25-30 and ASC Topic 605-35-25-31, *Revenue Recognition for Construction Type Contracts*.

The asset, “costs and estimated earnings in excess of billings on uncompleted contracts” represents revenue recognized in excess of amounts billed. The liability, “billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of revenue recognized.

Contract costs include all direct material, direct labor, subcontractor costs and indirect costs related to contract performance, such as supplies, tools and equipment maintenance. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Land and Land Development Costs and Residential Properties Under Construction

The costs of a land purchase and any development expenses up to the initial construction phase of any residential property development project are recorded under the asset “land and land development costs.” Once construction commences, both the land development costs and construction costs are recorded under the asset “residential properties under construction.” The assets “land and land development costs” and “residential properties under construction” relating to specific projects are recorded as current assets when the estimated project completion date is less than one year from the date of the consolidated financial statements, or as non-current assets when the estimated project completion date is more than one year from the date of the consolidated financial statements.

In accordance with ASC Topics 360-10, *Accounting for the Impairment or Disposal of Long-lived Assets*, land and residential properties under construction are reviewed by the Company for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount or basis is not expected to be recovered, impairment losses are recorded and the related assets are adjusted to their estimated fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The Company also complies with ASC Topic 820, *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company did not record an impairment write-down to either of the Company’s land carrying value or residential properties under construction for either of the years ended December 31, 2016 or 2015.

Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes,* which establishes the recognition requirements. Deferred tax assets and liabilities are recognized for the future tax effects attributable to temporary differences and carryforwards between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits as interest expense and other general and administrative expenses, respectively, and not as a component of income taxes.

Executive Long-term Incentive Plan

The Company has not issued shares pursuant to The Goldfield Corporation 2013 Long-term Incentive Plan (the “2013 Plan”) in either 2016 or 2015. Therefore, the Company has no compensation expense for shares pursuant to the 2013 Plan for either of the years ended December 31, 2016 or 2015.

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”). Actual results could differ from those estimates. Management considers the most significant estimates in preparing these financial statements to be the estimated cost to complete electrical construction contracts in progress, the adequacy of the accrued remediation costs and the realizability of deferred tax assets.

Fair Value of Financial Instruments

The Company’s financial instruments include cash and cash equivalents, accounts receivable and accrued billings, restricted cash collateral deposited with insurance carriers, cash surrender value of life insurance policies, accounts payable, notes payable, and other current liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value guidance establishes a valuation hierarchy, which requires maximizing the use of observable inputs when measuring fair value.

The three levels of inputs that may be used are:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or other observable inputs.

Level 3 - Significant unobservable inputs that cannot be corroborated by observable market data. These values are generally determined using valuation models incorporating management's estimates of market participant assumptions.

Fair values of financial instruments are estimated through the use of public market prices, quotes from financial institutions, and other available information. Management considers the carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable and accrued billings, accounts payable and accrued liabilities, to approximate fair value due to the immediate or short-term maturity of these financial instruments. The Company's long-term notes payable are also estimated by management to approximate carrying value since the interest rates prescribed by Branch Banking and Trust Company (the "Bank") are variable market interest rates and are adjusted periodically. Restricted cash is considered by management to approximate fair value due to the nature of the asset held in a secured interest bearing bank account. The carrying value of cash surrender value of life insurance is also considered by management to approximate fair value as the carrying value is based on the current settlement value under the contract, as provided by the carrier.

Restricted Cash

The Company's restricted cash includes cash deposited in a secured interest bearing bank account, as required by the Collateral Trust Agreement in connection with the Company's workers' compensation insurance policies, as described in note 12.

Goodwill and Intangible Assets

Intangible assets with finite useful lives are recorded at cost upon acquisition, and amortized over the term of the related contract or useful life, as applicable. Intangible assets held by the Company with finite useful lives include customer relations and trademarks. The Company reviews the values recorded for intangible assets and goodwill to assess recoverability from future operations annually or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. As of December 31, 2016, the Company assessed the recoverability of its long-lived assets and believed that there were no events or circumstances present that would require a test of recoverability on those assets. As a result, there was no impairment of the carrying amounts of such assets and no reduction in their estimated useful lives.

Segment Reporting

The Company operates as a single reportable segment, electrical construction, under ASC Topic 280-10-50 *Disclosures about Segments of an Enterprise and Related Information*. The Company's real estate activities have diminished to a point that it is no longer significant for reporting purposes and, accordingly, results of the ongoing real estate operations are included in the income statement under the caption "Other." Certain corporate costs are not allocated to the electrical construction segment.

Reclassifications

Certain amounts previously reflected on the prior year balance sheet and in the prior year statement of cash flows have been reclassified to conform to the Company's 2016 presentation. The prior year balance sheet included amounts under contract loss accruals now included under accounts payable and accrued liabilities. In addition, the prior year balance sheet includes amounts under residential properties under construction previously included under other assets. The cash flows from operating activities include amounts under residential properties under construction previously included under other assets. These reclassifications had no effect on the previously reported total of current assets, current liabilities or cash flows from operating activities.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued ASU 2014-09, which will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles and is intended to improve and converge the financial reporting requirements for revenue from contracts with customers with International Financial Reporting Standards ("IFRS"). The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 allows for both retrospective and prospective methods of adoption and is effective for periods beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14 which provides a one-year deferral of the revenue recognition standard's effective date. Public business entities are required to apply the revenue recognition standard to annual reporting periods beginning after December 15, 2017, and interim periods within those annual periods. Early application is permitted but not before the original effective date for public business entities (annual reporting periods beginning after December 15, 2016). The option to use either a retrospective or cumulative-effective transition method did not change.

The Company has performed preliminary assessments and continues to assess the impact on our accounting practices, policies and procedures for recognizing revenue under the new standard. Specifically, under the new standard, electrical construction fixed-price contracts currently accounted for under ASC 605-35 will be recognized over time as services are performed and the underlying obligation to the customer is fulfilled. Generally, this will result in the use of input measures on a cost to cost basis similar to the practices currently in place for contracts accounted for currently under ASC 605-35. The Company has assessed that under the

new guidance the primary impact will be on the timing of when contract modifications and change orders are recognized, mainly due to the application of the contract identification criteria. Currently, contract modifications and change orders are generally included in total contract value when executed by the customer as compared to the new guidance, when legally enforceable. This may result in timing differences on the recognition in revenue and margin when compared to current practices. The Company has also assessed there will not be material changes in the pattern of revenue recognition for electrical construction contracts, which are currently accounted for on a time and materials basis. These contracts will be treated as a series of distinct services transferred over time and will generally result in a similar revenue pattern when compared to our current accounting policies.

Additionally, for real estate operations presented under the caption “Other” in the consolidated financial statements, the Company estimates that there will not be changes in the pattern of revenue recognition and will continue to recognize revenue upon the transfer of control of the promised real estate properties, generally at time of closing.

The Company is currently completing its evaluation of significant contracts and assessing the potential changes and impact to its consolidated financial statements, as well as the method of adoption. The Company has identified and is in the process of implementing changes to its processes and internal controls to meet the reporting and disclosure requirements of this update and expects to adopt the new revenue recognition guidance, including all applicable subsequent ASUs issued, effective January 1, 2018.

In May 2016, the FASB issued ASU 2016-12, which improves guidance on assessing collectability, presentation of sales taxes, non-cash consideration, and completed contracts and contract modifications at transition. The FASB has also issued the following standards which clarify ASU 2014-09 and have the same effective date as the original standard: ASU 2016-20, ASU 2016-10 and ASU 2016-08. These updates are effective concurrently with ASU 2014-09 and are also being evaluated by the Company.

In August 2014, the FASB issued ASU 2014-15 requiring management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the financial statements are issued. The standard also provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new guidance is effective for the annual period ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. As required by the new standard, the Company’s management completed its evaluation and identified no probable conditions or events, individually or in the aggregate, that would raise a substantial doubt about the Company’s ability to continue as a going concern. The Company’s adoption of this guidance did not have a significant impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 that intends to simplify the presentation of debt issuance costs. The new standard will more closely align the presentation of debt issuance costs under U.S. generally accepted accounting principles with the presentation under comparable IFRS standards. Debt issuance costs related to a recognized debt liability will be presented on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. ASU 2015-03 is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. The cost of issuing debt will no longer be recorded as a separate asset, except when incurred before receipt of the funding from the associated debt liability. Under current U.S. generally accepted accounting principles, debt issuance costs are reported on the balance sheet as assets and amortized as interest expense. The costs will continue to be amortized to interest expense using the effective interest method. Subsequent to the issuance of ASU 2015-03 the Securities and Exchange Commission staff made an announcement regarding the presentation of debt issuance costs associated with line-of-credit arrangements, which was codified by the FASB in ASU 2015-15. This guidance, which clarifies the exclusion of line-of-credit arrangements from the scope of ASU 2015-03, is effective upon adoption of ASU 2015-03. The Company has adopted both ASU 2015-03 and 2015-15. This new guidance was applied on a retrospective basis.

In November 2015, the FASB issued ASU 2015-17 to simplify the presentation of deferred income taxes by requiring that deferred tax assets and liabilities be classified as non-current in the balance sheet. The new guidance is effective for the annual period ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company has adopted ASU 2015-17 prospectively as of January 1, 2016 and there were no adjustments made to prior periods as a result of the adoption.

In February 2016, the FASB issued ASU 2016-02, to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company expects this new guidance to cause a material increase to the assets and liabilities on the Company’s consolidated balance sheets. The Company is currently assessing the effect the adoption will have on its consolidated financial statements of income. The impact of this ASU is non-cash in nature, therefore the Company does not expect the adoption of this new guidance to have a material impact on the Company’s cash flows or liquidity.

In August 2016, the FASB issued ASU 2016-15, which provides clarification regarding how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. In addition, in November 2016, the FASB issued ASU 2016-18, which requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Both updates

are effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The Company is currently assessing the effect that adoption of these standards will have on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, which eliminates the requirement to defer the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. Under the new guidance, an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years; early adoption is permitted and is to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings at the time of adoption. The Company is currently assessing the impact that adoption will have on its consolidated financial statements.

Note 2 – Costs and Estimated Earnings on Uncompleted Contracts

Long-term fixed-price electrical construction contracts in progress accounted for using the percentage-of-completion method as of December 31 for the years as indicated:

	2016	2015
Costs incurred on uncompleted contracts	$ 47,282,570	$ 46,719,492
Estimated earnings	18,644,216	18,910,883
	65,926,786	65,630,375
Less billings to date	59,458,744	55,572,337
Total	$ 6,468,042	$ 10,058,038
Included in the consolidated balance sheets under the following captions		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 7,313,099	$ 10,292,199
Billings in excess of costs and estimated earnings on uncompleted contracts	(845,057)	(234,161)
Total	$ 6,468,042	$ 10,058,038

The amounts billed but not paid by customers pursuant to retention provisions of long-term electrical construction contracts were $3.2 million and $1.6 million as of December 31, 2016 and 2015, respectively, and are included in the accompanying consolidated balance sheets in accounts receivable and accrued billings. Retainage is expected to be collected within the next twelve months.

Note 3 – Income Taxes

The following table presents the income tax provision from continuing operations for the years ended December 31 as indicated:

	2016	2015
Current		
Federal	$ 6,157,900	$ 1,423,082
State	1,014,213	422,147
	7,172,113	1,845,229
Deferred		
Federal	570,770	1,348,420
State	66,885	184,556
	637,655	1,532,976
Total	$ 7,809,768	$ 3,378,205

The following table presents the total income tax provision for the years ended December 31 as indicated:

	2016	2015
Income tax provision	$ 7,809,768	$ 3,378,205
Discontinued operations	(66,077)	(200,759)
Total	$ 7,743,691	$ 3,177,446

The following table presents the temporary differences and carryforwards, which give rise to deferred tax assets and liabilities as of December 31 as indicated:

	2016	2015
Deferred tax assets		
Accrued vacation	$ 146,215	$ 161,796
Acquisition costs capitalized	98,484	104,961
Accrued remediation costs	80,100	91,522
Accrued payables	122,235	226,795
Accrued workers' compensation	127,033	182,258
Capitalized bidding costs	8,846	8,510
Inventory adjustments	133,991	159,324
Accrued lease expense	32,683	36,462
Accrued contract losses	89	24,581
Other	5,214	3,449
Total deferred tax assets	754,890	999,658
Deferred tax liabilities		
Deferred gain on installment notes	—	(11,034)
Tax amortization in excess of financial statement amortization	(12,156)	(8,809)
Tax depreciation in excess of financial statement depreciation	(8,947,058)	(8,535,062)
Total deferred tax liabilities	(8,959,214)	(8,554,905)
Total net deferred tax liabilities	$ (8,204,324)	$ (7,555,247)

As of December 31, 2016, the current deferred tax assets decreased to $0 from $773,000 as of December 31, 2015 primarily due to the early adoption of ASU 2015-17. The non-current deferred tax liabilities decreased to $8.2 million as of December 31, 2016 from $8.3 million as of December 31, 2015 mainly due to the early adoption of ASU 2015-17 offset by additional tax depreciation in excess of book depreciation. The Protecting Americans from Tax Hikes Act of 2015 allowed bonus depreciation for tax purposes for 2016 and extended bonus depreciation through 2019.

The carrying amounts of deferred tax assets are reduced by a valuation allowance, if based on the available evidence, it is more likely than not such assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the deferred tax assets are expected to be recovered or settled. In the assessment for a valuation allowance, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, experience with loss carryforwards expiring unused, and tax planning alternatives. If the Company determines it will not be able to realize all or part of the deferred tax assets, a valuation allowance would be recorded to reduce deferred tax assets to the amount that is more likely than not to be realized.

Based on assumptions with respect to forecasts of future taxable income and tax planning strategies, among others, the Company anticipates being able to generate sufficient taxable income to utilize the deferred tax assets. Therefore, the Company has not recorded a valuation allowance against deferred tax assets. The minimum amount of future taxable income required to be generated to fully realize the deferred tax assets as of December 31, 2016 is approximately $2.0 million.

The following table presents the differences between the Company's effective income tax rate and the federal statutory rate on income from continuing operations for the years ended December 31 as indicated:

	2016	2015
Federal statutory rate	35.0%	34.0%
State tax rate, net of federal tax	3.3	4.9
Nondeductible expenses	1.6	4.0
Domestic production activities deduction	(3.2)	(1.3)
Other	0.6	(0.4)
Total	37.3%	41.2%

The Company had gross unrecognized tax benefits of $5,000 as of both December 31, 2016 and 2015. The Company believes that it is reasonably possible that the liability for unrecognized tax benefits related to certain state income tax matters may be settled within the next twelve months. The federal statute of limitation has expired for tax years prior to 2013 and relevant state statutes vary. The Company is currently not under any income tax audits or examinations and does not expect the assessment of any significant additional tax in excess of amounts provided.

The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits for the years as indicated:

	2016	2015
Balance as of January 1	$ 4,723	$ 10,998
Increase from current year tax positions	—	800
Decrease from settlements with taxing authority	—	(7,075)
Balance as of December 31	$ 4,723	$ 4,723

The Company accrues interest and penalties related to unrecognized tax benefits as interest expense and other general and administrative expenses, respectively, and not as a component of income taxes. Decreases in interest and penalties are due to settlements with taxing authorities and expiration of statutes of limitation. During the years ended December 31, 2016 and 2015, the Company recognized $1,000 each year in interest and penalties. The Company had accrued as a current liability $8,000 and $7,000 for the future payment of interest and penalties as of December 31, 2016 and 2015, respectively.

Note 4 – Discontinued Operations

Commitments and Contingencies Related to Discontinued Operations

Discontinued operations represent former mining activities, the last of which ended in 2002. Pursuant to an agreement with the United States Environmental Protection Agency (the “EPA”), the Company performed certain remediation actions at a property sold over fifty years ago. This remediation work was completed by September 30, 2015. The Company has established a contingency provision related to discontinued operations, which was $215,000 and $243,000, respectively, including an increase of $174,000 and $534,000 ($108,000 and $333,000, net of tax benefit of $66,000 and $201,000, respectively) recognized for the years ended December 31, 2016 and 2015, respectively. The increase for the year ended December 31, 2016 is related to costs associated with some corrective remediation efforts during the year. The increase for the year ended December 31, 2015 resulted mainly from changes in the scope of the project as required by the EPA. The remaining balance of the accrued remediation costs as of December 31, 2016, mainly represents estimated future charges for EPA response costs and monitoring of the property. The total costs to be incurred in future periods may vary from this estimate.

The provision will be reviewed periodically based upon facts and circumstances available at the time. The costs provisioned for future expenditures related to this environmental obligation are not discounted to present value.

Note 5 – Property, Buildings and Equipment

The following table presents the balances of major classes of properties as of December 31 as indicated:

	Estimated useful lives in years	2016	2015
Land	—	$ 371,228	$ 371,228
Land improvements	7 - 15	470,754	405,195
Buildings and improvements	5 - 40	2,155,578	2,104,320
Leasehold improvements	7 - 39	252,646	252,646
Machinery and equipment	2 - 10	62,955,883	60,185,730
Construction in progress	—	180,072	5,966
Total		66,386,161	63,325,085
Less accumulated depreciation		33,140,214	28,653,138
Net properties, buildings and equipment		$ 33,245,947	$ 34,671,947

Management reviews the net carrying value of all properties, buildings and equipment on a regular basis to assess and determine whether trigger events of impairment exist and the need for possible impairments. As a result of such review, no impairment write-down was considered necessary for the years ended December 31, 2016 and 2015.

Note 6 – 401(k) Employee Benefits Plan

Effective January 1, 1995, the Company adopted The Goldfield Corporation and Subsidiaries Employee Savings and Retirement Plan, a defined contribution plan that qualifies under Section 401(k) of the Internal Revenue Code. The plan provides retirement benefits to all employees who meet eligibility requirements and elect to participate. Under the plan, participating employees may defer up to 100% of their pre-tax compensation per calendar year subject to Internal Revenue Code limits. The Company's contributions to the plan are discretionary and amounted to approximately $286,000 and $248,000 for the years ended December 31, 2016 and 2015, respectively.

Note 7 – Notes Payable

The following table presents the balances of our notes payables as of December 31 as indicated:

	Lending Institution	Maturity Date	2016	2015	Interest Rates 2016	Interest Rates 2015
Working Capital Loan	Branch Banking and Trust Company	November 28, 2019	$ 3,950,000	$ 1,500,000	2.44%	2.06%
$10.0 Million Equipment Loan	Branch Banking and Trust Company	July 28, 2020	7,579,630	10,000,000	2.81%	2.44%
$17.0 Million Equipment Loan	Branch Banking and Trust Company	March 6, 2020	9,601,000	13,027,392	2.50%	2.13%
$2.0 Million Equipment Loan	Branch Banking and Trust Company	March 6, 2020	1,256,625	2,000,000	2.50%	2.13%
Total notes payable			22,387,255	26,527,392		
Less unamortized debt issuance costs			54,027	55,480		
Total notes payable, net			22,333,228	26,471,912		
Less current portion of notes payable, net			6,101,855	5,815,510		
Notes payable net, less current portion			$ 16,231,373	$ 20,656,402		

As of December 31, 2016, the Company, and the Company's wholly owned subsidiaries Southeast Power, Pineapple House of Brevard, Inc. ("Pineapple House"), Bayswater Development Corporation ("Bayswater"), Power Corporation of America ("PCA") and C and C Power Line, Inc. ("C&C"), collectively (the "Debtors,") were parties to a Master Loan Agreement, dated March 6, 2015 (the "2015 Master Loan Agreement"), with Branch Banking and Trust Company (the "Bank").

As of December 31, 2016, the Company had a loan agreement and a series of related ancillary agreements with the Bank providing for a revolving line of credit loan for a maximum principal amount of $18.0 million, to be used as a "Working Capital Loan." As of December 31, 2016 and December 31, 2015, borrowings under the Working Capital Loan were $4.0 million and $1.5 million, respectively. As a credit guaranty to the Bank, the Company is contingently liable for the guaranty of a subsidiary obligation under an irrevocable letter of credit related to workers' compensation. As of December 31, 2016 and December 31, 2015, the Company had $420,000 and $320,000, respectively, for this irrevocable letter of credit related to workers' compensation.

As of December 31, 2016, the Debtors had loan agreements with the Bank for the $10.0 Million Equipment Loan, the $17.0 Million Equipment Loan and the $2.0 Million Equipment Loan. All loans with the Bank are guaranteed by the Debtors and include the grant of a continuing security interest in all now owned and after acquired and wherever located personal property of the Debtors.

The $10.0 Million Equipment Loan bears interest at a rate per annum equal to one month LIBOR (as defined in the ancillary loan documents) plus two percent 2.00%, which is adjusted monthly and subject to a maximum interest rate of 24.00%.

The Working Capital Loan, the $17.0 Million Equipment Loan and the $2.0 Million Equipment Loan bear interest at a rate per annum equal to one month LIBOR (as defined in the documentation related to each loan) plus 1.80%, which will be adjusted monthly and subject to a maximum rate of 24.00%.

The Company's debt arrangements contain various financial and other covenants including, but not limited to: minimum tangible net worth, maximum debt to tangible net worth ratio and fixed charge coverage ratio. Other loan covenants prohibit, among other things, a change in legal form of the Company, and entering into a merger or consolidation. The loans also have cross-default

provisions whereby any default under any loans of the Company (or its subsidiaries) with the Bank, will constitute a default under all of the other loans of the Company (and its subsidiaries) with the Bank.

The schedule of payments of the notes payable as of December 31, 2016 is as follows:

2017	$	6,124,222
2018		6,124,222
2019		9,225,847
2020		912,964
Total payments of debt	$	22,387,255

Note 8 – Commitments and Contingencies

Operating Leases

The Company leases its principal office space under a nine-year operating lease. Within the provisions of the office lease, there are escalations in payments over the base lease term, as well as renewal periods and cancellation provisions. The effects of the escalations have been reflected in rent expense on a straight-line basis over the expected lease term. In addition, the Company leases other office spaces as principal offices for our subsidiaries PCA and C&C. The Company also leases office equipment under operating leases that expire over the next four years. The Company's leases require payments of property taxes, insurance and maintenance costs in addition to the rent payments. Additionally, the Company leases several off-site storage facilities, used to store equipment and materials, under a month to month lease arrangement. Lastly, the Company has several lease agreements to lease certain equipment from time to time over a 60-month term. The leased equipment is used in our electrical construction operations. The Company recognizes rent expense on a straight-line basis over the expected lease term.

Future minimum lease payments under operating leases having initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2016 are as follows:

2017	$	4,710,941
2018		4,623,641
2019		3,558,718
2020		828,355
Total minimum operating lease payments	$	13,721,655

Total expense for the operating leases were $4.8 million and $3.9 million for the years ended December 31, 2016 and 2015, respectively.

Performance Bonds

In certain circumstances, the Company is required to provide performance bonds to secure its contractual commitments. Management is not aware of any performance bonds issued for the Company that have ever been called by a customer. As of December 31, 2016, outstanding performance bonds issued on behalf of the Company's electrical construction subsidiaries amounted to approximately $37.3 million.

Collective Bargaining Agreements

C&C, one of the Company's electrical construction subsidiaries, is party to collective bargaining agreements with unions representing workers performing field construction operations. The collective bargaining agreements expire at various times and have typically been renegotiated and renewed on terms similar to the ones contained in the expiring agreements. The agreements require the subsidiary to pay specified wages, provide certain benefits to their respective union employees and contribute certain amounts to multi-employer pension plans and employee benefit trusts. The subsidiary's multi-employer pension plan contribution rates generally are specified in the collective bargaining agreements (usually on an annual basis), and contributions are made to the plans on a "pay-as-you-go" basis based on such subsidiary's union employee payrolls, which cannot be determined for future periods because contributions depend on, among other things, the number of union employees that such subsidiary employs at any given time; the plans in which it may participate vary depending on the projects it has ongoing at any time; and the need for union resources in connection with those projects. If the subsidiary withdraws from, or otherwise terminates its participation in, one or more multi-employer pension plans, or if the plans were to otherwise become substantially underfunded, such subsidiary could be assessed liabilities for additional contributions related to the underfunding of these plans. The Company is not aware of any amounts of withdrawal liability that have been incurred as a result of a withdrawal by C&C from any multi-employer defined benefit pension plans.

Multi-employer Pension Plans

The Company contributes to a multi-employer pension plan on behalf of employees covered by collective bargaining agreements. These plans are administered jointly by management and union representatives and cover substantially all full-time and certain part-time union employees who are not covered by other plans. The risks of participating in multi-employer plans are different from single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and (3) if the Company chooses to stop participating in a multi-employer plan, we could, under certain circumstances, be liable for unfunded vested benefits or other expenses of jointly administered union/management plans. At this time, we have not established any liabilities because withdrawal from these plans is not probable. For the years ended December 31, 2016 and 2015, the contributions to these plans were $176,000 and $211,000, respectively.

The Company's participation in multi-employer pension plans is outlined in the table below. The EIN column provides the Employer Identification Number ("EIN") of the plan. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2016 and 2015 is for the plan's year ended December 31, 2016, and 2015, respectively. The zone status is based on information that the Company received from the plan, and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP" column indicates plans for which a financial improvement plan "("FIP") is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject. There have been no significant changes in the number of Company employees covered by the multi-employer plans or other significant events that would impact the comparability of contributions to the plans.

Information about the Plan is publicly available on Form 5500, Annual Return / Report of Employee Benefit Plan. The Plan year-end is December 31st and no single employer contributes 5% or more of total plan contributions.

			Certified Zone Status				
Plan Name:	**EIN Number**	**Plan Number**	**2016**	**2015**	**FIP Implemented**	**Surcharge Imposed**	**Expiration Date of Collective Bargaining Agreement**
National Electrical Benefit Fund	53-0181657	001	Green	Green	Not applicable (green-zone plan)	Not applicable (green-zone plan)	August 31, 2017

Committed Expenditures

The Company from time to time commits to purchase capital equipment such as heavy trucks in order to accommodate manufacture lead times. As of December 31, 2016 the Company had approximately $541,000 of such commitments.

Legal Proceedings

The Company is involved in various legal claims arising in the ordinary course of business. The Company has concluded that the ultimate disposition of these matters should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Note 9 – Income Per Share of Common Stock

Basic income per common share is computed by dividing net income by the weighted average number of common stock shares outstanding during the period. Diluted income per share reflects the potential dilution that could occur if common stock equivalents, such as stock options outstanding, were exercised into common stock that subsequently shared in the earnings of the Company.

As of December 31, 2016 and 2015, the Company had no common stock equivalents. The computation of the weighted average number of common stock shares outstanding excludes 2,362,418 shares of Treasury Stock for each of the years ended December 31, 2016 and 2015.

Note 10 – Common Stock Repurchase Plan

The Company has had a stock repurchase plan since September 17, 2002, when the Board of Directors approval was announced. As last amended by the Board of Directors on September 15, 2016, this plan permits the purchase of up to 3,500,000 shares. There is currently available for purchase through September 30, 2017, a maximum of 1,154,940 shares. The Company may repurchase its shares either in the open market or through private transactions. The volume of the shares to be repurchased is contingent upon market conditions and other factors. No shares were repurchased during the years ended December 31, 2016 and December 31, 2015. As of December 31, 2016, the total number of shares repurchased under the Repurchase Plan was 2,345,060 at a cost of $1,289,467 (average cost of $0.55 per share). The Company currently holds the repurchased stock as Treasury Stock, reported at cost. Prior to September 17, 2002, the Company had 17,358 shares of Treasury Stock that it had purchased at a cost of $18,720.

Note 11 – Business Concentration and Credit Risks

Credit Risks

Financial instruments, mainly within the electrical construction operations, which potentially subject the Company to concentrations of credit risk, consist principally of accounts receivable and accrued billings in the amounts of $19.1 million and $17.3 million as of December 31, 2016 and 2015, respectively, which management reviews to assess the need to establish an allowance for doubtful accounts.

Cash and Cash Equivalents

The Company holds cash on deposit in U.S. banks, in excess of Federal Deposit Insurance Corporation insurance limits. The Company has not experienced and does not anticipate any losses in any such accounts. The Company mitigates this risk by doing business with well capitalized, quality financial institutions.

Customer Concentration

Revenue (in thousands of dollars) to customers exceeding 10% of the Company's total revenue for the years ended December 31 as indicated are as follows:

	2016		2015	
	Amount	**% of Total revenue**	**Amount**	**% of Total revenue**
Electrical construction operations				
Customer A	$ 23,669	18	$ 22,518	19
Customer B	18,630	14	16,093	13
Customer C	33,770	26	36,753	30

Revenue by service/product (in thousands of dollars) for the years ended December 31 as indicated are as follows:

	2016		2015	
	Amount	**% of Total revenue**	**Amount**	**% of Total revenue**
Electrical construction operations				
Principal electrical construction operations [(1)]	$ 118,748	91	$ 115,769	96
Other electrical construction [(2)]	7,023	5	3,847	3
Total	125,771	96	119,617	99
All other	4,652	4	955	1
Total revenue	$ 130,423	100	$ 120,571	100

[(1)] Principal electrical construction operations includes revenue from transmission lines, distribution systems, substations and drilled pier foundations.

[(2)] Other electrical construction includes revenue from storm work, fiber optics and other miscellaneous electrical construction items.

The total of the above categories may differ from the sum of the components due to rounding.

Note 12 – Restricted Cash

Restricted cash, reported under "Deferred charges and other assets" on the Company's balance sheet, represents amounts deposited in a trust account to secure the Company's obligations in connection with the Company's workers' compensation insurance policies.

Note 13 – Goodwill and Other Intangible Assets Associated with the Acquisition of C&C

The Company performed an annual impairment assessment on its goodwill and intangible assets on December 31, 2016. Based upon this analysis, the Company determined that there were no impairments.

The following table presents the gross and net balances of our goodwill and intangible assets as of the dates indicated:

		December 31, 2016			December 31, 2015		
	Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived and non-amortizable acquired intangible assets							
Goodwill	Indefinite	$ 101,407	$ —	$ 101,407	$ 101,407	$ —	$ 101,407
Definite-lived and amortizable acquired intangible assets							
Trademarks/Names	15	$ 640,000	$ (128,002)	$ 511,998	$ 640,000	$ (85,334)	$ 554,666
Customer relationships	20	350,000	(52,500)	297,500	350,000	(35,000)	315,000
Non-competition agreement	5	10,000	(7,332)	2,668	10,000	(6,000)	4,000
Other	1	13,800	(13,800)	—	13,800	(13,800)	—
Total intangible assets, net		$1,013,800	$ (201,634)	$ 812,166	$1,013,800	$ (140,134)	$ 873,666

Amortization of definite-lived intangible assets will be approximately $61,000 annually for 2017 through 2021.

CORPORATE INFORMATION

Board of Directors

David P. Bicks. [2]
Attorney, Duane Morris LLP

Harvey C. Eads, Jr. [1,2,3,4]
Commercial Real Estate Investor

John P. Fazzini [2,3,4]
President of Bountiful Lands, Inc.; Real Estate Developer

Danforth E. Leitner [1,2,3,4]
Retired Real Estate Broker and Appraiser

John H. Sottile [1]
Chairman of the Board of Directors,
President and Chief Executive Officer

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[1] Member of Executive Committee
[2] Member of Audit Committee
[3] Member of Nominating Committee
[4] Member of Benefits and Compensation Committee

Executive Offices

1684 W. Hibiscus Blvd.
Melbourne, FL 32901
(321) 724-1700

Officers

John H. Sottile
Chairman of the Board of Directors,
President and Chief Executive Officer

Stephen R. Wherry
Senior Vice President, Chief Financial Officer,
Treasurer and Assistant Secretary

Mary L. Manger
Corporate Secretary

Independent Certified Public Accountants

KPMG LLP
111 North Orange Avenue, Suite 1600
Orlando, FL 32801
(407) 423-3426

Corporate Counsel

Duane Morris LLP
1540 Broadway
New York, NY 10036
(212) 692-1000

Registrar and Transfer Agent

American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449

Stock Exchange Listing

NYSE MKT LLC, Symbol: GV

Corporate Governance

The Company has adopted a Code of Ethics for its executive officers and Business Conduct policies for all of its officers, directors and employees, which are available through the Company's website at www.goldfieldcorp.com.

Form 10-K

Copies of the Goldfield Corporation's 2016 Annual Report on Form 10-K filed with the Securities and Exchange Commission are available to stockholders without charge upon written request to: The Goldfield Corporation, 1684 W. Hibiscus Blvd., Melbourne, FL 32901.

In addition, financial reports and recent filings with the Securities and Exchange Commission, including Form 10-K, are available on the Internet at www.sec.gov. Company information is also available on the Internet at www.goldfieldcorp.com.

The Goldfield Corporation
1684 W. Hibiscus Blvd. · Melbourne, FL 32901