



HINTONBURDICK
CPAs & ADVISORS

July 9, 2020

To the Honorable Mayor and Town Board
Town of Bayfield, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Bayfield, Colorado are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Town's financial statements were:

1. The useful life of capital assets used in calculating depreciation as disclosed in note 1 of the financial statements.
2. The estimated historical cost of infrastructure.
3. Certain estimates and assumptions were used in calculating the State emergency reserve requirement.
4. For purposes of measuring the net pension and OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, management's estimates have been determined on the same basis as they are reported by the Fire and Police Pension Association (FPPA) and the Public Employees' Retirement Association (PERA). The Town's net pension and OPEB liability/asset was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation as of January 1, 2019 for FPPA and December 31, 2017 for PERA. The allocations have been made to governmental activities for FPPA and both governmental and proprietary activities for PERA and are based on the pro-rata share of payroll and/or contributions.

We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A copy of the adjustments can be obtained from management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 9, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, pension related schedules, OPEB related schedules, the general fund – budget comparison, and the street special revenue fund – budget comparison which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared



and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on loan requirement disclosures which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Mayor, Town Board, and Management of the Town of Bayfield, Colorado and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Hinton Burdick, PLLC

HintonBurdick, PLLC





**Findings and Recommendations
For the Year Ended December 31, 2019**

The Honorable Mayor and
Town Board
Bayfield, Colorado

Professional standards require that we communicate, in writing; deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. We wish to commend the Town for their administrative achievements and oversight of the Town's accounting and budget system. During our audit of the funds of the Town of Bayfield for the year ended December 31, 2019 we noted a few areas that may need corrective action in order for the Town to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None noted

Significant Deficiencies:

2018-001 Year End Accounting and Financial Statement Controls

Criteria: Auditing standards indicate that the identification by the auditor of misstatements in the financial statements may be a deficiency in the Organization's internal controls.

Condition: A number of significant adjustments to the general ledger were required that were not initially identified by the Town's internal control.

Cause: Procedures for year-end adjustments need to be revised or improved in order to properly identify certain adjustments for new accounting standards or other non-routine adjustments.

Effect: The Town's financial statements would not have been fairly stated in all material respects without the adjustments.

Recommendation: We recommend that management continue to review the audit adjustments in order to understand each adjustment and continue efforts to improve controls over year-end accounting and identify accruals and adjustments prior the audit.

COMPLIANCE AND OTHER MATTERS:

2018-002 Expenditures in Excess of Budget Appropriations

Criteria: Colorado Revised Statutes indicate that “no spending agency may expend or contract to expend any money in excess of the amount appropriated in the resolution/ordinance.”

Condition: The Transportation Fund expenditures exceeded the final adopted budget due to a transfer to the Street Fund of \$310,427 that was not budgeted.

Cause: The Town has not implemented controls to ensure compliance with State budgeting laws.

Effect: The Town did not comply with state budgeting laws.

Recommendation: We recommend the Town implement procedures to ensure that total fund expenditures do not exceed total fund budget appropriations to comply with State budgeting laws.

This report is intended solely for the information and use of the Town Board, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Town this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HintonBurdick, PLLC
St. George, Utah
July 9, 2020



TOWN OF BAYFIELD, COLORADO

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF BAYFIELD, COLORADO

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Independent Auditors' Report

The Honorable Mayor and Board
Town of Bayfield, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bayfield, Colorado's basic financial statements. The budgetary comparison schedules, loan requirement disclosures, and the Local Highway Finance Report are presented for additional analysis as required by the State of Colorado and are not a required part of the basic financial statements.

The budgetary comparison schedules and Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and Local Highway Finance Report are fairly stated in all material respects in relation to the financial statements as a whole.

The loan requirement disclosures have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2020, on our consideration of the Town of Bayfield, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bayfield, Colorado's internal control over financial reporting and compliance



HintonBurdick, PLLC
St. George, Utah
July 9, 2020

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TOWN OF BAYFIELD, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2019

As management of the Town of Bayfield (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2019. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows exceeded total liabilities and deferred inflows (net position) by \$32.9 million at the close of the fiscal year.
- Total governmental and business-type net position decreased by a combined total of \$76,477.
- The total cost of all Town programs for 2019 was \$5,206,742.
- The general fund unassigned fund balance at the end of 2019 was \$469,050 which is 25% of total General fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes therein. Net position, the difference between assets plus deferred outflows and liabilities plus deferred inflows, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position is an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, parks and recreation, and interest on long-term debt. Sales taxes, property taxes, franchise taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets plus deferred outflows exceeded liabilities plus deferred inflows by \$32.9 million as of December 31, 2019 as shown in the following condensed statement of net position. Of this amount, \$5,842,126 is unrestricted and available to meet the Town's ongoing financial obligations.

By far the largest portion of net position is the net investment in capital assets of \$25,641,810 (78% of total net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The Town has chosen to account for its water, sewer, and garbage operations in enterprise funds which are shown as Business Activities.

The following table summarizes the Town's governmental and business-type net position as of December 31, 2019 and 2018:

TOWN OF BAYFIELD, COLORADO Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Current and other assets	\$ 4,943,442	\$ 4,586,422	\$ 4,010,935	\$ 3,718,156	\$ 8,954,377	\$ 8,304,578
Capital assets	16,253,756	17,214,655	12,523,308	12,836,970	28,777,064	30,051,625
Total assets	21,197,198	21,801,077	16,534,243	16,555,126	37,731,441	38,356,203
Deferred outflows of resources	386,882	253,839	81,627	73,179	468,509	327,018
Long-term liabilities outstanding	970,689	1,035,779	3,705,156	3,964,734	4,675,845	5,000,513
Other liabilities	293,211	97,462	83,456	99,390	376,667	196,852
Total liabilities	1,263,900	1,133,241	3,788,612	4,064,124	5,052,512	5,197,365
Deferred inflows of resources	243,377	420,967	6,411	90,762	249,788	511,729
Net position:						
Net investment						
in capital assets	16,253,756	17,144,655	9,388,054	9,350,011	25,641,810	26,494,666
Restricted	1,175,768	1,624,162	237,946	232,810	1,413,714	1,856,972
Unrestricted	2,647,279	1,731,891	3,194,847	2,890,598	5,842,126	4,622,489
Total net position	\$ 20,076,803	\$ 20,500,708	\$ 12,820,847	\$ 12,473,419	\$ 32,897,650	\$ 32,974,127

An additional portion of net position, \$1,413,714 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,842,126 (18% of total net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

The cost of all Governmental activities this year was \$3,473,773 as shown in the Changes in Net Position statement below. \$169,567 of this cost was paid for by those who directly benefited from the programs. \$316,221 was subsidized by grants or contributions received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$485,788. General taxes and investment earnings totaled \$2,611,314.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Parks & Recreation, Health and Welfare, and Community Support. Each program's revenues and expenses are presented below.

TOWN OF BAYFIELD, COLORADO Changes in Net Position

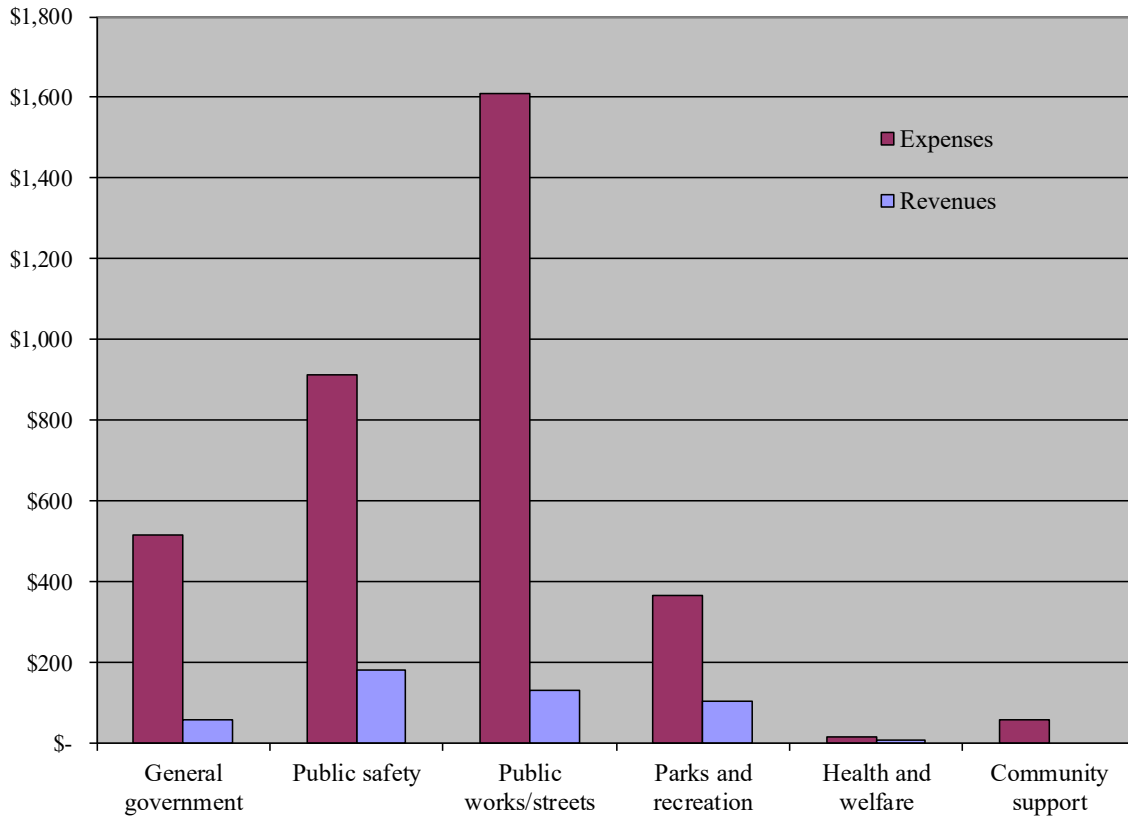
	Governmental activities		Business-type activities		Combined Total	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Revenues:						
Program revenues:						
Charges for services	\$ 169,567	\$ 227,292	\$ 1,905,723	\$ 1,811,264	\$ 2,075,290	\$ 2,038,556
Operating grants and contributions	289,965	775,037	-	-	289,965	775,037
Capital grants and contributions	26,256	30,731	182,832	202,245	209,088	232,976
General revenues:						
Taxes	2,551,783	2,280,485	-	-	2,551,783	2,280,485
Investment earnings	59,531	45,162	-	-	59,531	45,162
Other revenue/(expense)	-	-	62,084	49,059	62,084	49,059
Total revenues	<u>3,097,102</u>	<u>3,358,707</u>	<u>2,150,639</u>	<u>2,062,568</u>	<u>5,247,741</u>	<u>5,421,275</u>
Expenses:						
General government	518,444	706,128	-	-	518,444	706,128
Public safety	914,126	869,715	-	-	914,126	869,715
Public works/streets	1,607,727	1,576,690	-	-	1,607,727	1,576,690
Parks and recreation	365,163	570,139	-	-	365,163	570,139
Health and welfare	17,587	48,888	-	-	17,587	48,888
Community support	58,024	9,840	-	-	58,024	9,840
Interest on long-term debt	(7,298)	7,763	-	-	(7,298)	7,763
Water	-	-	671,831	704,999	671,831	704,999
Sewer	-	-	909,666	913,576	909,666	913,576
Garbage	-	-	151,472	148,887	151,472	148,887
Total expenses	<u>3,473,773</u>	<u>3,789,163</u>	<u>1,732,969</u>	<u>1,767,462</u>	<u>5,206,742</u>	<u>5,556,625</u>
Increase (decrease) in net position before transfers	(376,671)	(430,456)	417,670	295,106	40,999	(135,350)
Transfers	30,253	30,252	(30,253)	(30,252)	-	-
Net position, beginning	20,500,708	20,900,912	12,473,419	12,208,565	32,974,127	33,109,477
Restatement adjustment	(77,487)	-	(39,989)	-	(117,476)	-
Net position, ending	<u>\$ 20,076,803</u>	<u>\$ 20,500,708</u>	<u>\$ 12,820,847</u>	<u>\$ 12,473,419</u>	<u>\$ 32,897,650</u>	<u>\$ 32,974,127</u>

Total resources available during the year to finance governmental operations were \$23,597,810 consisting of net position at January 1, 2019 of \$20,500,708, program revenues of \$485,788, and General Revenues of \$2,611,314. Total Governmental Activities expenses during the year were \$3,473,773 and transfers

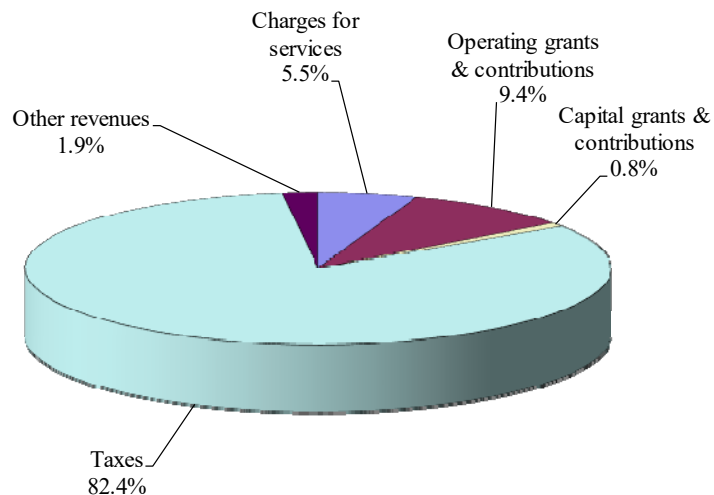
from business-type funds were \$30,253. In addition, there was a restatement adjustment for OPEB for (\$77,487); thus Governmental Net Position decreased by \$423,905 to \$20,076,803.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(in Thousands)



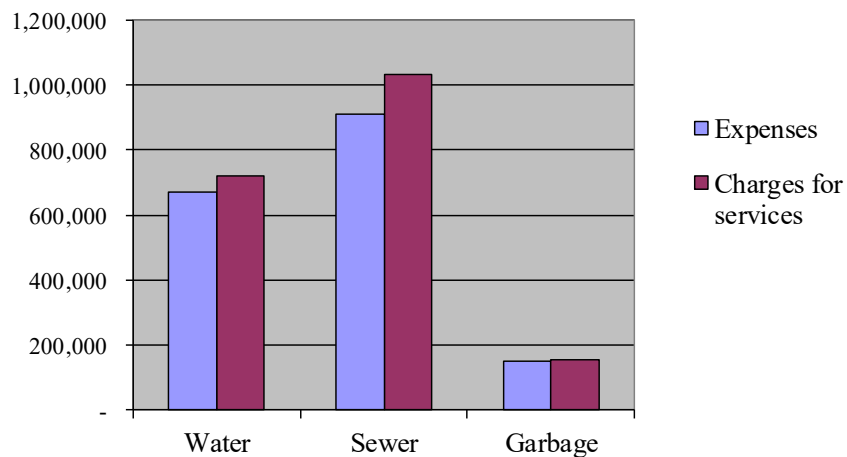
Revenue By Source - Governmental Activities



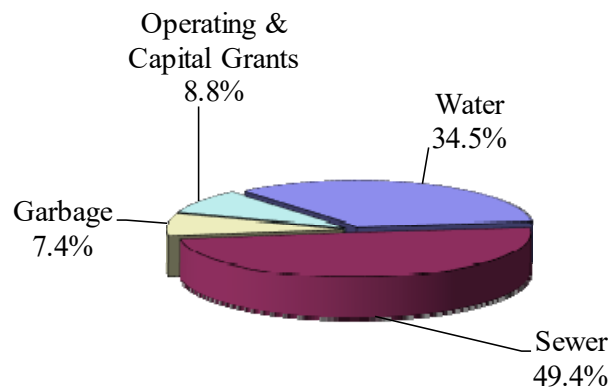
Business Type Activities

Net position of the Business Type activities at December 31, 2019, as reflected in the Statement of Net Position was \$12.8 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,732,969. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1,905,723 and there was \$182,832 subsidized by capital grants and contributions. Investment earnings and other revenues were \$62,084. Transfers to governmental activities totaled \$30,253. There was also a restatement adjustment for OPEB for (\$39,989). The Net Position increased by \$347,428. The following graphs compare the total business-type activity expenses by service to the charges for those services and the graph at the bottom of the page provides a breakdown of the total revenues for business-type activities.

Expenses and Charges for Services - Business-type Activities



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,128,521, an increase of \$243,695 in comparison with the prior year. Approximately 11.4%, \$469,050 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The Town has four major governmental funds, the general fund, the street fund, the debt service fund, and the capital improvement fund.

The General fund is the primary operating fund for the Town. At December 31, 2019, unassigned fund balance in the General fund was \$469,050. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 25% of the total General fund expenditures. The fund balance of the Town's General fund increased by \$75,905 for the year ended December 31, 2019.

The Street fund was a new fund in 2016 to account for a voter approved 1 percent sales tax to construct and maintain critical infrastructure needs. The Town expended \$943,218. The actual increase in fund balance was \$146,596.

The special assessments and interest earned in the debt service fund were less than total expenditures in the fund by \$31,457.

The Capital Improvement fund received more revenues than budgeted. The actual increase in fund balance was \$337,821.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and changes in net position for the year-ended December 31, 2019 for the Town's three enterprise funds (Water, Sewer, and Garbage) are as follows:

	Water	Sewer	Garbage	Total
Unrestricted net position	\$ 1,884,520	\$ 1,263,246	\$ 47,081	\$ 3,194,847
Total net position	6,189,300	6,551,119	80,428	12,820,847
Change in net position	162,849	222,001	2,567	387,417

Budgetary Highlights

General fund revenues of \$1,959,023 were higher than budgeted revenues of \$1,912,062 by \$46,961. The most significant factor contributing to this excess amount is related to sales tax

which exceeded budget by \$139,804. Budgeted expenditures exceeded actual expenditures by \$114 780.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of 2019, net capital assets of the government activities totaled \$16.3 million and the net capital assets of the business-type activities were \$12.5 million. The most significant governmental capital additions were for the stormwater improvement project and the for a monument sign. The most significant business-type capital additions during the year was the Conoco lift station and the water replacement project. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the Town had \$970,689 in governmental type debt, and \$3,705,156 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$324,668. (See note 7 to the financial statements for detailed descriptions.) Included in these amounts are pension and OPEB related liabilities. (See note 7 to the financial statements.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for the year 2020, the Town Board of Trustees and management were cautious as to the growth of revenues and expenditures.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director at: 1199 Bayfield Parkway Bayfield, Colorado 81122.

BASIC FINANCIAL STATEMENTS

TOWN OF BAYFIELD, COLORADO
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,486,356	\$ 3,949,022	\$ 7,435,378
Receivables (net of allowance)	697,076	57,977	755,053
Internal balances	329,876	(329,876)	-
Inventories	21,852	95,866	117,718
Temporarily restricted assets:			
Cash and cash equivalents	119,511	237,946	357,457
Special improvement district receivable	288,771	-	288,771
Capital assets (net of accumulated depreciation):			
Land	1,513,169	105,750	1,618,919
Construction in progress	104,431	345,557	449,988
Buildings	4,875,742	403,248	5,278,990
Machinery and equipment	147,403	117,469	264,872
Vehicles	268,045	-	268,045
Infrastructure and systems	9,344,966	11,551,284	20,896,250
Total assets	<u>21,197,198</u>	<u>16,534,243</u>	<u>37,731,441</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	381,391	77,995	459,386
Deferred outflows related to OPEB	5,491	3,632	9,123
Total deferred outflows of resources	<u>386,882</u>	<u>81,627</u>	<u>468,509</u>
Liabilities			
Accounts payable and other current liabilities	293,211	52,897	346,108
Interest payable	-	30,559	30,559
Noncurrent liabilities:			
Due within one year	55,662	304,499	360,161
Due in more than one year	-	2,841,588	2,841,588
Net pension liability	849,657	515,832	1,365,489
Net OPEB liability	65,370	43,237	108,607
Total liabilities	<u>1,263,900</u>	<u>3,788,612</u>	<u>5,052,512</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	232,939	-	232,939
Deferred inflows related to pensions	745	-	745
Deferred inflows related to OPEB	9,693	6,411	16,104
Total deferred inflows of resources	<u>243,377</u>	<u>6,411</u>	<u>249,788</u>
Net Position			
Net investment in capital assets	16,253,756	9,388,054	25,641,810
Restricted for:			
Emergency reserve	116,661	-	116,661
Parks and recreation	198,696	-	198,696
Public works	568,790	-	568,790
Debt service	291,621	237,946	529,567
Unrestricted	2,647,279	3,194,847	5,842,126
Total Net Position	<u>\$ 20,076,803</u>	<u>\$ 12,820,847</u>	<u>\$ 32,897,650</u>

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

TOWN OF BAYFIELD, COLORADO
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 518,444	\$ 22,143	\$ 37,018	\$ -	\$ (459,283)	\$ -	\$ (459,283)
Public safety	914,126	26,129	154,681	-	(733,316)	-	(733,316)
Public works/streets	1,607,727	45,133	64,849	21,520	(1,476,225)	-	(1,476,225)
Parks and recreation	365,163	69,872	31,614	4,736	(258,941)	-	(258,941)
Health and welfare	17,587	6,290	1,803	-	(9,494)	-	(9,494)
Community support	58,024	-	-	-	(58,024)	-	(58,024)
Interest on long-term debt	(7,298)	-	-	-	7,298	-	7,298
Total governmental activities	<u>3,473,773</u>	<u>169,567</u>	<u>289,965</u>	<u>26,256</u>	<u>(2,987,985)</u>	<u>-</u>	<u>(2,987,985)</u>
Business-type activities:							
Water	671,831	719,785	-	95,180	-	143,134	143,134
Sewer	909,666	1,032,023	-	87,652	-	210,009	210,009
Garbage	151,472	153,915	-	-	-	2,443	2,443
Total business-type activities	<u>1,732,969</u>	<u>1,905,723</u>	<u>-</u>	<u>182,832</u>	<u>-</u>	<u>355,586</u>	<u>355,586</u>
Total primary government	<u>\$ 5,206,742</u>	<u>\$ 2,075,290</u>	<u>\$ 289,965</u>	<u>\$ 209,088</u>	<u>(2,987,985)</u>	<u>355,586</u>	<u>(2,632,399)</u>
General Revenues:							
Taxes:							
Property tax					213,946	-	213,946
Sales tax					2,049,535	-	2,049,535
Other taxes					270,780	-	270,780
Franchise tax					17,522	-	17,522
Unrestricted investment earnings					59,531	62,084	121,615
Transfers					30,253	(30,253)	-
Total general revenues & transfers					<u>2,641,567</u>	<u>31,831</u>	<u>2,673,398</u>
Change in net position					(346,418)	387,417	40,999
Net position - beginning					20,500,708	12,473,419	32,974,127
Restatement adjustment					(77,487)	(39,989)	(117,476)
Net position - ending					<u>\$ 20,076,803</u>	<u>\$ 12,820,847</u>	<u>\$ 32,897,650</u>

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

TOWN OF BAYFIELD, COLORADO
Balance Sheet
Governmental Funds
December 31, 2019

Assets	General Fund	Street Fund	Debt Service Fund	Capital Improvement Fund	Nonmajor Transportation Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Cash and cash equivalents	\$ 669,415	\$ 1,420,449	\$ -	\$ 1,297,896	\$ -	\$ 98,596	\$ 3,486,356
Receivables, net of allowances	645	-	-	-	-	-	645
Restricted special assessment receivable	-	-	288,771	-	-	-	288,771
Property tax receivable	232,939	-	-	-	-	-	232,939
Due from other governments	281,722	116,321	-	65,449	-	-	463,492
Due from other funds	329,876	-	-	-	-	-	329,876
Inventories	7,542	14,310	-	-	-	-	21,852
Restricted cash and investments	116,661	-	2,850	-	-	-	119,511
Total assets	<u>\$ 1,638,800</u>	<u>\$ 1,551,080</u>	<u>\$ 291,621</u>	<u>\$ 1,363,345</u>	<u>\$ -</u>	<u>\$ 98,596</u>	<u>\$ 4,943,442</u>
Liabilities							
Accounts payable	\$ 22,845	\$ 60,927	\$ -	\$ -	\$ -	\$ -	\$ 83,772
Accrued liabilities	209,439	-	-	-	-	-	209,439
Total liabilities	<u>232,284</u>	<u>60,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,211</u>
Deferred Inflows of Resources							
Deferred revenue - property taxes	232,939	-	-	-	-	-	232,939
Deferred revenue - special assessments	-	-	288,771	-	-	-	288,771
Total deferred inflows of resources	<u>232,939</u>	<u>-</u>	<u>288,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,710</u>
Fund Balances							
Nonspendable:							
Inventories	7,542	14,310	-	-	-	-	21,852
Due from other funds	307,431	-	-	-	-	-	307,431
Restricted for:							
Emergency reserve	116,661	-	-	-	-	-	116,661
Debt service	-	-	2,850	-	-	-	2,850
Parks and recreation	-	-	-	100,100	-	98,596	198,696
Public works and streets	-	568,790	-	-	-	-	568,790
Committed to:							
Public works and streets	-	400,000	-	-	-	-	400,000
Capital outlay	-	-	-	257,327	-	-	257,327
Assigned to:							
Equipment replacement	-	-	-	917,141	-	-	917,141
Public safety	7,634	-	-	-	-	-	7,634
Public works and streets	-	507,053	-	-	-	-	507,053
Health and welfare	10,166	-	-	-	-	-	10,166
Capital outlay	-	-	-	88,777	-	-	88,777
Subsequent years	255,093	-	-	-	-	-	255,093
Unassigned	469,050	-	-	-	-	-	469,050
Total fund balances	<u>1,173,577</u>	<u>1,490,153</u>	<u>2,850</u>	<u>1,363,345</u>	<u>-</u>	<u>98,596</u>	<u>4,128,521</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,638,800</u>	<u>\$ 1,551,080</u>	<u>\$ 291,621</u>	<u>\$ 1,363,345</u>	<u>\$ -</u>	<u>\$ 98,596</u>	<u>\$ 4,943,442</u>

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

TOWN OF BAYFIELD, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2019

Total fund balances - governmental funds		\$ 4,128,521
Amounts reported for governmental activities in the statement of net position are different because:		
Special assessment receivables are not available to pay for current period expenditures, and therefore, are deferred in the funds.		288,771
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	27,228,321	
Accumulated depreciation	<u>(10,974,565)</u>	16,253,756
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	(849,657)	
Net OPEB liability	(65,370)	
Compensated absences	<u>(55,662)</u>	(970,689)
Deferred outflows and inflows of resources related to pensions/OPEB and net pension/OPEB assets are applicable to future reporting periods and therefore are not reported in the funds.		
Deferred outflows	386,882	
Deferred inflows	<u>(10,438)</u>	376,444
Total net position - governmental activities		<u><u>\$ 20,076,803</u></u>

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

TOWN OF BAYFIELD, COLORADO
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2019

	General Fund	Street Fund	Debt Service Fund	Capital Improvement Fund	Nonmajor Transportation Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Revenues							
Taxes	\$ 1,581,482	\$ 511,795	\$ -	\$ 458,504	\$ -	\$ -	\$ 2,551,781
Licenses and permits	43,991	926	-	-	-	-	44,917
Intergovernmental	177,398	52,880	-	-	-	31,614	261,892
Fines and forfeitures	13,237	-	-	-	-	-	13,237
Charges for services	99,305	-	-	-	-	-	99,305
Interest revenue	13,250	13,786	61	43,512	705	187	71,501
Special assessments	-	-	42,482	-	-	-	42,482
Impact fees	-	-	-	816	-	-	816
In lieu of parks fee	-	-	-	4,736	-	-	4,736
Other revenues	30,360	-	-	-	-	-	30,360
Total revenues	1,959,023	579,387	42,543	507,568	705	31,801	3,121,027
Expenditures							
Current:							
General government	498,890	-	150	-	-	-	499,040
Public safety	914,619	-	-	-	-	-	914,619
Public works/streets	-	837,256	-	-	-	-	837,256
Non-departmental	-	-	-	-	-	-	-
Parks and recreation	411,585	-	-	-	-	-	411,585
Payments to sub recipients	58,024	-	-	-	-	-	58,024
Capital outlay	-	105,962	-	-	7,249	-	113,211
Debt service:							
Principal retirement	-	-	70,000	-	-	-	70,000
Interest on long-term debt	-	-	3,850	-	-	-	3,850
Total expenditures	1,883,118	943,218	74,000	-	7,249	-	2,907,585
Excess of revenues over (under) expenditures	75,905	(363,831)	(31,457)	507,568	(6,544)	31,801	213,442
Other financing sources (uses):							
Transfers in	-	510,427	-	30,253	-	-	540,680
Transfers out	-	-	-	(200,000)	(310,427)	-	(510,427)
Total other financing sources (uses)	-	510,427	-	(169,747)	(310,427)	-	30,253
Net change in fund balances	75,905	146,596	(31,457)	337,821	(316,971)	31,801	243,695
Fund balance, beginning of year	1,097,672	1,343,557	34,307	1,025,524	316,971	66,795	3,884,826
Fund balance, end of year	<u>\$ 1,173,577</u>	<u>\$ 1,490,153</u>	<u>\$ 2,850</u>	<u>\$ 1,363,345</u>	<u>\$ -</u>	<u>\$ 98,596</u>	<u>\$ 4,128,521</u>

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

TOWN OF BAYFIELD, COLORADO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 243,695

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	115,137	
Depreciation expense	<u>(1,076,036)</u>	(960,899)

Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 70,000

Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities. 11,148

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 5,313

Deferred revenues in the governmental funds were recognized as revenues in the statement of activities in previous years. (23,925)

Pension/OPEB contributions are reported as expenditures in the governmental

funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pension, is reported in the Statement of Activities.

Pension contributions	86,455	
Pension expense	213,880	
OPEB contributions	4,420	
OPEB expense	<u>3,495</u>	308,250

Change in net position of governmental activities \$ (346,418)

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

TOWN OF BAYFIELD, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2019

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,077,553	\$ 1,813,635	\$ 57,834	\$ 3,949,022
Receivables (net of allowance)	13,481	38,614	5,882	57,977
Inventory	50,783	45,083	-	95,866
Restricted cash and investments	-	237,946	-	237,946
Total current assets	2,141,817	2,135,278	63,716	4,340,811
Noncurrent assets:				
Land	57,842	47,908	-	105,750
Construction in progress	345,557	-	-	345,557
Buildings	712,832	250,993	57,967	1,021,792
Improvements and system	6,055,738	12,086,689	-	18,142,427
Machinery and equipment	295,918	337,101	-	633,019
Accumulated depreciation	(3,163,107)	(4,537,510)	(24,620)	(7,725,237)
Total noncurrent assets	4,304,780	8,185,181	33,347	12,523,308
Total assets	6,446,597	10,320,459	97,063	16,864,119
Deferred outflows of resources				
Deferred outflows related to pensions	36,127	40,986	882	77,995
Deferred outflows related to OPEB	1,682	1,909	41	3,632
Total deferred outflows of resources	37,809	42,895	923	81,627
Liabilities				
Current liabilities:				
Accounts payable	26,421	13,494	10,982	50,897
Accrued liabilities	2,000	-	-	2,000
Due to other funds - current	-	22,445	-	22,445
Interest payable	-	30,559	-	30,559
Loans payable - current	-	293,666	-	293,666
Compensated absences - current	4,755	5,894	184	10,833
Total current liabilities	33,176	366,058	11,166	410,400
Noncurrent liabilities:				
Due to other funds (net of current portion)	-	307,431	-	307,431
Loans payable (net of current portion)	-	2,841,588	-	2,841,588
Net pension liability	238,933	271,068	5,831	515,832
Net OPEB liability	20,027	22,721	489	43,237
Total noncurrent liabilities	258,960	3,442,808	6,320	3,708,088
Total liabilities	292,136	3,808,866	17,486	4,118,488
Deferred inflows of resources				
Deferred inflows related to pensions	-	-	-	-
Deferred inflows related to OPEB	2,970	3,369	72	6,411
Total deferred inflows of resources	2,970	3,369	72	6,411
Net position				
Net investment in capital assets	4,304,780	5,049,927	33,347	9,388,054
Restricted	-	237,946	-	237,946
Unrestricted	1,884,520	1,263,246	47,081	3,194,847
Total net position	\$ 6,189,300	\$ 6,551,119	\$ 80,428	\$ 12,820,847

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

TOWN OF BAYFIELD, COLORADO
Statement Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
Operating revenues				
Charges for services	\$ 719,785	\$ 1,030,467	\$ 153,915	\$ 1,904,167
Other revenues	-	1,556	-	1,556
Total operating revenues	<u>719,785</u>	<u>1,032,023</u>	<u>153,915</u>	<u>1,905,723</u>
Operating expenses				
Salaries and wages	183,301	194,404	2,147	379,852
Water storage	28,218	-	-	28,218
Pumping costs	6,418	-	-	6,418
Water treatment	135,175	-	-	135,175
Transmission and distribution	29,154	-	-	29,154
Collection and transmission	-	22,444	-	22,444
Sewer treatment	-	145,575	-	145,575
General operations	-	3,162	143,635	146,797
Administrative	68,003	110,307	2,975	181,285
Depreciation	218,035	336,797	2,715	557,547
Total operating expenses	<u>668,304</u>	<u>812,689</u>	<u>151,472</u>	<u>1,632,465</u>
Operating income (loss)	<u>51,481</u>	<u>219,334</u>	<u>2,443</u>	<u>273,258</u>
Non-operating revenues (expenses)				
Interest income	30,450	31,510	124	62,084
Interest expense and fiscal charges	(3,527)	(96,977)	-	(100,504)
Grant revenue	18,246	-	-	18,246
Connection and tap fees	76,934	87,652	-	164,586
Total non-operating revenues (expenses)	<u>122,103</u>	<u>22,185</u>	<u>124</u>	<u>144,412</u>
Income before transfers	173,584	241,519	2,567	417,670
Transfers:				
Transfers out	(10,735)	(19,518)	-	(30,253)
Change in net position	162,849	222,001	2,567	387,417
Total net position, beginning of year	6,044,367	6,350,569	78,483	12,473,419
Restatement adjustment	(17,916)	(21,451)	(622)	(39,989)
Total net position, end of year	<u>\$ 6,189,300</u>	<u>\$ 6,551,119</u>	<u>\$ 80,428</u>	<u>\$ 12,820,847</u>

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

TOWN OF BAYFIELD, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
Cash flows from operating activities:				
Cash received from customers, service fees	\$ 717,676	\$ 1,026,382	\$ 153,646	\$ 1,897,704
Cash received from customers, other	-	1,556	-	1,556
Cash paid to suppliers	(198,042)	(205,229)	(144,642)	(547,913)
Cash paid to employees	(262,121)	(334,895)	(7,845)	(604,861)
Net cash flows from operating activities	<u>257,513</u>	<u>487,814</u>	<u>1,159</u>	<u>746,486</u>
Cash flows from noncapital financing activities:				
Repayment of interfund loan	-	(22,001)	-	(22,001)
Transfers from/(to) other funds	(10,735)	(19,518)	-	(30,253)
Net cash flows from noncapital financing activities	<u>(10,735)</u>	<u>(41,519)</u>	<u>-</u>	<u>(52,254)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(162,069)	(81,816)	-	(243,885)
Principal paid on long-term debt	(66,297)	(274,540)	-	(340,837)
Interest paid	(3,527)	(107,845)	-	(111,372)
Capital grants	18,246	-	-	18,246
Connection and tap fees	76,934	87,652	-	164,586
Net cash flows from capital and related financing activities	<u>(136,713)</u>	<u>(376,549)</u>	<u>-</u>	<u>(513,262)</u>
Cash flows from investing activities:				
Interest on investments	30,450	31,510	124	62,084
Net change in cash and cash equivalents	140,515	101,256	1,283	243,054
Cash and cash equivalents, including restricted cash beginning of year	<u>1,937,038</u>	<u>1,950,325</u>	<u>56,551</u>	<u>3,943,914</u>
Cash and cash equivalents, including restricted cash end of year	<u>\$ 2,077,553</u>	<u>\$ 2,051,581</u>	<u>\$ 57,834</u>	<u>\$ 4,186,968</u>
Reconciliation of operating income to net cash provided by operating activities:				
Net operating income (loss)	\$ 51,481	\$ 219,334	\$ 2,443	\$ 273,258
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation/amortization	218,035	336,797	2,715	557,547
Pension and OPEB expense	7,185	(6,638)	(2,258)	(1,711)
Employer pension and OPEB contributions	(18,002)	(20,483)	(465)	(38,950)
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	(2,109)	(4,085)	(269)	(6,463)
(Increase)/decrease in inventory	528	(21,789)	-	(21,261)
Increase/(decrease) in payables	395	(12,259)	(1,007)	(12,871)
Increase/(decrease) in accrued liabilities & deposits	-	(3,063)	-	(3,063)
Net cash flows from operating activities	<u>\$ 257,513</u>	<u>\$ 487,814</u>	<u>\$ 1,159</u>	<u>\$ 746,486</u>
Supplemental schedule of non-cash financing and investing activities:				
Bond premium amortization	\$ -	\$ 10,868	\$ -	\$ 10,868

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 1. Summary of Significant Accounting Policies

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The government is a statutory municipality with a mayor – Board form of government with six elected Board members. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. However, there are no blended or discretely presented component units that are applicable in defining the Town’s reporting entity.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government’s funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 1. Summary of Significant Accounting Policies, Continued

The Town reports the following major governmental funds:

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

The **Street Fund** accounts for a voter approved 1 percent sales tax revenue to construct and maintain critical infrastructure needs including roads, sidewalks, and storm water systems.

The **Debt Service Fund** is used to account for resources to meet current and future debt service requirements on the Special Improvement District.

The **Capital Improvement Fund** accounts for acquisition or construction of major capital facilities (other than those belonging to enterprise funds).

The Town reports the following major enterprise funds:

The **Water Fund** accounts for the activities related to the Town's water wells, treatment facilities and distribution operations.

The **Sewer Fund** accounts for the activities related to the Town's sewer collection and treatment operations.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to” or “due from other funds. All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectible accounts. Due to the nature of the accounts receivable in governmental and business-type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories

Governmental fund-type inventories consist of street maintenance materials and other supplies and are valued at cost using the first-in/first-out (FIFO) method. Inventories for business type activities consist of various parts and supplies and are valued at cost using the first-in/first-out (FIFO) method.

Capital Assets

Capital assets, which include; property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	7 to 40 years
Utility plant and improvements	39 to 40 years
Machinery, equipment and vehicles	5 to 20 years
Infrastructure	7 to 25 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has two types of items that qualifies for reporting in this category. It is pension and OPEB related items reported on the proprietary funds statement of net position and the government-wide financial statement. See Note 9 and 10 for more information.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 1. Summary of Significant Accounting Policies, Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four types of items that qualify for reporting in this category. Accordingly, the item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. The item, *deferred revenue – special assessments*, is reported only in the governmental funds balance sheet. The item, *deferred inflows related to pensions* and *deferred inflows related to OPEB*, are reported in the government-wide financial statements and on the proprietary funds statement of net position (see Note 9 and 10). These amounts are deferred and recognized as an inflow of resources in the period that the amounts were levied for or become available.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Fire and Police Pension Association of Colorado (FPPA) and the Colorado Public Employees' Retirement Association (PERA) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by FPPA and PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's OPEB plan and additions to/deductions from the Plans' fiduciary net position have been determined based on annual actuarial reports. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 1. Summary of Significant Accounting Policies, Continued

considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes levied in the current year and not collected within 60 days of year-end are not deemed available to pay current liabilities and therefore the receivable is recorded as a deferred inflow in the governmental funds. Property taxes for the current year are levied by

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 1. Summary of Significant Accounting Policies, Continued

the County and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The County also levies various personal property taxes during the year.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

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

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation.

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and Budgetary Accounting

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

- In accordance with State statutes, prior to October 15, the Finance Director submits to the Town Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the Fund level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- The Finance Director is required to present a monthly report to the Town Board explaining any variance from the approved budget.
- Formal budgetary integration is employed as a management control device during the year for all funds of the Town.
- Appropriations lapse at the end of each calendar year.
- The Town Board may authorize supplemental appropriations during the year.

Budget amounts included in the financial statements report both the original and final amended budget. There were revisions made to the original budget during the year.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 3. Stewardship, Compliance, and Accountability, Continued

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

Expenditures over Appropriations

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Town Board. The Board by Resolution has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports as listed in the table of contents report those funds that exceeded approved budget appropriations.

Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, excluding “enterprises.”

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending (excluding bonded debt service). A portion of the General Fund’s fund balance is classified as restricted for emergencies as required by the Amendment. The Town is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations in the Amendment’s language in order to determine its compliance.

Debt Covenants

See the supplementary information listed on page 79 for compliance with debt covenants.

Note 4. Deposits and Investments

A summary of cash and investments as shown on the statement of net position follows:

Cash on hand	\$ 300
Cash in bank	1,962,726
Colorado Trust	<u>5,829,809</u>
Total cash and investments	<u><u>\$ 7,792,835</u></u>

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk; however, the Colorado

Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2019 cash on hand was \$300 and the carrying amount of the Town's deposits was \$1,962,726. As of December 31, 2019 the bank balance of the Town's deposits was \$1,949,427 of which \$250,000 was insured by federal depository insurance and \$1,699,427 was collateralized by the PDPA as noted above.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The Town's investment policy follows Colorado statutes. At December 31, 2019 the Town's investments included certificates of deposit and funds held in the Colorado Government Liquid Asset Trust (COLOTRUST).

The COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. These pools are not required to and are not registered with the SEC.

As of December 31, 2019 the Town had \$5,829,809 invested in the COLOTRUST and maturities of less than one year. The COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 4. Deposits and Investments, Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which limits investment in commercial paper and corporate bonds to the top ratings issued by at least two nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

Fair value measurements

Governmental Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Town does not hold any investments in 2019 that are measured at fair value.

During the year, the Town invested in COLOTRUST, a local government investment pool. The valuation is measured at net asset value and is designed to approximate the share value. The pool's Board of Trustees, elected by the participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. COLOTRUST is designed to provide local governments with a convenient method for investing in short-term investments carefully chosen to provide maximum safety and liquidity, while still maximizing interest earnings.

Note 5. Restricted Assets

The Town reported restricted cash of \$116,661 in the General Fund, \$2,850 in the Debt Service Fund, and \$237,946 in the Sewer Fund as of December 31, 2019. This is made up of \$116,661 for the emergency reserve requirement, \$2,850 for the special improvement district, and \$237,946 as required by the Colorado Water Resources and Power Development Authority Loan Agreements.

The special improvement district receivable of \$288,771 is reported as a restricted asset in the government-wide statement of net position. This receivable is associated with the special assessment bonds described in the long-term liabilities footnote.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 6. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year.

Governmental Activities:	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Capital assets, not being depreciated:				
Land	\$ 1,513,169	\$ -	\$ -	\$ 1,513,169
Construction in progress	67,511	58,143	(21,223)	104,431
Total capital assets, not being depreciated	<u>1,580,680</u>	<u>58,143</u>	<u>(21,223)</u>	<u>1,617,600</u>
Capital assets, being depreciated:				
Buildings & improvements	7,065,096	-	-	7,065,096
Machinery and equipment	674,703	5,850	-	680,553
Vehicles	1,077,669	-	-	1,077,669
Infrastructure	16,715,036	72,367	-	16,787,403
Total capital assets, being depreciated	<u>25,532,504</u>	<u>78,217</u>	<u>-</u>	<u>25,610,721</u>
Less accumulated depreciation for:				
Buildings & improvements	(1,970,158)	(219,196)	-	(2,189,354)
Machinery and equipment	(493,677)	(39,473)	-	(533,150)
Vehicles	(716,223)	(93,401)	-	(809,624)
Infrastructure	(6,718,471)	(723,966)	-	(7,442,437)
Total accumulated depreciation	<u>(9,898,529)</u>	<u>(1,076,036)</u>	<u>-</u>	<u>(10,974,565)</u>
Total capital assets, being depreciated, net	<u>15,633,975</u>	<u>(997,819)</u>	<u>-</u>	<u>14,636,156</u>
Governmental activities capital assets, net	<u>\$ 17,214,655</u>	<u>\$ (939,676)</u>	<u>\$ (21,223)</u>	<u>\$ 16,253,756</u>

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

Governmental Activities:	
General government	\$ 132,978
Public safety	45,466
Public works/streets	782,867
Parks & recreation	75,854
Health & welfare	38,871
Total depreciation expense - governmental activities	<u>\$ 1,076,036</u>

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 6. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

Business Type Activities:	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Capital assets not being depreciated:				
Land and water rights	\$ 105,750	\$ -	\$ -	\$ 105,750
Construction in progress	264,150	124,927	(43,520)	345,557
Total capital assets, not being depreciated	<u>369,900</u>	<u>124,927</u>	<u>(43,520)</u>	<u>451,307</u>
Capital assets being depreciated:				
Buildings	1,021,792	-	-	1,021,792
Improvements and systems	18,023,070	119,357	-	18,142,427
Machinery and equipment	589,898	43,121	-	633,019
Total capital assets, being depreciated	<u>19,634,760</u>	<u>162,478</u>	<u>-</u>	<u>19,797,238</u>
Less accumulated depreciation for:				
Buildings	(596,554)	(21,990)	-	(618,544)
Improvements and systems	(6,113,943)	(477,200)	-	(6,591,143)
Machinery and equipment	(457,193)	(58,357)	-	(515,550)
Total accumulated depreciation	<u>(7,167,690)</u>	<u>(557,547)</u>	<u>-</u>	<u>(7,725,237)</u>
Total capital assets, being depreciated, net	<u>12,467,070</u>	<u>(395,069)</u>	<u>-</u>	<u>12,072,001</u>
Business-type activities capital assets, net	<u>\$ 12,836,970</u>	<u>\$ (270,142)</u>	<u>\$ (43,520)</u>	<u>\$ 12,523,308</u>

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

Business-Type Activities:	
Water	\$ 218,035
Sewer	336,797
Garbage	2,715
Total depreciation expense - business-type activities	<u>\$ 557,547</u>

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 7. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the year ended December 31, 2019:

	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019	Current Portion
Governmental Activities:					
<i>Direct Borrowings and Direct Placements:</i>					
Special assessment bond	\$ 70,000	\$ -	\$ (70,000)	\$ -	\$ -
Net pension liability	904,804	69,755	(124,902)	849,657	-
Net OPEB liability	-	65,370	-	65,370	-
Compensated absences	60,975	49,485	(54,798)	55,662	55,662
Total Governmental activity					
Long-term liabilities	<u>\$ 1,035,779</u>	<u>\$ 184,610</u>	<u>\$ (249,700)</u>	<u>\$ 970,689</u>	<u>\$ 55,662</u>
Business-Type Activities:					
<i>Direct Borrowings and Direct Placements:</i>					
Energy/Mineral Impact Assistance Loan	\$ 66,297	\$ -	\$ (66,297)	\$ -	\$ -
Water Pollution Control Fund Loan	2,855,000	-	(245,000)	2,610,000	255,000
Water Pollution Control Revolving Fund Loan	471,594	-	(29,541)	442,053	27,798
Plus deferred amounts:					
For issuance premiums	94,068	-	(10,867)	83,201	10,868
Total loans payable	<u>3,486,959</u>	<u>-</u>	<u>(351,705)</u>	<u>3,135,254</u>	<u>293,666</u>
Net pension liability	466,942	48,890	-	515,832	-
Net OPEB liability	-	43,237	-	43,237	-
Compensated absences	10,833	9,952	(9,952)	10,833	10,833
Total Business-type activity					
Long-term liabilities	<u>\$ 3,964,734</u>	<u>\$ 102,079</u>	<u>\$ (361,657)</u>	<u>\$ 3,705,156</u>	<u>\$ 304,499</u>

Debt service requirements to maturity on bonds and loans are as follows:

Years ending December 31:	Business-Type Activities	
	Direct Borrowings / Direct Placements	
	Principal	Interest
2020	\$ 282,798	\$ 120,973
2021	288,357	112,695
2022	298,927	104,255
2023	304,508	95,500
2024	315,101	86,582
2025-2029	1,424,830	213,565
2030-2033	137,532	6,365
	<u>\$ 3,052,053</u>	<u>\$ 739,935</u>

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 7. Long-Term Liabilities, Continued

Long-term liabilities for the primary government at December 31, 2019 are comprised of the following:

Governmental Activities:

Net pension liability	\$ 849,657
Net OPEB liability	65,370
Accrued vacation and comp time payable	55,662

Business-Type Activities:

Direct Borrowings and Direct Placements:

Loan payable to Colorado Water Resources and Power Development Authority, secured by system property and net revenue, bearing interest from 2 to 3%, due in semi-annual principal, interest and fee installments ranging from \$23,367 to \$183,806, maturing August 1, 2028. The loan proceeds and obligations under the loan agreement were transferred to the Town on January 1, 2008 under the dissolution agreement of the Bayfield Sanitation District.

2,610,000

Loan payable to Colorado Water Resources and Power Development Authority, secured by system property and net revenue, bearing interest at 2%, due in semi-annual principal and interest installments of \$18,273, maturing November 1, 2033.

442,053

Deferred amounts for issuance premiums.

83,201

3,135,254

Net pension liability	515,832
Net OPEB liability	43,237
Accrued vacation and comp time payable	10,833

Total Long-term liabilities	\$ 4,675,845
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The Town's outstanding loans with Colorado Water Resources and Power Development Authority of \$3,052,053 are secured with pledged revenues. The loans contain provisions that in the event of default, the Authority has the right to take any action permitted or required that may appear necessary or desirable to collect the amounts then due and any related attorney fees and other expenses.

The Town has no unused lines of credit at December 31, 2019.

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 8. Interfund Receivables, Payables and Transfers

As of December 31, 2019, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 329,876	\$ -
Sewer Fund	-	329,876
	\$ 329,876	\$ 329,876

With the exception of the interfund loans described below, interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

In 2012, the General Fund loaned the Sewer Fund \$475,038 to finance decommissioning costs. The loan has a 2% interest rate payable in 20 annual installments of \$28,838.

Interfund transfers for the year ended December 31, 2019 were as follows:

Transfers In:	Transfers Out:					Total
	General Fund	Capital Improvement	Transportation Fund	Water Fund	Sewer Fund	
Capital Improvement	\$ -	\$ -	\$ -	\$ 10,735	\$ 19,518	\$ 30,253
Street Fund	-	200,000	310,427	-	-	510,427
	\$ -	\$ 200,000	\$ 310,427	\$ 10,735	\$ 19,518	\$ 540,680

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 9. Pension Plans

The Town contributes to the Fire & Police Pension Association of Colorado and the Public Employees' Retirement Association plans described below. At December 31, 2019, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

	Net Pension Asset (Liability)	Deferred Outflows of Resources	Deferred Inflows of Resources
FPPA	\$ (69,755)	\$ 263,468	\$ (745)
PERA	(1,295,734)	195,918	-
Total	\$ (1,365,489)	\$ 459,386	\$ (745)
Business-Type Activities	\$ (515,832)	\$ 77,995	\$ -
Governmental Activities	(849,657)	381,391	(745)
Total	\$ (1,365,489)	\$ 459,386	\$ (745)

Fire & Police Pension Association of Colorado

Plan description – The Town participates in the Statewide Defined Benefit Plan (SWDB) which is a cost-sharing multiple-employer defined benefit pension plan. The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on the FPPA's website at www.fppaco.org.

Benefits provided – A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated social security employers will be reduced by that amount of social security income payable to the member annually. Effective January 1, 2007, members currently covered under social security will receive half the benefit when compared to the SWDB. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 9. Pension Plans, Continued

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions – The Plan sets contributions rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of the SWDB plan and their employers are contributing at the rate of 10 percent and 8 percent, respectively, of base salary for a total contribution rate of 18 percent in 2018. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

The Town's contributions for the current and 3 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended December 31,	Retirement Fund
2017	28,796
2018	29,567
2019	31,282

Pension liability – At December 31, 2019, the Town reported a liability of \$69,755 for its proportionate share of the SWDB net pension asset/liability. The net pension asset/liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension asset/liability was determined using an actuarial valuation as of January 1, 2019. The Town's proportion of the net pension asset/liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2018. The Town's proportion measured as of December 31, 2018, was 0.055174 percent, which was a decrease of 0.006363 percent from the proportions measured as of December 31, 2017.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 9. Pension Plans, Continued

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2019, the Town recognized pension expense for SWDB of \$9,204. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,629	\$ 745
Changes in assumptions	67,556	-
Net difference between projected and actual earnings on pension plan investments	54,873	-
Changes in proportion and differences between contributions and proportional share of contributions	20,128	-
Contributions subsequent to the measurement date	31,282	-
Total	\$ 263,468	\$ 745

The \$31,282 reported as deferred outflows of resources related to SWDB pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SWDB pensions will be recognized in pension expense as follows:

Year Ending December 31	Deferred Outflows (Inflows) of Resources Police
2018	\$ 42,178
2019	30,723
2020	26,475
2021	42,433
2022	21,734
Thereafter	67,897

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 9. Pension Plans, Continued

Actuarial Assumptions – The significant actuarial assumptions used to measure the total net pension liability are as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Investment Rate of Return	7.0%
Projected Salary Increases	4.25-11.25%
Cost of Living Adjustments	0.0%
Includes Inflation at	2.5%

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

At least every five years the FPPA’s Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA’s actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019 and were used in the rollforward calculation of total pension liability as of December 31, 2018. Actuarial assumptions effective for actuarial valuations prior to January 1, 2019 were used in the determination of the actuarially determined contributions as of December 31, 2018.

The long-term expected rate of return on SWDB pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37%	8.03%
Equity Long/Short	9%	6.45%
Private Markets	24%	10.00%
Fixed Income	15%	2.90%
Absolute Return	9%	5.08%
Managed Futures	4%	5.35%
Cash	2%	2.52%
Total	100%	

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 9. Pension Plans, Continued

Discount Rate – The discount rate used to measure the SWDB total pension liability was 7.0 percent, which is less than the long-term expected rate of return. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the SWDB Board's funding policy, which establishes the contractually required rate under Colorado statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Police			
Net pension (asset) / liability	\$ 270,502	\$ 69,755	\$ (96,761)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial report.

Public Employees' Retirement Association

Plan description - All of the Town's full-time and part-time employees, except for policemen, are eligible to participate in the Local Government Division Trust Fund (LGDTF). This is a cost-sharing multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67 and is administered by the Colorado Public Employees' Retirement Association (PERA). PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained on the PERA's website at www.copera.org.

Benefits provided - Employees are eligible for retirement benefits upon reaching (a) age 65 with five or more years of credited service, (b) age 60 with 20 or more years of credited service or (c) age 55 with 30 or more years of service. Such benefits are equivalent to 2.4 percent of their Final Average Salary (FAS) during their highest paid three years of service prior to retirement for each year of service up to 20 years, and 1 percent for each year over 20 years. The maximum benefit available is 70 percent of their FAS. Participants may elect to receive their benefits in the form of single life or joint life payments. The Association also provides death and disability benefits. Benefits are established by State statute.

Contributions - The Town and participant contributions are defined by State Statute. Participants are required to contribute 8% of their annual salary to the PERA. Participants' contributions are fully refundable, without interest, upon request at termination of employment from the Town.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 9. Pension Plans, Continued

If participants have at least five years of credited service, they are eligible to receive a future monthly retirement benefit. Any refund of contributions paid waives all future rights to any benefits.

PERA's funding policy also requires contributions by the Town of 12.68% of the participants' salaries. These contributions are credited to the participant's division for the purpose of creating actuarial reserves so each employee's benefits will be fully provided for upon retirement.

The Town's contributions for the current and 3 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ending December 31,	Retirement Fund
2017	\$ 98,549
2018	85,716
2019	91,665

Pension liability – At December 31, 2019, the Town reported a liability of \$1,295,734 for its proportionate share of the LGDTF net pension asset/liability. The net pension liability/asset was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of December 31, 2017. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2018. The Town's proportion measured as of December 31, 2018, was 0.103064 percent, which was a decrease of 0.020136 percent from the proportions measured as of December 31, 2017.

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2019, the Town recognized pension expense for LGDTF of (\$236,205). At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,179	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	168,742	-
Changes in proportion and differences between contributions and proportional share of contributions	(118,667)	-
Contributions subsequent to the measurement date	91,665	-
Total	\$ 195,918	\$ -

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 9. Pension Plans, Continued

The \$91,665 reported as deferred outflows of resources related to LGDTF pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LGDTF pensions will be recognized in pension expense as follows:

Year Ending December 31	Deferred Outflows (Inflows) of Resources
2018	\$ 48,067
2019	(27,653)
2020	(8,271)
2021	92,111
2022	-
Thereafter	-

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50-10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25 %
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 9. Pension Plans, Continued

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100%	

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 9. Pension Plans, Continued

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Discount Rate – The discount rate used to measure the total LGDTF pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions are noted above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5 percent.
- Employee contributions were assumed to be made at the current member contribution rate as of the measurement date. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor. When AIR cash flow timing is a factor in the SEIR determination process, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 9. Pension Plans, Continued

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension (asset) / liability	\$ 1,982,205	\$ 1,295,734	\$ 721,431

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial report.

Note 10. Other Post Employment Benefit (OPEB) Plan

The Town participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA").

Plan description - Eligible employees of the Town are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided - The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure - The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure - The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

Contributions - Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. The Town's contributions for the current and 3 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ending December 31,	Health Care Fund
2017	\$ 7,924
2018	6,886
2019	7,343

OPEB liability - At December 31, 2019, the Town reported a liability of \$108,607 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Town's proportion of the net OPEB liability was based on the Town's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF. At December 31, 2018, the Town's proportion was .0079826 percent, which was a decrease from its proportion of .0095693 percent measured as of December 31, 2017.

OPEB expense and deferred outflows/inflows of resources – For the year ended December 31, 2019, the Town recognized OPEB expense (benefit) of \$(1,888). At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 394	\$ 165
Changes in assumptions	762	-
Net difference between projected and actual earnings on pension plan investments	625	-
Changes in proportion and differences between contributions and proportional share of contributions	-	15,939
Contributions subsequent to the measurement date	7,343	-
Total	\$ 9,124	\$ 16,105

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

The \$7,343 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ (2,377)
2020	(2,377)
2021	(10,399)
2022	696
2023	127
Thereafter	5

Actuarial assumptions - The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.25% for 2018, gradually rising to 5.00% in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

The actuarial assumptions used in the December 31, 2017 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA Board’s actuary, as needed.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care cost assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates - The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net pension (asset) / liability	\$ 105,608	\$ 108,607	\$ 112,056

Discount rate - The discount rate used to measure the total OPEB liability was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2017 and the financial status of the Trust Fund as of the prior measurement date (December 31, 2017). In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the proportionate share of the net OPEB liability to changes in the discount rate - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Net pension (asset) / liability	\$ 121,521	\$ 108,607	\$ 97,566

OPEB plan fiduciary net position - Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/perafinancial-reports.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 11. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Claims have not exceeded coverage in any of the last three fiscal years.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by an intergovernmental agreement by member municipalities pursuant to the provision of 24-10-1155, Colorado Revised Statutes (1982 Replacement Volume) and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverage's and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers.

The Town is insured by CIRSA/WC (Workers Compensation), a separate insurance pool, for potential worker related accidents.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against liability or loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage's at reasonable costs. All income and assets of CIRSA shall at all times be dedicated to the exclusive benefit of its members.

All Colorado municipalities who are members of the Colorado Municipal League and own property, are eligible to participate. The general objectives of the Agency are to provide member municipalities defined liability and property coverage through joint self-insurance and to assists members in loss prevention measures. Any member may withdraw from the Agency by giving written notice to the Board of Directors of the prospective effective date of its withdrawal.

The Town recognizes an expense for coverage for the amount paid to CIRSA annually for these coverage's. Contingent liability claims for the coverage have not been recognized to date after reviewing claim history and the remoteness of potential loss in excess of actual contributions by the Town.

CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA. The Board of Directors of the Agency is composed of seven directors elected by the members at the annual meeting to be scheduled in December each year.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 12. Garbage Disposal Contract

The Town has a 5-year contract, which was renewed in 2014 for garbage disposal with a third party contractor. Under terms of the agreement the Town remits 95% of billed refuse collections fees to the contracting party, with the Garbage Fund retaining 5% of the fees as service revenue. The activity under this contract is reflected in the Garbage Fund.

Note 13. Restatement Adjustments

Net position as of December 31, 2018 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Restatement adjustment - implementation of GASB 75:			
Net OPEB liability	\$ (82,029)	\$ (42,333)	\$ (124,362)
Deferred outflows - contributions subsequent to measurement date	4,542	2,344	6,886
Total restatement adjustment	<u>\$ (77,487)</u>	<u>\$ (39,989)</u>	<u>\$ (117,476)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLANS

TOWN OF BAYFIELD, COLORADO
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
December 31, 2019

Fire and Police Pension Association of Colorado (FPPA)

	Police Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.055174%	0.061537%	0.068838%	0.070786%	0.073929%
Proportionate share of the net pension liability (asset)	\$ 69,755	\$ (88,531)	\$ 24,874	\$ (1,248)	\$ (83,435)
Covered payroll	\$ 369,592	\$ 359,946	\$ 352,306	\$ 343,148	\$ 332,458
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	18.87%	-24.60%	7.06%	-0.36%	-25.10%
Plan fiduciary net position as a percentage of the total pension liability	95.20%	106.30%	98.21%	100.10%	106.80%

Note: The Town implemented GASB 68 in 2015. Prior year information is not available.

Public Employees' Retirement Association of Colorado (PERA)

	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.103064%	0.123200%	0.124225%	0.122020%	0.125483%
Proportionate share of the net pension liability (asset)	\$ 1,295,734	\$ 1,371,747	\$ 1,677,467	\$ 1,344,152	\$ 1,124,718
Covered payroll	\$ 699,030	\$ 801,778	\$ 782,061	\$ 694,257	\$ 688,681
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	185.36%	171.09%	214.49%	193.61%	163.31%
Plan fiduciary net position as a percentage of the total pension liability	75.96%	79.37%	73.60%	76.90%	80.70%

Note: The Town implemented GASB 68 in 2015. Prior year information is not available.

TOWN OF BAYFIELD, COLORADO
Required Supplementary Information
Schedule of Pension Contributions
December 31, 2019

Fire and Police Pension Association of Colorado (FPPA)

	Police					
	Reporting Fiscal Year					
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 31,282	\$ 29,567	\$ 28,796	\$ 28,184	\$ 27,452	\$ 26,597
Contributions in relation to the contractually required contribution	\$ (31,282)	\$ (29,567)	\$ (28,796)	\$ (28,184)	\$ (27,452)	\$ (26,597)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 391,017	\$ 369,592	\$ 359,946	\$ 352,306	\$ 343,148	\$ 332,458
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Note: The Town implemented GASB 68 in 2015. Prior year information is not available.

Public Employees' Retirement Association of Colorado (PERA)

	Reporting Fiscal Year					
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 91,665	\$ 85,716	\$ 98,549	\$ 95,476	\$ 87,870	\$ 87,187
Contributions in relation to the contractually required contribution	\$ (91,665)	\$ (85,716)	\$ (98,549)	\$ (95,476)	\$ (87,870)	\$ (87,187)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 719,924	\$ 699,030	\$ 801,778	\$ 782,061	\$ 694,257	\$ 688,681
Contributions as a percentage of covered payroll	12.73%	12.26%	12.29%	12.21%	12.66%	12.66%

Note: The Town implemented GASB 68 in 2015. Prior year information is not available.

TOWN OF BAYFIELD, COLORADO
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability
December 31, 2019

Public Employees' Retirement Association of Colorado (PERA)

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB liability (asset)	0.0079826060%	0.0095692633%	0.0095315612%
Proportionate share of the net OPEB liability (asset)	\$ 108,607	\$ 124,362	\$ 123,580
Covered payroll	\$ 699,030	\$ 801,778	\$ 782,061
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	15.54%	15.51%	15.80%
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.72%

Note: The Town implemented GASB 75 in 2018. Prior year information is not available.

TOWN OF BAYFIELD, COLORADO
Required Supplementary Information
Schedule of OPEB Contributions

Public Employees' Retirement Association of Colorado (PERA)

	Reporting Fiscal Year			
	2019	2018	2017	2016
Contractually required contribution	\$ 7,343	\$ 6,886	\$ 7,924	\$ 7,677
Contributions in relation to the contractually required contribution	\$ (7,343)	\$ (6,886)	\$ (7,924)	\$ (7,677)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 719,924	\$ 699,030	\$ 801,778	\$ 782,061
Contributions as a percentage of covered payroll	1.02%	0.99%	0.99%	0.98%

Note: The Town implemented GASB 75 in 2018. Prior year information is not available.

TOWN OF BAYFIELD, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Major Special Revenue Fund

The **Street Fund** accounts for a voter approved 1 percent sales tax revenue to construct and maintain critical infrastructure needs including roads, sidewalks, and storm water systems.

TOWN OF BAYFIELD, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2019

Revenues	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Property tax	\$ 214,255	\$ 214,255	\$ 213,946	\$ (309)
Sales tax	1,198,014	1,198,014	1,337,818	139,804
Other taxes	22,722	22,722	29,718	6,996
Total taxes	<u>1,434,991</u>	<u>1,434,991</u>	<u>1,581,482</u>	<u>146,491</u>
Licenses, permits and fees:				
Licenses, permits and fees	32,110	32,110	18,399	(13,711)
Building permits	30,000	30,000	25,592	(4,408)
Charges for services	104,012	104,012	99,305	(4,707)
Total licenses, permits and fees	<u>166,122</u>	<u>166,122</u>	<u>143,296</u>	<u>(22,826)</u>
Intergovernmental:				
Grant revenues	261,733	261,733	177,398	(84,335)
Total intergovernmental	<u>261,733</u>	<u>261,733</u>	<u>177,398</u>	<u>(84,335)</u>
Fines and forfeitures:				
Fines and forfeitures	24,100	24,100	13,237	(10,863)
Total fines and forfeitures	<u>24,100</u>	<u>24,100</u>	<u>13,237</u>	<u>(10,863)</u>
Interest:				
Interest revenue	8,266	8,266	13,250	4,984
Total interest	<u>8,266</u>	<u>8,266</u>	<u>13,250</u>	<u>4,984</u>
Other revenues:				
Miscellaneous	16,850	16,850	30,360	13,510
Total other revenues	<u>16,850</u>	<u>16,850</u>	<u>30,360</u>	<u>13,510</u>
Total revenues	<u>1,912,062</u>	<u>1,912,062</u>	<u>1,959,023</u>	<u>46,961</u>

(continued)

TOWN OF BAYFIELD, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, (Continued)
For the Year Ended December 31, 2019

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government:				
Town board	24,281	24,281	22,651	1,630
Town manager's office	136,762	136,762	86,142	50,620
Planning and development	65,920	65,920	39,124	26,796
Town clerk and finance	85,370	85,370	91,052	(5,682)
Elections	1,000	1,000	180	820
Municipal	7,610	7,610	6,600	1,010
Administrative	124,809	124,809	113,728	11,081
Town hall	42,554	42,554	38,049	4,505
Information technology	46,850	46,850	44,306	2,544
Non-departmental	13,291	13,291	19,091	(5,800)
Community development	41,593	41,593	37,967	3,626
Total General Government	590,040	590,040	498,890	91,150
Public Safety:				
Wages and benefits	745,104	745,104	721,928	23,176
Operations	144,234	159,347	157,342	2,005
Administrative	24,300	24,300	26,648	(2,348)
Miscellaneous	6,000	6,000	8,701	(2,701)
Total Public Safety	919,638	934,751	914,619	20,132
Parks & Recreation				
Wages and benefits	183,246	183,246	216,018	(32,772)
Adult sports & athletics	6,325	6,325	3,713	2,612
Youth sports & athletics	13,850	13,850	11,859	1,991
Park expenses	86,144	99,742	85,108	14,634
Special events	21,900	21,900	20,014	1,886
Senior center	77,214	77,214	74,873	2,341
Total Parks & Recreation	388,679	402,277	411,585	(9,308)

(continued)

TOWN OF BAYFIELD, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, (Continued)
For the Year Ended December 31, 2019

Expenditures	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Payments to sub recipients	70,830	70,830	58,024	12,806
Total payments to sub recipients	70,830	70,830	58,024	12,806
Total expenditures	1,969,187	1,997,898	1,883,118	114,780
Excess of revenues over (under) expenditures	(57,125)	(85,836)	75,905	161,741
Other financing sources (uses):				
Transfers in	28,838	28,838	-	(28,838)
Total other financing sources (uses)	28,838	28,838	-	(28,838)
Net change in fund balance	(28,287)	(56,998)	75,905	132,903
Fund balance, beginning of year	1,097,672	1,097,672	1,097,672	-
Fund balance, end of year	\$ 1,069,385	\$ 1,040,674	\$ 1,173,577	\$ 132,903

TOWN OF BAYFIELD, COLORADO
Street Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2019

	Original	Final	Actual	Final Budget
Revenues				
Sales tax	\$ 298,696	\$ 298,696	\$ 355,858	\$ 57,162
Highway users tax	79,973	79,973	102,495	22,522
Other taxes	34,771	34,771	35,920	1,149
Franchise tax	12,300	12,300	17,522	5,222
Licenses, permits and fees	500	500	926	426
Intergovernmental revenue	40,105	40,105	52,880	12,775
Interest income	1,147	1,147	13,786	12,639
Total revenue	<u>467,492</u>	<u>467,492</u>	<u>579,387</u>	<u>111,895</u>
Expenditures				
Public Works:				
Wages and benefits	211,369	211,369	162,537	48,832
Streets	626,700	626,700	570,578	56,122
Operations	17,300	17,300	23,414	(6,114)
Administrative	169,409	169,409	80,727	88,682
Total public works	<u>1,024,778</u>	<u>1,024,778</u>	<u>837,256</u>	<u>187,522</u>
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>105,962</u>	<u>(45,962)</u>
Total expenditures	<u>1,084,778</u>	<u>1,084,778</u>	<u>943,218</u>	<u>141,560</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(617,286)</u>	<u>(617,286)</u>	<u>(363,831)</u>	<u>253,455</u>
Other financing sources (uses):				
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>510,427</u>	<u>310,427</u>
Total other financing sources (uses):	<u>200,000</u>	<u>200,000</u>	<u>510,427</u>	<u>310,427</u>
Net change in fund balance	(417,286)	(417,286)	146,596	563,882
Fund balance, beginning of year	<u>1,343,557</u>	<u>1,343,557</u>	<u>1,343,557</u>	<u>-</u>
Fund balance, end of year	<u>\$ 926,271</u>	<u>\$ 926,271</u>	<u>\$ 1,490,153</u>	<u>\$ 563,882</u>

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TOWN OF BAYFIELD, COLORADO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING FUNDS:

Major Capital Project Funds

The **Capital Improvement Fund** accounts for acquisition or construction of major capital facilities (other than those belonging to enterprise funds).

Major Debt Service Fund

The **Debt Service Fund** is used to account for resources to meet current and future debt service requirements on the Special Improvement District.

Nonmajor Special Revenue Fund

The **Conservation Trust Fund** accounts for the State of Colorado lottery funds to be used for parks and recreation services and capital investment.

Nonmajor Capital Project Funds

The **Transportation Fund** accounts for maintenance incentive revenues received from the Colorado Department of Transportation in connection with the transfer of US Highway 160B, now called the Bayfield Parkway, to the Town of Bayfield.

Major and Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The budgets for the enterprise funds have been prepared and presented on a modified accrual basis which is an accounting basis other than GAAP for enterprise funds.

The **Water Fund** is used to account for the Town's water wells, treatment facilities and distribution system.

The **Sewer Fund** is used to account for the Town's sewer collection and treatment services.

The **Garbage Fund** is used to account for the Town's garbage collection services.

TOWN OF BAYFIELD, COLORADO
Capital Improvement Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales taxes	\$ 298,696	\$ 298,696	\$ 355,858	\$ 57,162
Severance tax	30,000	30,000	76,176	46,176
Federal mineral leasing	30,000	30,000	26,470	(3,530)
Impact fees	1,632	1,632	816	(816)
In lieu of parks fee	-	-	4,736	4,736
Interest income	27,964	27,964	43,512	15,548
Total revenue	<u>388,292</u>	<u>388,292</u>	<u>507,568</u>	<u>119,276</u>
Expenditures				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>388,292</u>	<u>388,292</u>	<u>507,568</u>	<u>119,276</u>
Other financing sources (uses):				
Transfers in	30,253	30,253	30,253	-
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Total other financing sources (uses):	<u>(169,747)</u>	<u>(169,747)</u>	<u>(169,747)</u>	<u>-</u>
Net change in fund balance	218,545	218,545	337,821	119,276
Fund balance, beginning of year	<u>1,025,524</u>	<u>1,025,524</u>	<u>1,025,524</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,244,069</u></u>	<u><u>\$ 1,244,069</u></u>	<u><u>\$ 1,363,345</u></u>	<u><u>\$ 119,276</u></u>

TOWN OF BAYFIELD, COLORADO
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 42,628	\$ 42,628	\$ 42,482	\$ (146)
Interest income	175	175	61	(114)
Total revenues	<u>42,803</u>	<u>42,803</u>	<u>42,543</u>	<u>(260)</u>
Expenditures				
General government	170	170	150	20
Debt service:				
Principal	70,000	70,000	70,000	-
Interest	3,230	3,830	3,850	(20)
Total expenditures	<u>73,400</u>	<u>74,000</u>	<u>74,000</u>	<u>-</u>
Excess of revenues over (under) expenditures	(30,597)	(31,197)	(31,457)	(260)
Fund balance, beginning of year	<u>34,307</u>	<u>34,307</u>	<u>34,307</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,710</u>	<u>\$ 3,110</u>	<u>\$ 2,850</u>	<u>\$ (260)</u>

TOWN OF BAYFIELD, COLORADO
Conservation Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 28,000	\$ 28,000	\$ 31,614	\$ 3,614
Interest income	35	35	187	(152)
Total revenues	<u>28,035</u>	<u>28,035</u>	<u>31,801</u>	<u>3,462</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>28,035</u>	<u>28,035</u>	<u>31,801</u>	<u>3,766</u>
Fund balance, beginning of year	<u>66,795</u>	<u>66,795</u>	<u>66,795</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 94,830</u></u>	<u><u>\$ 94,830</u></u>	<u><u>\$ 98,596</u></u>	<u><u>\$ 3,766</u></u>

TOWN OF BAYFIELD, COLORADO
Transportation Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Interest income	\$ 400	\$ 400	\$ 705	\$ 305
Total revenue	400	400	705	305
Expenditures				
Capital outlay	2,500	7,500	7,249	251
Total expenditures	2,500	7,500	7,249	251
Excess of revenue and other sources over (under) expenditures and other uses	(2,100)	(7,100)	(6,544)	556
Other financing sources (uses):				
Transfers out	-	-	(310,427)	(310,427)
Total other financing sources (uses):	-	-	(310,427)	(310,427)
Net change in fund balance	(2,100)	(7,100)	(316,971)	(309,871)
Fund balance, beginning of year	316,971	316,971	316,971	-
Fund balance, end of year	<u>\$ 314,871</u>	<u>\$ 309,871</u>	<u>\$ -</u>	<u>\$ (309,871)</u>

TOWN OF BAYFIELD, COLORADO
Water Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual with Reconciliation to US GAAP Basis
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 611,620	\$ 611,620	\$ 719,785	\$ 108,165
Intergovernmental revenue	-	-	18,246	18,246
Interest income	20,800	20,800	30,450	9,650
Connection and tap fees	26,400	26,400	76,934	50,534
Total revenues	<u>658,820</u>	<u>658,820</u>	<u>845,415</u>	<u>186,595</u>
Expenses				
Salaries and wages	201,604	201,604	183,301	18,303
Water storage	57,937	57,937	28,218	29,719
Pumping costs	4,500	4,500	6,418	(1,918)
Water treatment	143,200	144,597	135,175	9,422
Transmission and distribution	46,900	46,900	29,154	17,746
Administrative	45,875	75,875	68,003	7,872
Capital outlay	60,000	145,000	-	145,000
Debt service	18,697	69,825	3,527	66,298
Transfers out	10,735	10,735	10,735	-
Total expenses	<u>589,448</u>	<u>756,973</u>	<u>464,531</u>	<u>292,442</u>
Change in net position - budget basis	<u>\$ 69,372</u>	<u>\$ (98,153)</u>	380,884	<u>\$ 479,037</u>
GAAP Basis Adjustments				
Depreciation			<u>(218,035)</u>	
Change in net position - GAAP basis			162,849	
Net position, beginning of year			6,044,367	
Restatement adjustment			<u>(17,916)</u>	
Net position, end of year			<u><u>\$ 6,189,300</u></u>	

TOWN OF BAYFIELD, COLORADO
Sewer Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual with Reconciliation to US GAAP Basis
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 950,108	\$ 950,108	\$ 1,030,467	\$ 80,359
Interest income	21,208	21,208	31,510	10,302
Connection and tap fees	24,200	24,200	87,652	63,452
Other revenues	-	-	1,556	1,556
Total revenues	<u>995,516</u>	<u>995,516</u>	<u>1,151,185</u>	<u>155,669</u>
Expenses				
Salaries and wages	230,485	230,485	194,404	36,081
Collection and transmission	15,816	15,816	22,444	(6,628)
Sewer treatment	149,781	155,781	145,575	10,206
General operations	27,788	27,788	3,162	24,626
Administrative	125,925	125,925	110,307	15,618
Capital outlay	135,000	145,516	-	145,516
Debt service	378,612	378,612	96,977	281,635
Transfers out	48,356	48,356	19,518	28,838
Total expenses	<u>1,111,763</u>	<u>1,128,279</u>	<u>592,387</u>	<u>535,892</u>
Change in net position - budget basis	<u>\$ (116,247)</u>	<u>\$ (132,763)</u>	558,798	<u>\$ 691,561</u>
GAAP Basis Adjustments				
Depreciation			<u>(336,797)</u>	
Change in net position - GAAP basis			222,001	
Net position, beginning of year			6,350,569	
Restatement adjustment			<u>(21,451)</u>	
Net position, end of year			<u>\$ 6,551,119</u>	

TOWN OF BAYFIELD, COLORADO
Garbage Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual with Reconciliation to US GAAP Basis
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 153,303	\$ 153,303	\$ 153,915	\$ 612
Interest income	25	25	124	99
Total revenues	<u>153,328</u>	<u>153,328</u>	<u>154,039</u>	<u>711</u>
Expenses				
Salaries and wages	4,820	4,821	2,147	2,674
General operations	146,088	146,088	143,635	2,453
Administrative	2,420	2,419	2,975	(556)
Total expenses	<u>153,328</u>	<u>153,328</u>	<u>148,757</u>	<u>4,571</u>
Change in net position - budget basis	<u>\$ -</u>	<u>\$ -</u>	5,282	<u>\$ 5,282</u>
GAAP Basis Adjustments				
Depreciation			<u>(2,715)</u>	
Change in net position - GAAP basis			2,567	
Net position, beginning of year			78,483	
Restatement adjustment			<u>(622)</u>	
Net position, end of year			<u>\$ 80,428</u>	

TOWN OF BAYFIELD, COLORADO

SUPPLEMENTARY INFORMATION

**COLORADO WATER RESOURCES AND
POWER DEVELOPMENT AUTHORITY
LOAN COVENANTS AND REQUIREMENTS
LOAN 2007A**

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2019, the Town appears to be in compliance with all covenants and restrictions as set forth in Exhibit F, Additional Covenants and Requirements. See note 7 for details on the loan. The following are additional disclosures required by the loan agreement.

- **Rate Covenant:** The Town is required to maintain rates and fees at levels that will generate enough revenue to cover operating expenses and annual debt service at 1.10 times. The December 31, 2019 calculation for the rate covenant is as follows:

Total Revenues	1,151,185
Total Operating Exp (-) Depreciation	<u>(475,892)</u>
	675,293
Annual Debt Service	367,225
Coverage Ratio	<u>1.84</u>
Coverage Ratio Requirement	1.10
Over/(Under)	<u><u>0.74</u></u>

- **Operations and Maintenance Reserve Fund Covenant:** The Town is required to maintain reserves equal to three months of operation and maintenance expenses of the system. The reserve fund is reported as restricted on the Statement of Net Position – Proprietary Funds. The December 31, 2019 reserve calculation is as follows:

Current Assets	2,135,278
Current Liabilities	<u>366,058</u>
CA-CL Calculation	1,769,220
Operating Expense	812,689
Depreciation	<u>(336,797)</u>
Total Operating Exp Used	475,892
25% of Operating Exp (-) Depreciation Exp	118,973
Restricted Reserve	<u>118,973</u>
Over/(Short)	<u><u>-</u></u>

TOWN OF BAYFIELD, COLORADO

SUPPLEMENTARY INFORMATION

**COLORADO WATER RESOURCES AND
POWER DEVELOPMENT AUTHORITY
LOAN COVENANTS AND REQUIREMENTS
LOAN 2013**

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2019, the Town appears to be in compliance with all covenants and restrictions as set forth in Exhibit F, Additional Covenants and Requirements. See note 7 for details on the loan. The following are additional disclosures required by the loan agreement.

- **Rate Covenant:** The Town is required to maintain rates and fees at levels that will generate enough revenue to cover operating expenses and annual debt service at 1.10 times. The December 31, 2019 calculation for the rate covenant is as follows:

	Total Revenues	1,151,185
	Total Operating Exp (-) Depreciation	<u>(475,892)</u>
		675,293
	Annual Debt Service	36,457
	Coverage Ratio	<u>18.52</u>
	Coverage Ratio Requirement	1.10
	Over/(Under)	<u><u>17.42</u></u>

- **Operations and Maintenance Reserve Fund Covenant:** The Town is required to maintain reserves equal to three months of operation and maintenance expenses of the system. The reserve fund is reported as restricted on the Statement of Net Position – Proprietary Funds. The December 31, 2019 reserve calculation is as follows:

	Current Assets	2,135,278
	Current Liabilities	<u>366,058</u>
	CA-CL Calculation	1,769,220
	Operating Expense	812,689
	Depreciation	<u>(336,797)</u>
	Total Operating Exp Used	475,892
	25% of Operating Exp (-) Depreciation Exp	118,973
	Restricted Reserve	<u>118,973</u>
	Over/(Short)	<u><u>-</u></u>

SUPPLEMENTARY INFORMATION
LOCAL HIGHWAY FINANCE REPORT

Section 43-2-132 of the Colorado Revised Statutes requires municipalities receiving Highway User Tax Funds to include a schedule of highway receipts and expenditures with the audit report. The said report is presented on the following two pages.

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Bayfield, CO
	YEAR ENDING : December 2019
Prepared By: Sara Trujillo, Finance Director Phone: 1-970-884-9544	

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	730,818
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	62,727	b. Snow and ice removal	13,492
3. Other local imposts (from page 2)	379,043	c. Other	19,468
4. Miscellaneous local receipts (from page 2)	27,207	d. Total (a. through c.)	32,960
5. Transfers from toll facilities		4. General administration & miscellaneous	0
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	763,778
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	468,977	b. Redemption	
B. Private Contributions	0	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	124,426	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	593,403	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	763,778

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	1,660,528	593,403	763,778	1,490,153	(0)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado YEAR ENDING (mm/yy): December 2019
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II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	13,547
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	355,858	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	23,185	g. Other Misc. Receipts	926
6. Total (1. through 5.)	379,043	h. Other - Road and Bridge	12,734
c. Total (a. + b.)	379,043	i. Total (a. through h.)	27,207
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	102,495	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	11,591	d. Federal Transit Admin	
d. Other -		e. U.S. Corps of Engineers	
e. Other - DOLA grant	10,340	f. Other Federal	0
f. Total (a. through e.)	21,931	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	124,426	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

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

Notes and Comments:

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**Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and Board
Town of Bayfield, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Bayfield, Colorado's basic financial statements and have issued our report thereon dated July 9, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Bayfield, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bayfield, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bayfield, Colorado's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the findings and recommendations letter to be a significant deficiency:

2018-001 Year End Accounting and Financial Statement Controls

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
St. George, Utah
July 9, 2020