

**TOWN OF BAYFIELD, COLORADO**



**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**  
**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, 2012, and the related notes to the financial statements, which collectively comprise the City'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, 2012, 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 and budgetary comparison information 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, loan requirement disclosures, and the 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, loan requirement disclosures, and the Local Highway Finance Report are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, 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  
May 10, 2013

**TOWN OF BAYFIELD, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2012**

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, 2012. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets exceeded total liabilities (net position) by \$30.2 million at the close of the fiscal year.
- Total governmental and business-type net position decreased by a combined total of \$537,386.
- The total cost of all Town programs for 2012 was \$4,498,698.
- The general fund unassigned fund balance at the end of 2012 was \$680,320 which is 43% 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 and liabilities 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 and liabilities, 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 exceed liabilities by \$30.2 million as of December 31, 2012 as shown in the following condensed statement of net position. Of this amount, \$3,281,673 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 \$20,337,496 (67.38% 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, 2012 and 2011:

### TOWN OF BAYFIELD, COLORADO Statement of Net Position

|                                   | Governmental activities |                      | Business-type activities |                      | Combined Total       |                      |
|-----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                   | 12/31/2012              | 12/31/2011           | 12/31/2012               | 12/31/2011           | 12/31/2012           | 12/31/2011           |
| Current and other assets          | \$ 9,066,710            | \$ 9,225,930         | \$ 1,293,916             | \$ 1,455,591         | \$ 10,360,626        | \$ 10,681,521        |
| Capital assets                    | 13,617,248              | 13,858,077           | 13,346,073               | 13,792,974           | 26,963,321           | 27,651,051           |
| Total assets                      | <u>22,683,958</u>       | <u>23,084,007</u>    | <u>14,639,989</u>        | <u>15,248,565</u>    | <u>37,323,947</u>    | <u>38,332,572</u>    |
| Long-term liabilities outstanding | 2,082,890               | 2,395,018            | 4,595,539                | 4,837,796            | 6,678,429            | 7,232,814            |
| Other liabilities                 | 358,942                 | 369,092              | 101,659                  | 8,363                | 460,601              | 377,455              |
| Total liabilities                 | <u>2,441,832</u>        | <u>2,764,110</u>     | <u>4,697,198</u>         | <u>4,846,159</u>     | <u>7,139,030</u>     | <u>7,610,269</u>     |
| Net position:                     |                         |                      |                          |                      |                      |                      |
| Net investment                    |                         |                      |                          |                      |                      |                      |
| in capital assets                 | 11,573,839              | 11,504,541           | 8,763,657                | 8,966,331            | 20,337,496           | 20,470,872           |
| Restricted                        | 6,469,141               | 6,703,000            | 96,607                   | 84,318               | 6,565,748            | 6,787,318            |
| Unrestricted                      | 2,199,146               | 2,112,356            | 1,082,527                | 1,351,757            | 3,281,673            | 3,464,113            |
| Total net position                | <u>\$ 20,242,126</u>    | <u>\$ 20,319,897</u> | <u>\$ 9,942,791</u>      | <u>\$ 10,402,406</u> | <u>\$ 30,184,917</u> | <u>\$ 30,722,303</u> |

An additional portion of net position, \$6,565,748 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,281,673 (10% 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 \$2,461,774 as shown in the Changes in Net Position statement below. \$211,359 of this cost was paid for by those who directly benefited from the programs. \$411,329 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 \$622,688. General taxes and investment earnings totaled \$1,753,194.

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.

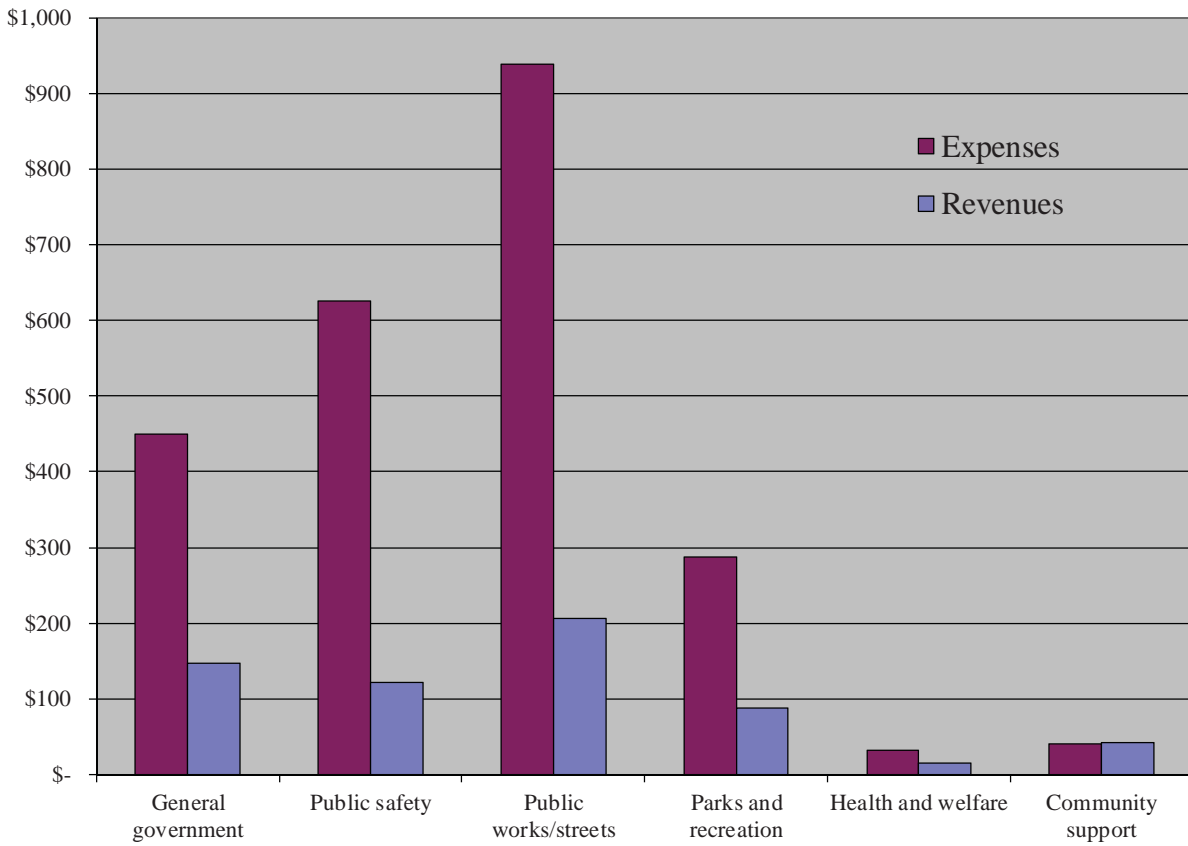
### TOWN OF BAYFIELD, COLORADO Changes in Net Position

|                                                      | Governmental activities |                      | Business-type activities |                      | Combined Total       |                      |
|------------------------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                                      | 12/31/2012              | 12/31/2011           | 12/31/2012               | 12/31/2011           | 12/31/2012           | 12/31/2011           |
| Revenues:                                            |                         |                      |                          |                      |                      |                      |
| Program revenues:                                    |                         |                      |                          |                      |                      |                      |
| Charges for services                                 | \$ 211,359              | \$ 187,470           | \$ 1,392,035             | \$ 1,347,632         | \$ 1,603,394         | \$ 1,535,102         |
| Operating grants and contributions                   | 149,932                 | 221,536              | -                        | -                    | 149,932              | 221,536              |
| Capital grants and contributions                     | 261,397                 | 8,548,068            | 179,458                  | 236,257              | 440,855              | 8,784,325            |
| General revenues:                                    |                         |                      |                          |                      |                      |                      |
| Taxes                                                | 1,740,471               | 1,666,527            | -                        | -                    | 1,740,471            | 1,666,527            |
| Investment earnings                                  | 11,796                  | 12,667               | -                        | -                    | 11,796               | 12,667               |
| Gain on sales of assets                              | 927                     | -                    | -                        | -                    | 927                  | -                    |
| Other revenue/(expense)                              | -                       | -                    | 13,937                   | 25,565               | 13,937               | 25,565               |
| Total revenues                                       | <u>2,375,882</u>        | <u>10,636,268</u>    | <u>1,585,430</u>         | <u>1,609,454</u>     | <u>3,961,312</u>     | <u>12,245,722</u>    |
| Expenses:                                            |                         |                      |                          |                      |                      |                      |
| General government                                   | 449,211                 | 614,928              | -                        | -                    | 449,211              | 614,928              |
| Public safety                                        | 625,838                 | 577,128              | -                        | -                    | 625,838              | 577,128              |
| Public works/streets                                 | 939,055                 | 633,995              | -                        | -                    | 939,055              | 633,995              |
| Parks and recreation                                 | 287,446                 | 291,670              | -                        | -                    | 287,446              | 291,670              |
| Health and welfare                                   | 32,813                  | 35,867               | -                        | -                    | 32,813               | 35,867               |
| Community support                                    | 39,917                  | 179,110              | -                        | -                    | 39,917               | 179,110              |
| Interest on long-term debt                           | 87,494                  | 105,526              | -                        | -                    | 87,494               | 105,526              |
| Water                                                | -                       | -                    | 566,055                  | 458,795              | 566,055              | 458,795              |
| Sewer                                                | -                       | -                    | 1,342,072                | 798,503              | 1,342,072            | 798,503              |
| Garbage                                              | -                       | -                    | 128,797                  | 130,045              | 128,797              | 130,045              |
| Total expenses                                       | <u>2,461,774</u>        | <u>2,438,224</u>     | <u>2,036,924</u>         | <u>1,387,343</u>     | <u>4,498,698</u>     | <u>3,825,567</u>     |
| Increase (decrease) in net position before transfers | (85,892)                | 8,198,044            | (451,494)                | 222,111              | (537,386)            | 8,420,155            |
| Transfers                                            | 8,121                   | 32,936               | (8,121)                  | (32,936)             | -                    | -                    |
| Net position, beginning                              | 20,319,897              | 12,088,917           | 10,402,406               | 10,213,231           | 30,722,303           | 22,302,148           |
| Net position, ending                                 | <u>\$ 20,242,126</u>    | <u>\$ 20,319,897</u> | <u>\$ 9,942,791</u>      | <u>\$ 10,402,406</u> | <u>\$ 30,184,917</u> | <u>\$ 30,722,303</u> |

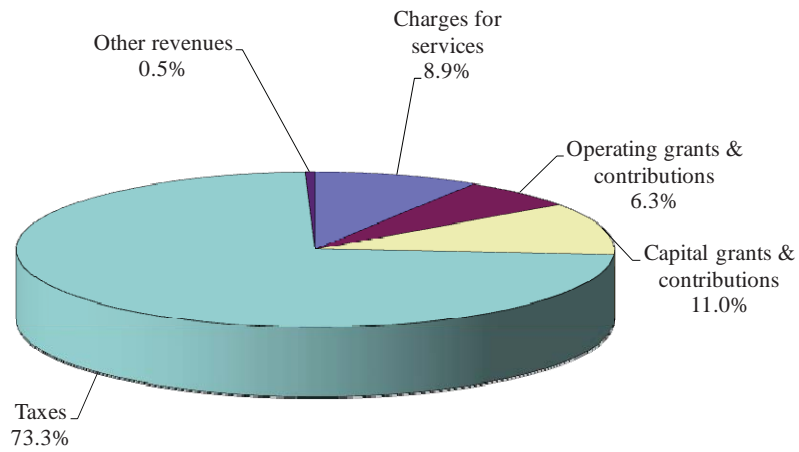
Total resources available during the year to finance governmental operations were \$22,695,779 consisting of net position at January 1, 2012 of \$20,319,897, program revenues of \$622,688, and General Revenues of \$1,753,194. Total Governmental Activities expenses during the year were \$2,461,774 and transfers from business-type funds were \$8,121; thus Governmental Net Position decreased by \$77,771 to \$20,242,126.

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)



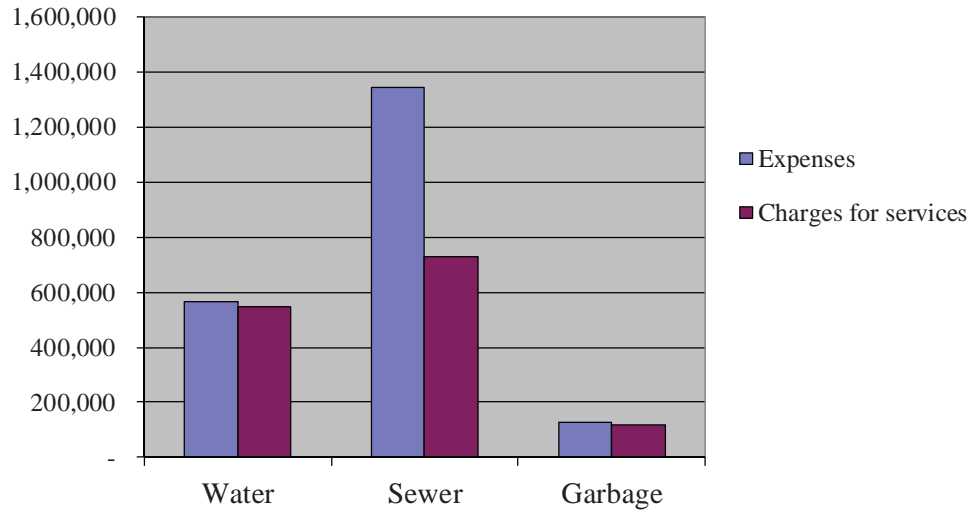
**Revenue By Source - Governmental Activities**



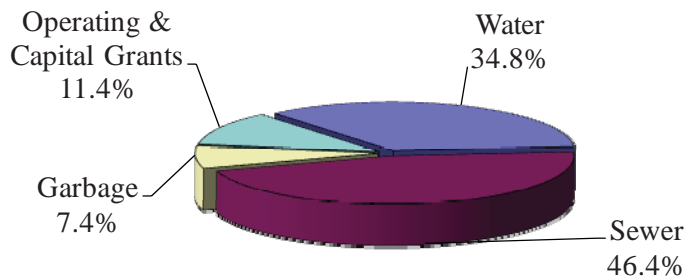
## Business Type Activities

Net position of the Business Type activities at December 31, 2012, as reflected in the Statement of Net Position was \$9.94 million. The cost of providing all Proprietary (Business Type) activities this year was \$2,036,924. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1,392,035 and there was \$179,458 subsidized by capital grants and contributions. Investment earnings and other revenues were \$13,937. Transfers to governmental activities totaled \$8,121. The Net Position decreased by \$459,615. 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 \$7,810,383, a decrease of \$69,151 in comparison with the prior year. Approximately 8.71% (\$680,320) 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 debt service fund, the capital improvement fund, and the transportation fund.

The General fund is the primary operating fund for the Town. At December 31, 2012, unassigned fund balance in the General fund was \$680,320. 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 43% of the total General fund expenditures. The fund balance of the Town's General fund increased by \$187,221 for the year ended December 31, 2012. As compared to the prior year, the General fund revenues were up due to increased intergovernmental revenues. General fund expenses decreased due to decreased payments to sub recipients and decreased general government expenses.

The special assessments and interest earned in the debt service fund exceeded total expenditures in the fund by \$15.

The Capital Improvement fund received higher sales tax revenues than budgeted. However, intergovernmental revenues and capital outlay expenditures were lower than budgeted due to not receiving budgeted grant revenues. The actual decrease in fund balance was \$102,848.

The Transportation fund was a new fund created in 2011 to account 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. The Town expended \$198,728 for street related equipment for Bayfield Parkway during 2012.

**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, 2012 for the Town's three enterprise funds (Water, Sewer, and Garbage) are as follows:

|                           | Water      | Sewer      | Garbage   | Total        |
|---------------------------|------------|------------|-----------|--------------|
| Unrestricted net position | \$ 915,008 | \$ 137,702 | \$ 29,817 | \$ 1,082,527 |
| Total net position        | 4,616,002  | 5,244,619  | 82,170    | 9,942,791    |
| Change in net position    | 52,662     | (500,579)  | (11,698)  | (459,615)    |

The sewer fund incurred \$482,413 in decommissioning costs in 2012 related to old sewer lagoons. No other significant capital outlay occurred in 2012.

### **Budgetary Highlights**

General fund revenues of \$1,796,458 were higher than budgeted revenues of \$1,632,787 by \$163,671. The most significant factor contributing to this excess amount is related to sales tax revenues which exceeded budget by \$92,413. Budgeted expenditures exceeded actual expenditures by \$151,299.

## **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 2012, net capital assets of the government activities totaled \$13.62 million and the net capital assets of the business-type activities were \$13.35 million. The most significant governmental capital additions were for a plow truck, and the SCAN project. There were no significant business-type capital additions during the year. 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 \$2,082,889 in governmental type debt, and \$4,595,539 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$242,257. (See note 7 to the financial statements for detailed descriptions.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for the year 2013, the Town Board of Trustees and management were cautious as to the growth of revenues and expenditures due to a slow economy.

## **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, 2012**

|                                                   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>         |
|---------------------------------------------------|------------------------------------|-------------------------------------|----------------------|
| <b>Assets</b>                                     |                                    |                                     |                      |
| Cash and cash equivalents                         | \$ 7,130,279                       | \$ 1,593,887                        | \$ 8,724,166         |
| Receivables (net of allowance)                    | 446,587                            | 47,882                              | 494,469              |
| Internal balances                                 | 526,038                            | (526,038)                           | -                    |
| Inventories                                       | 20,085                             | 81,578                              | 101,663              |
| Temporarily restricted assets:                    |                                    |                                     |                      |
| Cash and cash equivalents                         | -                                  | 96,607                              | 96,607               |
| Special improvement district receivable           | 943,721                            | -                                   | 943,721              |
| Capital assets (net of accumulated depreciation): |                                    |                                     |                      |
| Land                                              | 752,600                            | 103,766                             | 856,366              |
| Construction in progress                          | 132,314                            | 11,804                              | 144,118              |
| Buildings                                         | 5,739,264                          | 104,059                             | 5,843,323            |
| Machinery and equipment                           | 205,442                            | 248,576                             | 454,018              |
| Vehicles                                          | 385,680                            | -                                   | 385,680              |
| Infrastructure and systems                        | 6,401,948                          | 12,877,868                          | 19,279,816           |
| Total assets                                      | <u>22,683,958</u>                  | <u>14,639,989</u>                   | <u>37,323,947</u>    |
| <b>Liabilities</b>                                |                                    |                                     |                      |
| Accounts payable and other current liabilities    | 101,245                            | 39,624                              | 140,869              |
| Interest payable                                  | 46,336                             | -                                   | 46,336               |
| Unearned revenue                                  | 211,361                            | 62,035                              | 273,396              |
| Noncurrent liabilities:                           |                                    |                                     |                      |
| Due within one year                               | 362,412                            | 263,923                             | 626,335              |
| Due in more than one year                         | 1,720,478                          | 4,331,616                           | 6,052,094            |
| Total liabilities                                 | <u>2,441,832</u>                   | <u>4,697,198</u>                    | <u>7,139,030</u>     |
| <b>Net Position</b>                               |                                    |                                     |                      |
| Net investment in capital assets                  | 11,573,839                         | 8,763,657                           | 20,337,496           |
| Restricted for:                                   |                                    |                                     |                      |
| Parks and recreation                              | 116,107                            | -                                   | 116,107              |
| Public works                                      | 5,346,617                          | -                                   | 5,346,617            |
| Debt service                                      | 1,006,417                          | 96,607                              | 1,103,024            |
| Unrestricted                                      | 2,199,146                          | 1,082,527                           | 3,281,673            |
| Total Net Position                                | <u>\$ 20,242,126</u>               | <u>\$ 9,942,791</u>                 | <u>\$ 30,184,917</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, 2012**

| Functions/Programs                 | Expenses            | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                      |
|------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|----------------------|
|                                    |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total                |
| Governmental activities:           |                     |                      |                                    |                                  |                                                   |                          |                      |
| General government                 | \$ 449,211          | \$ 59,136            | \$ 1,142                           | \$ 87,528                        | \$ (301,405)                                      | \$ -                     | \$ (301,405)         |
| Public safety                      | 625,838             | 23,240               | 76,229                             | 22,842                           | (503,527)                                         | -                        | (503,527)            |
| Public works/streets               | 939,055             | 60,427               | -                                  | 146,539                          | (732,089)                                         | -                        | (732,089)            |
| Parks and recreation               | 287,446             | 60,170               | 23,352                             | 4,488                            | (199,436)                                         | -                        | (199,436)            |
| Health and welfare                 | 32,813              | 8,386                | 6,824                              | -                                | (17,603)                                          | -                        | (17,603)             |
| Community support                  | 39,917              | -                    | 42,385                             | -                                | 2,468                                             | -                        | 2,468                |
| Interest on long-term debt         | 87,494              | -                    | -                                  | -                                | (87,494)                                          | -                        | (87,494)             |
| Total governmental activities      | <u>2,461,774</u>    | <u>211,359</u>       | <u>149,932</u>                     | <u>261,397</u>                   | <u>(1,839,086)</u>                                | <u>-</u>                 | <u>(1,839,086)</u>   |
| Business-type activities:          |                     |                      |                                    |                                  |                                                   |                          |                      |
| Water                              | 566,055             | 546,407              | -                                  | 81,268                           | -                                                 | 61,620                   | 61,620               |
| Sewer                              | 1,342,072           | 728,566              | -                                  | 98,190                           | -                                                 | (515,316)                | (515,316)            |
| Garbage                            | 128,797             | 117,062              | -                                  | -                                | -                                                 | (11,735)                 | (11,735)             |
| Total business-type activities     | <u>2,036,924</u>    | <u>1,392,035</u>     | <u>-</u>                           | <u>179,458</u>                   | <u>-</u>                                          | <u>(465,431)</u>         | <u>(465,431)</u>     |
| Total primary government           | <u>\$ 4,498,698</u> | <u>\$ 1,603,394</u>  | <u>\$ 149,932</u>                  | <u>\$ 440,855</u>                | <u>(1,839,086)</u>                                | <u>(465,431)</u>         | <u>(2,304,517)</u>   |
| General Revenues:                  |                     |                      |                                    |                                  |                                                   |                          |                      |
| Taxes:                             |                     |                      |                                    |                                  |                                                   |                          |                      |
| Property tax                       |                     |                      |                                    |                                  | 215,987                                           | -                        | 215,987              |
| Sales tax                          |                     |                      |                                    |                                  | 1,252,578                                         | -                        | 1,252,578            |
| Other taxes                        |                     |                      |                                    |                                  | 258,613                                           | -                        | 258,613              |
| Franchise tax                      |                     |                      |                                    |                                  | 13,293                                            | -                        | 13,293               |
| Unrestricted investment earnings   |                     |                      |                                    |                                  | 11,796                                            | 13,937                   | 25,733               |
| Gain on sale of capital assets     |                     |                      |                                    |                                  | 927                                               | -                        | 927                  |
| Transfers                          |                     |                      |                                    |                                  | 8,121                                             | (8,121)                  | -                    |
| Total general revenues & transfers |                     |                      |                                    |                                  | <u>1,761,315</u>                                  | <u>5,816</u>             | <u>1,767,131</u>     |
| Change in net position             |                     |                      |                                    |                                  | (77,771)                                          | (459,615)                | (537,386)            |
| Net position - beginning           |                     |                      |                                    |                                  | 20,319,897                                        | 10,402,406               | 30,722,303           |
| Net position - ending              |                     |                      |                                    |                                  | <u>\$ 20,242,126</u>                              | <u>\$ 9,942,791</u>      | <u>\$ 30,184,917</u> |

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



**TOWN OF BAYFIELD, COLORADO**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2012**

| <b>Assets</b>                              | <u>General<br/>Fund</u>    | <u>Debt Service<br/>Fund</u> | <u>Capital<br/>Improvement<br/>Fund</u> | <u>Transportation<br/>Fund</u> | <u>Nonmajor<br/>Conservation<br/>Trust<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------------|----------------------------|------------------------------|-----------------------------------------|--------------------------------|-----------------------------------------------------|-----------------------------------------|
| Cash and cash equivalents                  | \$ 709,750                 | \$ 62,696                    | \$ 963,947                              | \$ 5,346,787                   | \$ 47,099                                           | \$ 7,130,279                            |
| Receivables, net of allowances:            | 439                        | 943,721                      | 350                                     | -                              | -                                                   | 944,510                                 |
| Due from other governments                 | 390,821                    | -                            | 54,977                                  | -                              | -                                                   | 445,798                                 |
| Due from other funds                       | 475,038                    | -                            | 51,000                                  | -                              | -                                                   | 526,038                                 |
| Inventories                                | 20,085                     | -                            | -                                       | -                              | -                                                   | 20,085                                  |
| <b>Total Assets</b>                        | <b><u>\$ 1,596,133</u></b> | <b><u>\$ 1,006,417</u></b>   | <b><u>\$ 1,070,274</u></b>              | <b><u>\$ 5,346,787</u></b>     | <b><u>\$ 47,099</u></b>                             | <b><u>\$ 9,066,710</u></b>              |
| <b>Liabilities and Fund Balances</b>       |                            |                              |                                         |                                |                                                     |                                         |
| <b>Liabilities:</b>                        |                            |                              |                                         |                                |                                                     |                                         |
| Accounts payable                           | \$ 26,587                  | \$ -                         | \$ 20,084                               | \$ 170                         | \$ -                                                | \$ 46,841                               |
| Accrued liabilities                        | 54,404                     | -                            | -                                       | -                              | -                                                   | 54,404                                  |
| Deferred revenue                           | 211,361                    | 943,721                      | -                                       | -                              | -                                                   | 1,155,082                               |
| <b>Total liabilities</b>                   | <b><u>292,352</u></b>      | <b><u>943,721</u></b>        | <b><u>20,084</u></b>                    | <b><u>170</u></b>              | <b><u>-</u></b>                                     | <b><u>1,256,327</u></b>                 |
| <b>Fund balances:</b>                      |                            |                              |                                         |                                |                                                     |                                         |
| Nonspendable                               | 475,786                    | -                            | -                                       | -                              | -                                                   | 475,786                                 |
| Restricted for:                            |                            |                              |                                         |                                |                                                     |                                         |
| Emergency reserve                          | 74,159                     | -                            | -                                       | -                              | -                                                   | 74,159                                  |
| Debt service                               | -                          | 62,696                       | -                                       | -                              | -                                                   | 62,696                                  |
| Parks and recreation                       | -                          | -                            | 69,008                                  | -                              | 47,099                                              | 116,107                                 |
| Public works and streets                   | -                          | -                            | -                                       | 5,346,617                      | -                                                   | 5,346,617                               |
| Committed to:                              |                            |                              |                                         |                                |                                                     |                                         |
| Equipment replacement                      | -                          | -                            | 172,504                                 | -                              | -                                                   | 172,504                                 |
| Capital outlay                             | -                          | -                            | 808,678                                 | -                              | -                                                   | 808,678                                 |
| Assigned to:                               |                            |                              |                                         |                                |                                                     |                                         |
| Public Safety                              | 8,517                      | -                            | -                                       | -                              | -                                                   | 8,517                                   |
| Subsequent years                           | 64,999                     | -                            | -                                       | -                              | -                                                   | 64,999                                  |
| Unassigned                                 | 680,320                    | -                            | -                                       | -                              | -                                                   | 680,320                                 |
| <b>Total fund balances</b>                 | <b><u>1,303,781</u></b>    | <b><u>62,696</u></b>         | <b><u>1,050,190</u></b>                 | <b><u>5,346,617</u></b>        | <b><u>47,099</u></b>                                | <b><u>7,810,383</u></b>                 |
| <b>Total liabilities and fund balances</b> | <b><u>\$ 1,596,133</u></b> | <b><u>\$ 1,006,417</u></b>   | <b><u>\$ 1,070,274</u></b>              | <b><u>\$ 5,346,787</u></b>     | <b><u>\$ 47,099</u></b>                             | <b><u>\$ 9,066,710</u></b>              |

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, 2012**

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Total fund balances - governmental funds \$ 7,810,383

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

Some assets are not available to pay for current period expenditures, and therefore, are deferred in the funds. 943,721

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

|                             |                    |            |
|-----------------------------|--------------------|------------|
| Governmental capital assets | 17,905,452         |            |
| Accumulated depreciation    | <u>(4,288,204)</u> |            |
|                             |                    | 13,617,248 |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

|                        |                 |  |
|------------------------|-----------------|--|
| Capital leases payable | (1,223,409)     |  |
| Bonds payable          | (820,000)       |  |
| Interest payable       | (46,337)        |  |
| Compensated absences   | <u>(39,480)</u> |  |

Total net position - governmental activities \$20,242,126

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, 2012**

|                                                 | General<br>Fund     | Debt Service<br>Fund | Capital<br>Improvement<br>Fund | Transportation<br>Fund | Nonmajor<br>Conservation<br>Trust<br>Fund | Total<br>Governmental<br>Funds |
|-------------------------------------------------|---------------------|----------------------|--------------------------------|------------------------|-------------------------------------------|--------------------------------|
| <b>Revenues</b>                                 |                     |                      |                                |                        |                                           |                                |
| Taxes                                           | \$ 1,479,863        | \$ -                 | \$ 260,607                     | \$ -                   | \$ -                                      | \$ 1,740,470                   |
| Licenses and permits                            | 54,068              | -                    | -                              | -                      | -                                         | 54,068                         |
| Intergovernmental                               | 131,598             | -                    | 211,459                        | -                      | 23,353                                    | 366,410                        |
| Fines and forfeitures                           | 14,074              | -                    | -                              | -                      | -                                         | 14,074                         |
| Charges for services                            | 100,012             | -                    | -                              | -                      | -                                         | 100,012                        |
| Interest revenue                                | 1,046               | 389                  | 5,185                          | 5,146                  | 30                                        | 11,796                         |
| Special assessments                             | -                   | 152,826              | -                              | -                      | -                                         | 152,826                        |
| In lieu of parks fee                            | -                   | -                    | 4,488                          | -                      | -                                         | 4,488                          |
| Other revenues                                  | 15,797              | -                    | -                              | -                      | -                                         | 15,797                         |
| Total revenues                                  | <u>1,796,458</u>    | <u>153,215</u>       | <u>481,739</u>                 | <u>5,146</u>           | <u>23,383</u>                             | <u>2,459,941</u>               |
| <b>Expenditures</b>                             |                     |                      |                                |                        |                                           |                                |
| Current:                                        |                     |                      |                                |                        |                                           |                                |
| General government                              | 439,005             | 1,701                | -                              | -                      | -                                         | 440,706                        |
| Public safety                                   | 598,719             | -                    | -                              | -                      | -                                         | 598,719                        |
| Public works/streets                            | 239,394             | -                    | -                              | -                      | -                                         | 239,394                        |
| Non-departmental                                | 16,284              | -                    | -                              | -                      | -                                         | 16,284                         |
| Parks and recreation                            | 249,721             | -                    | -                              | -                      | -                                         | 249,721                        |
| Payments to sub recipients                      | 39,917              | -                    | -                              | -                      | -                                         | 39,917                         |
| Capital outlay                                  | 7,397               | -                    | 344,587                        | 198,728                | -                                         | 550,712                        |
| Debt service:                                   |                     |                      |                                |                        |                                           |                                |
| Principal retirement                            | -                   | 90,000               | 220,126                        | -                      | -                                         | 310,126                        |
| Interest on long-term debt                      | -                   | 44,825               | 47,736                         | -                      | -                                         | 92,561                         |
| Total expenditures                              | <u>1,590,437</u>    | <u>136,526</u>       | <u>612,449</u>                 | <u>198,728</u>         | <u>-</u>                                  | <u>2,538,140</u>               |
| Excess of revenues<br>over (under) expenditures | 206,021             | 16,689               | (130,710)                      | (193,582)              | 23,383                                    | (78,199)                       |
| <b>Other financing sources (uses):</b>          |                     |                      |                                |                        |                                           |                                |
| Transfers in                                    | -                   | -                    | 26,921                         | -                      | -                                         | 26,921                         |
| Transfers out                                   | (18,800)            | -                    | -                              | -                      | -                                         | (18,800)                       |
| Sale of assets                                  | -                   | -                    | 927                            | -                      | -                                         | 927                            |
| Total other financing<br>sources (uses)         | <u>(18,800)</u>     | <u>-</u>             | <u>27,848</u>                  | <u>-</u>               | <u>-</u>                                  | <u>9,048</u>                   |
| Net change in fund balances                     | 187,221             | 16,689               | (102,862)                      | (193,582)              | 23,383                                    | (69,151)                       |
| Fund balance, beginning of year                 | <u>1,116,560</u>    | <u>46,007</u>        | <u>1,153,052</u>               | <u>5,540,199</u>       | <u>23,716</u>                             | <u>7,879,534</u>               |
| Fund balance, end of year                       | <u>\$ 1,303,781</u> | <u>\$ 62,696</u>     | <u>\$ 1,050,190</u>            | <u>\$ 5,346,617</u>    | <u>\$ 47,099</u>                          | <u>\$ 7,810,383</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, 2012**

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

|                                                                                                                                                                                                                                                                                                                   |  |                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------------------|
| Net change in fund balances - total governmental funds                                                                                                                                                                                                                                                            |  | \$ (69,151)        |
| <p>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 depreciation exceeded capital outlay in the current period.</p> |  |                    |
| Capital outlay                                                                                                                                                                                                                                                                                                    |  | 505,183            |
| Depreciation expense                                                                                                                                                                                                                                                                                              |  | <u>(746,012)</u>   |
|                                                                                                                                                                                                                                                                                                                   |  | (240,829)          |
| <p>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.</p>                                                                                                                                       |  |                    |
|                                                                                                                                                                                                                                                                                                                   |  | 310,126            |
| <p>Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>                                                                                                 |  |                    |
| <p>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.</p>                                                                                                                                                          |  |                    |
|                                                                                                                                                                                                                                                                                                                   |  | 5,067              |
| <p>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.</p>                                                                                                          |  |                    |
|                                                                                                                                                                                                                                                                                                                   |  | 2,002              |
| <p>Deferred revenues in the governmental funds were recognized as revenues in the statement of activities in previous years.</p>                                                                                                                                                                                  |  |                    |
|                                                                                                                                                                                                                                                                                                                   |  | (84,986)           |
|                                                                                                                                                                                                                                                                                                                   |  | <hr/>              |
| Change in net position of governmental activities                                                                                                                                                                                                                                                                 |  | <u>\$ (77,771)</u> |

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

**TOWN OF BAYFIELD, COLORADO**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2012**

|                                               | Water<br>Fund       | Sewer<br>Fund        | Garbage<br>Fund  | Combined<br>Total    |
|-----------------------------------------------|---------------------|----------------------|------------------|----------------------|
| <b>Assets</b>                                 |                     |                      |                  |                      |
| Current assets:                               |                     |                      |                  |                      |
| Cash                                          | \$ 995,434          | \$ 563,859           | \$ 34,594        | \$ 1,593,887         |
| Receivables (net of allowance)                | 13,986              | 29,114               | 4,782            | 47,882               |
| Inventory                                     | 37,180              | 44,398               | -                | 81,578               |
| Restricted cash and investments               | -                   | 96,607               | -                | 96,607               |
| Total current assets                          | <u>1,046,600</u>    | <u>733,978</u>       | <u>39,376</u>    | <u>1,819,954</u>     |
| Noncurrent assets:                            |                     |                      |                  |                      |
| Land                                          | 55,858              | 47,908               | -                | 103,766              |
| Construction in progress                      | 11,804              | -                    | -                | 11,804               |
| Buildings                                     | 9,250               | 250,993              | 57,967           | 318,210              |
| Improvements and system                       | 5,357,786           | 11,036,278           | -                | 16,394,064           |
| Machinery and equipment                       | 150,154             | 208,220              | -                | 358,374              |
| Accumulated depreciation                      | (1,645,716)         | (2,188,815)          | (5,614)          | (3,840,145)          |
| Total noncurrent assets                       | <u>3,939,136</u>    | <u>9,354,584</u>     | <u>52,353</u>    | <u>13,346,073</u>    |
| <b>Total assets</b>                           | <u>\$ 4,985,736</u> | <u>\$ 10,088,562</u> | <u>\$ 91,729</u> | <u>\$ 15,166,027</u> |
| <b>Liabilities</b>                            |                     |                      |                  |                      |
| Current liabilities:                          |                     |                      |                  |                      |
| Accounts payable                              | 11,151              | 17,425               | 9,048            | 37,624               |
| Accrued liabilities                           | 2,000               | -                    | -                | 2,000                |
| Deferred revenue                              | 62,035              | -                    | -                | 62,035               |
| Due to other funds - current                  | 20,000              | 19,337               | -                | 39,337               |
| Loans payable - current                       | 34,932              | 215,868              | -                | 250,800              |
| Compensated absences - current                | 5,406               | 7,206                | 511              | 13,123               |
| Total current liabilities                     | <u>135,524</u>      | <u>259,836</u>       | <u>9,559</u>     | <u>404,919</u>       |
| Noncurrent liabilities:                       |                     |                      |                  |                      |
| Due to other funds (net of current portion)   | 31,000              | 455,701              | -                | 486,701              |
| Loans payable (net of current portion)        | 203,210             | 4,128,406            | -                | 4,331,616            |
| Compensated absences (net of current portion) | -                   | -                    | -                | -                    |
| Total long-term debt                          | <u>234,210</u>      | <u>4,584,107</u>     | <u>-</u>         | <u>4,818,317</u>     |
| Total liabilities                             | <u>369,734</u>      | <u>4,843,943</u>     | <u>9,559</u>     | <u>5,223,236</u>     |
| <b>Net position</b>                           |                     |                      |                  |                      |
| Net investment in capital assets              | 3,700,994           | 5,010,310            | 52,353           | 8,763,657            |
| Restricted                                    | -                   | 96,607               | -                | 96,607               |
| Unrestricted                                  | 915,008             | 137,702              | 29,817           | 1,082,527            |
| Total net position                            | <u>\$ 4,616,002</u> | <u>\$ 5,244,619</u>  | <u>\$ 82,170</u> | <u>\$ 9,942,791</u>  |

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, 2012**

|                                          | Water<br>Fund       | Sewer<br>Fund       | Garbage<br>Fund  | Combined<br>Total   |
|------------------------------------------|---------------------|---------------------|------------------|---------------------|
| <b>Operating revenues</b>                |                     |                     |                  |                     |
| Charges for services                     | \$ 546,407          | \$ 728,566          | \$ 117,062       | \$ 1,392,035        |
| Total operating revenues                 | <u>546,407</u>      | <u>728,566</u>      | <u>117,062</u>   | <u>1,392,035</u>    |
| <b>Operating expenses</b>                |                     |                     |                  |                     |
| Salaries and wages                       | 117,552             | 156,669             | 15,365           | 289,586             |
| Water storage                            | 15,162              | -                   | -                | 15,162              |
| Pumping costs                            | 34,913              | -                   | -                | 34,913              |
| Water treatment                          | 146,255             | -                   | -                | 146,255             |
| Transmission and distribution            | 49,656              | -                   | -                | 49,656              |
| Collection and transmission              | -                   | 13,542              | -                | 13,542              |
| Sewer treatment                          | -                   | 105,106             | -                | 105,106             |
| General operations                       | -                   | 18,328              | 110,341          | 128,669             |
| Administrative                           | 29,884              | 92,783              | 376              | 123,043             |
| Depreciation                             | 160,020             | 307,273             | 2,715            | 470,008             |
| Total operating expenses                 | <u>553,442</u>      | <u>693,701</u>      | <u>128,797</u>   | <u>1,375,940</u>    |
| Operating income                         | <u>(7,035)</u>      | <u>34,865</u>       | <u>(11,735)</u>  | <u>16,095</u>       |
| <b>Non-operating revenues (expenses)</b> |                     |                     |                  |                     |
| Interest income                          | 2,127               | 905                 | 37               | 3,069               |
| Bond premium amortization                | -                   | 10,868              | -                | 10,868              |
| Interest expense and fiscal charges      | (12,613)            | (165,958)           | -                | (178,571)           |
| Decommissioning costs                    | -                   | (482,413)           | -                | (482,413)           |
| Connection and tap fees                  | 81,268              | 98,190              | -                | 179,458             |
| Total non-operating revenues (expenses)  | <u>70,782</u>       | <u>(538,408)</u>    | <u>37</u>        | <u>(467,589)</u>    |
| <b>Income before transfers</b>           | 63,747              | (503,543)           | (11,698)         | (451,494)           |
| Transfers:                               |                     |                     |                  |                     |
| Transfers in                             | -                   | 18,800              | -                | 18,800              |
| Transfers out                            | (11,085)            | (15,836)            | -                | (26,921)            |
| <b>Change in net position</b>            | 52,662              | (500,579)           | (11,698)         | (459,615)           |
| Total net position, beginning of year    | <u>4,563,340</u>    | <u>5,745,198</u>    | <u>93,868</u>    | <u>10,402,406</u>   |
| <b>Total net position, end of year</b>   | <u>\$ 4,616,002</u> | <u>\$ 5,244,619</u> | <u>\$ 82,170</u> | <u>\$ 9,942,791</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, 2012**

|                                                                                      | Water<br>Fund     | Sewer<br>Fund     | Garbage<br>Fund  | Combined<br>Total   |
|--------------------------------------------------------------------------------------|-------------------|-------------------|------------------|---------------------|
| <b>Cash flows from operating activities:</b>                                         |                   |                   |                  |                     |
| Cash received from customers, service fees                                           | \$ 550,140        | \$ 727,907        | \$ 116,880       | \$ 1,394,927        |
| Cash paid to suppliers                                                               | (222,317)         | (122,838)         | (101,293)        | (446,448)           |
| Cash paid to employees                                                               | (147,436)         | (248,537)         | (15,622)         | (411,595)           |
| Net cash flows from operating activities                                             | <u>180,387</u>    | <u>356,532</u>    | <u>(35)</u>      | <u>536,884</u>      |
| <b>Cash flows from noncapital financing activities:</b>                              |                   |                   |                  |                     |
| Repayment of interfund loan                                                          | (20,000)          | -                 | -                | (20,000)            |
| Interfund loan                                                                       | -                 | 475,038           | -                | 475,038             |
| Transfers from/(to) other funds                                                      | (11,085)          | 2,964             | -                | (8,121)             |
| Net cash flows from noncapital financing activities                                  | <u>(31,085)</u>   | <u>478,002</u>    | <u>-</u>         | <u>446,917</u>      |
| <b>Cash flows from capital and related financing activities:</b>                     |                   |                   |                  |                     |
| Purchase of capital assets                                                           | (23,108)          | -                 | -                | (23,108)            |
| Principal paid on long-term debt                                                     | (33,359)          | (200,000)         | -                | (233,359)           |
| Interest paid                                                                        | (12,613)          | (165,958)         | -                | (178,571)           |
| Decommissioning costs                                                                | -                 | (482,413)         | -                | (482,413)           |
| Connection and tap fees                                                              | 143,303           | 98,190            | -                | 241,493             |
| Net cash flows from capital and related financing activities                         | <u>74,223</u>     | <u>(750,181)</u>  | <u>-</u>         | <u>(675,958)</u>    |
| <b>Cash flows from investing activities:</b>                                         |                   |                   |                  |                     |
| Interest on investments                                                              | 2,127             | 905               | 37               | 3,069               |
| Net change in cash and cash equivalents                                              | 225,652           | 85,258            | 2                | 310,912             |
| Cash and cash equivalents,<br>including restricted cash beginning of year            | <u>769,782</u>    | <u>575,208</u>    | <u>34,592</u>    | <u>1,379,582</u>    |
| <b>Cash and cash equivalents,<br/>including restricted cash end of year</b>          | <u>\$ 995,434</u> | <u>\$ 660,466</u> | <u>\$ 34,594</u> | <u>\$ 1,690,494</u> |
| Reconciliation of operating income to net cash provided<br>by operating activities:  |                   |                   |                  |                     |
| Net operating income (loss)                                                          | \$ (7,035)        | \$ 34,865         | \$ (11,735)      | \$ 16,095           |
| Adjustments to reconcile net income to net<br>cash provided by operating activities: |                   |                   |                  |                     |
| Depreciation/amortization                                                            | 160,020           | 307,273           | 2,715            | 470,008             |
| Changes in operating assets and liabilities:                                         |                   |                   |                  |                     |
| (Increase)/decrease in receivables                                                   | 3,733             | (659)             | (182)            | 2,892               |
| (Increase)/decrease in inventory                                                     | 12,415            | 2,242             | -                | 14,657              |
| Increase/(decrease) in payables                                                      | 8,317             | 11,896            | 9,048            | 29,261              |
| Increase/(decrease) in accrued liabilities & deposits                                | 2,937             | 915               | 119              | 3,971               |
| Net cash flows from operating activities                                             | <u>\$ 180,387</u> | <u>\$ 356,532</u> | <u>\$ (35)</u>   | <u>\$ 536,884</u>   |
| <b>Supplemental schedule of non-cash<br/>financing and investing activities:</b>     |                   |                   |                  |                     |
| 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, 2012**

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**Note 1. Summary of Significant Accounting Policies**

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**General**

The accounting policies of the Town of Bayfield, Colorado (the Town) conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**Reporting Entity**

The government is a statutory municipality with a mayor – Board form of government with six elected Board members. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and any potential component units, entities for which the government is considered to be financially accountable. However, there are no blended or discretely presented component units that are applicable in defining the Town’s reporting entity. The financial statements include all funds and account groups that account for activities over which the Town’s elected mayor and Board exercise primary financial management and oversight responsibility.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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



**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than an expenditure in the government-wide financial statements.

**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 Town 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.

Property taxes, sales taxes, franchise tax, 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. When applicable, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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 **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).

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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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.

The Town reports the following major proprietary 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 proprietary 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 non-operating revenues and expenses.

**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, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**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 type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**Property Taxes – Deferred Revenue**

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 deferred revenue in the governmental funds. Property taxes for the current year are levied by 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.

**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 fair market 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  |

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**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.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Position and Fund Equity**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the Town's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed.

Equity is classified in the government-wide financial statements and in the proprietary fund financial statements as net position and is displayed in three components as follows:

**Net investment in capital assets** represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position** is net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Unrestricted net position** is all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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Equity is classified in the governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

**Nonspendable fund balance** cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

**Restricted fund balance** is fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Committed fund balance** can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Town Board. A resolution, ordinance or vote by the Town Board is required to establish, modify or rescind a fund balance commitment.

**Assigned fund balance** is constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Town Manager is authorized to assign amounts to a specific purpose in accordance with the Town's budget policy.

**Unassigned fund balance** is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

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

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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.

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.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 3. Stewardship, Compliance, and Accountability**

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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.

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.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 3. Stewardship, Compliance, and Accountability, Continued**

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**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. There were no individual funds that exceeded approved budget appropriations for the year ended December 31, 2012.

**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 53 for compliance with debt covenants.

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**Note 4. Deposits and Investments**

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

|                            |                            |
|----------------------------|----------------------------|
| Cash on hand               | \$ 1,108                   |
| Cash in bank               | 6,316,489                  |
| Colorado Trust             | 1,406,472                  |
| Certificates of deposit    | <u>1,096,704</u>           |
| Total cash and investments | <u><u>\$ 8,820,773</u></u> |

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 4. Deposits and Investments, Continued**

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**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, 2012 cash on hand was \$1,109 and the carrying amount of the Town's deposits was \$6,316,489. As of December 31, 2012 the bank balance of the Town's deposits was \$6,314,021 of which \$250,000 was insured by federal depository insurance and \$6,064,021 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, 2012 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, 2012 the Town had \$1,406,472 invested in the COLOTRUST with a fair market value of \$1,406,472 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, 2012**

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**Note 4.           Deposits and Investments, Continued**

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**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.

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**Note 5.           Restricted Assets**

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The Town reported \$96,607 in restricted cash in the Sewer Fund as of December 31, 2012 as required by the Colorado Water Resources and Power Development Authority Loan Agreement.

The special improvement district receivable of \$943,721 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 debt footnote.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 6. Capital Assets**

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

| <b>Governmental Activities:</b>              | <b>Balance<br/>12/31/2011</b> | <b>Additions</b>    | <b>Deletions</b> | <b>Balance<br/>12/31/2012</b> |
|----------------------------------------------|-------------------------------|---------------------|------------------|-------------------------------|
| Capital assets, not being depreciated:       |                               |                     |                  |                               |
| Land                                         | \$ 752,600                    | \$ -                | \$ -             | \$ 752,600                    |
| Construction in progress                     | 16,823                        | 115,491             | -                | 132,314                       |
| Total capital assets, not being depreciated  | <u>769,423</u>                | <u>115,491</u>      | <u>-</u>         | <u>884,914</u>                |
| Capital assets, being depreciated:           |                               |                     |                  |                               |
| Buildings & improvements                     | 6,398,596                     | 81,104              | -                | 6,479,700                     |
| Machinery and equipment                      | 310,732                       | 92,054              | -                | 402,786                       |
| Vehicles                                     | 405,540                       | 216,534             | -                | 622,074                       |
| Infrastructure                               | 9,515,978                     | -                   | -                | 9,515,978                     |
| Total capital assets, being depreciated      | <u>16,630,846</u>             | <u>389,692</u>      | <u>-</u>         | <u>17,020,538</u>             |
| Less accumulated depreciation for:           |                               |                     |                  |                               |
| Buildings & improvements                     | (560,165)                     | (180,271)           | -                | (740,436)                     |
| Machinery and equipment                      | (160,498)                     | (36,846)            | -                | (197,344)                     |
| Vehicles                                     | (182,223)                     | (54,171)            | -                | (236,394)                     |
| Infrastructure                               | (2,639,306)                   | (474,724)           | -                | (3,114,030)                   |
| Total accumulated depreciation               | <u>(3,542,192)</u>            | <u>(746,012)</u>    | <u>-</u>         | <u>(4,288,204)</u>            |
| Total capital assets, being depreciated, net | <u>13,088,654</u>             | <u>(356,320)</u>    | <u>-</u>         | <u>12,732,334</u>             |
| Governmental activities capital assets, net  | <u>\$ 13,858,077</u>          | <u>\$ (240,829)</u> | <u>\$ -</u>      | <u>\$ 13,617,248</u>          |

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

|                                                      |                   |
|------------------------------------------------------|-------------------|
| <b>Governmental Activities:</b>                      |                   |
| General government                                   | \$ 100,810        |
| Public safety                                        | 20,801            |
| Public works/streets                                 | 541,189           |
| Parks & recreation                                   | 44,809            |
| Health & welfare                                     | <u>38,403</u>     |
| Total depreciation expense - governmental activities | <u>\$ 746,012</u> |

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 6. Capital Assets, Continued**

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

| <b>Business Type Activities:</b>             | <b>Balance<br/>12/31/2011</b> | <b>Additions</b>    | <b>Deletions</b> | <b>Balance<br/>12/31/2012</b> |
|----------------------------------------------|-------------------------------|---------------------|------------------|-------------------------------|
| Capital assets not being depreciated:        |                               |                     |                  |                               |
| Land and water rights                        | \$ 103,766                    | \$ -                | \$ -             | \$ 103,766                    |
| Construction in progress                     | -                             | 11,804              | -                | 11,804                        |
| Total capital assets, not being depreciated  | <u>103,766</u>                | <u>11,804</u>       | <u>-</u>         | <u>115,570</u>                |
| Capital assets being depreciated:            |                               |                     |                  |                               |
| Buildings                                    | 318,210                       | -                   | -                | 318,210                       |
| Improvements and systems                     | 16,382,760                    | 11,304              | -                | 16,394,064                    |
| Machinery and equipment                      | 358,374                       | -                   | -                | 358,374                       |
| Total capital assets, being depreciated      | <u>17,059,344</u>             | <u>11,304</u>       | <u>-</u>         | <u>17,070,648</u>             |
| Less accumulated depreciation for:           |                               |                     |                  |                               |
| Buildings                                    | (204,621)                     | (9,530)             | -                | (214,151)                     |
| Improvements and systems                     | (3,084,329)                   | (431,867)           | -                | (3,516,196)                   |
| Machinery and equipment                      | (81,186)                      | (28,612)            | -                | (109,798)                     |
| Total accumulated depreciation               | <u>(3,370,136)</u>            | <u>(470,009)</u>    | <u>-</u>         | <u>(3,840,145)</u>            |
| Total capital assets, being depreciated, net | <u>13,689,208</u>             | <u>(458,705)</u>    | <u>-</u>         | <u>13,230,503</u>             |
| Business-type activities capital assets, net | <u>\$ 13,792,974</u>          | <u>\$ (446,901)</u> | <u>\$ -</u>      | <u>\$ 13,346,073</u>          |

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

| <b>Business-Type Activities:</b>                      |                   |
|-------------------------------------------------------|-------------------|
| Water                                                 | \$ 160,020        |
| Sewer                                                 | 307,273           |
| Garbage                                               | 2,716             |
| Total depreciation expense - business-type activities | <u>\$ 470,009</u> |

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 7. Long-Term Debt**

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The following is a summary of changes in long-term obligations for the year ended December 31, 2012:

|                                       | Balance<br>12/31/2011 | Additions        | Retirements         | Balance<br>12/31/2012 | Current<br>Portion |
|---------------------------------------|-----------------------|------------------|---------------------|-----------------------|--------------------|
| <b>Governmental Activities:</b>       |                       |                  |                     |                       |                    |
| Town hall lease                       | \$ 1,443,536          | \$ -             | \$ (220,126)        | \$ 1,223,409          | \$ 227,932         |
| Special assessment bond               | 910,000               | -                | (90,000)            | 820,000               | 95,000             |
| Compensated absences                  | 41,482                | 33,305           | (35,307)            | 39,480                | 39,480             |
| Total Governmental activity           |                       |                  |                     |                       |                    |
| Long-term liabilities                 | <u>\$ 2,395,018</u>   | <u>\$ 33,305</u> | <u>\$ (345,434)</u> | <u>\$ 2,082,889</u>   | <u>\$ 362,412</u>  |
| <b>Business-Type Activities:</b>      |                       |                  |                     |                       |                    |
| Drinking Water Revolving Fund Loan    | \$ 116,200            | \$ -             | \$ (22,428)         | \$ 93,772             | \$ 23,454          |
| Energy/Mineral Impact Assistance Loan | 155,301               | -                | (10,931)            | 144,370               | 11,478             |
| Water Pollution Control Fund Loan     | 4,385,000             | -                | (200,000)           | 4,185,000             | 205,000            |
| Plus deferred amounts:                |                       |                  |                     |                       |                    |
| For issuance premiums                 | 170,142               | -                | (10,868)            | 159,274               | 10,868             |
| Total loans payable                   | 4,826,643             | -                | (244,227)           | 4,582,416             | 250,800            |
| Compensated absences                  | 11,153                | 12,271           | (10,301)            | 13,123                | 13,123             |
| Total Business-type activity          |                       |                  |                     |                       |                    |
| Long-term liabilities                 | <u>\$ 4,837,796</u>   | <u>\$ 12,271</u> | <u>\$ (254,528)</u> | <u>\$ 4,595,539</u>   | <u>\$ 263,923</u>  |

Long-term liabilities for the primary government at December 31, 2012 are comprised of the following:

**Governmental Activities:**

**Special assessment debt:**

Special Assessment Bonds for the Town of Bayfield Special Improvement District No. 2000-1 (Bayfield Center Subdivision), due in annual principal and interest installments ranging from \$144,375 to \$148,325, bearing interest at 5.5%, maturing April 1, 2020. Repayment payable solely from the assessments levied on the SID.

\$ 820,000

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

**Note 7. Long-Term Debt, Continued**

**Business-Type Activities:**

**Loans payable:**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                               |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Loan payable to Colorado Water Resources and Power Development Authority Drinking Water Revolving Fund, secured by net system revenue, bearing interest at 4.5%, due in quarterly principal and interest installments of \$6,819, maturing September 1, 2016.                                                                                                                                                                                                 | \$ 93,772    |
| Energy and Mineral Impact Assistance loan payable to the Colorado Department of Local Affairs, bearing interest at 5%, due in annual principal and interest payments of \$18,697, maturing September 1, 2022.                                                                                                                                                                                                                                                 | 144,370      |
| 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. | 4,185,000    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                               | \$ 4,423,142 |
| Total Loans Payable                                                                                                                                                                                                                                                                                                                                                                                                                                           | \$ 5,243,142 |

Debt service requirements to maturity are as follows:

| Years ending December 31: | Business-Type Activities |              | Governmental Activities |            |
|---------------------------|--------------------------|--------------|-------------------------|------------|
|                           | Principal                | Interest     | Principal               | Interest   |
| 2013                      | \$ 239,932               | \$ 170,943   | \$ 95,000               | \$ 50,875  |
| 2014                      | 246,580                  | 163,090      | 100,000                 | 45,650     |
| 2015                      | 258,305                  | 155,008      | 105,000                 | 40,150     |
| 2016                      | 258,427                  | 146,542      | 110,000                 | 34,375     |
| 2017                      | 243,952                  | 138,614      | 120,000                 | 28,325     |
| 2018-2022                 | 1,350,946                | 572,450      | 290,000                 | 44,275     |
| 2023-2027                 | 1,480,000                | 341,843      | -                       | -          |
| 2028                      | 345,000                  | 17,416       | -                       | -          |
|                           | \$ 4,423,142             | \$ 1,705,907 | \$ 820,000              | \$ 243,650 |

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

**Note 8. Capital Leases Payable**

The Town has entered into a lease agreement, which is considered a capital lease in accordance with Financial Accounting Standard Board ASC 840-30-25. The lease is shown in the governmental activities of the government-wide statements.

The following is an annual schedule of future minimum lease payments with an interest rate of 3.5 percent under the capital lease, together with the present value of the net minimum lease payments:

| <u>December 31,</u>                                   | <u>Governmental<br/>Activities</u> |
|-------------------------------------------------------|------------------------------------|
| 2013                                                  | \$ 267,782                         |
| 2014                                                  | 267,782                            |
| 2015                                                  | 267,782                            |
| 2016                                                  | 267,782                            |
| 2017                                                  | <u>267,782</u>                     |
| Total remaining lease payments                        | \$ 1,338,909                       |
| Less: Amount representing interest                    | <u>(115,500)</u>                   |
| Present value of net remaining minimum lease payments | <u>\$ 1,223,409</u>                |

A summary of assets acquired through capital leases follows:

|                          | <u>Governmental<br/>Activities</u> |
|--------------------------|------------------------------------|
| Buildings & improvements | \$ 3,796,030                       |
| Accumulated depreciation | <u>(403,328)</u>                   |
| Net total                | <u>\$ 3,392,702</u>                |

**Note 9. Interfund Receivables, Payables and Transfers**

As of December 31, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

|                          | <u>Due from<br/>Other Funds</u> | <u>Due to<br/>Other Funds</u> |
|--------------------------|---------------------------------|-------------------------------|
| General Fund             | \$ 475,038                      | \$ -                          |
| Capital Improvement Fund | 51,000                          | 19,337                        |
| Water Fund               | -                               | 20,000                        |
| Sewer                    | <u>19,337</u>                   | <u>475,038</u>                |
|                          | <u>\$ 545,375</u>               | <u>\$ 514,375</u>             |

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

**Note 9. Interfund Receivables, Payables and Transfers, Continued**

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 previous years the Capital improvement fund loaned money to the Water fund. The loan is interest free and the Town makes payments each year to reduce the interfund balance.

During the year ended December 31, 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, 2012 were as follows:

| Transfers Out: | Transfers In            |               |           |
|----------------|-------------------------|---------------|-----------|
|                | Capital Project<br>Fund | Sewer<br>Fund | Total     |
| General Fund   | \$ -                    | \$ 18,800     | \$ 18,800 |
| Sewer Fund     | 15,836                  | -             | 15,836    |
| Water Fund     | 11,085                  | -             | 11,085    |
|                | \$ 26,921               | \$ 18,800     | \$ 45,721 |

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.

**Note 10. Pension Plans**

**Public Employees' Retirement Association**

All of the Town's full-time and part-time employees, except for policemen, are eligible to participate in the Public Employees' Retirement Association of Colorado (PERA); a multiple-employer public retirement system. The payroll for employees covered by the PERA for the year ended December 31, 2012 was \$601,881.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 10. Pension Plans, Continued**

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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.

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. 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 13.7% 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 contribution for the year ended December 31, 2012 was \$130,608 which consisted of \$82,458 from the Town and \$48,150 from employees. PERA issues publicly available report which includes financial statements and required supplementary information. This report can be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA.

The Town has no post-employment healthcare benefits provided to retirees, their beneficiaries or covered dependents.

**Fire and Police Pension Association of Colorado**

The Town's full-time policemen are eligible to participate in the Fire and Police Pension Association Pension Fund, (the fund) a multiple employer public employee retirement system. The payroll for employees covered by the fund for the year ended December 31, 2012 was \$330,920.

Employees are eligible for retirement benefits upon reaching (a) age 55 with 25 or more years of credited service, or (b) age 50 with 30 or more years of credited service. Such benefits are equivalent to 2% of their Final Average Salary (FAS) during their highest paid three years of service prior to retirement for each year of service up to 25 years. Benefits are established by State statute.

The Town and participant contributions are defined by State statute. Participants are required to contribute 8% of their annual salary to the fund. Participants' contributions are fully refundable, with 5% interest, upon request at termination of employment from the Town. If participants have at least 10 years of credited service, they are eligible to receive a future monthly retirement benefit. Any refund of contributions paid waives all future right to any benefits.



**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

**Note 10. Pension Plans, Continued**

The funding policy also requires contributions by the Town of 8% 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. Contributions to the plan for the year ended December 31, 2012 and the preceding two years were as follows:

|                        | 2012     | 2011     | 2010     |
|------------------------|----------|----------|----------|
| Employer contributions | \$26,825 | \$22,765 | \$21,593 |
| Employee contributions | 26,825   | 22,765   | 21,592   |
| Total                  | 53,650   | 45,530   | 43,185   |

The Fire and Police Pension Association of Colorado issues a report available to the public that includes financial statements and required supplementary information. This report may be obtained by writing to Fire and Police Pension Association, Two DTC, 5290 DTC Parkway, #100, Englewood, Colorado 80111.

**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.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 11. Risk Management, Continued**

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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 assist 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.

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**Note 12. Garbage Disposal Contract**

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The Town has a 5 year contract, which was renewed in 2007 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.

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**Note 13. Related Parties**

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During the year ended December 31, 2012, the Town paid Pinnacle Surveying \$45,880 for surveying services. Pinnacle Surveying is owned by Tom Au who is currently serving as a member of the Board of Directors.

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**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.

**TOWN OF BAYFIELD, COLORADO**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

| Revenues                           | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|------------------|------------------|-------------------|-------------------------------|
|                                    | Original         | Final            |                   |                               |
| <b>Taxes:</b>                      |                  |                  |                   |                               |
| Property tax                       | \$ 217,732       | \$ 217,732       | \$ 215,987        | \$ (1,745)                    |
| Sales tax                          | 899,558          | 899,558          | 991,971           | 92,413                        |
| Severance tax                      | 68,584           | 68,584           | 92,820            | 24,236                        |
| Federal mineral leasing            | 40,000           | 40,000           | 38,498            | (1,502)                       |
| Franchise tax                      | 12,500           | 12,500           | 13,293            | 793                           |
| Highway users tax                  | 84,909           | 84,909           | 76,441            | (8,468)                       |
| Other taxes                        | 56,730           | 56,730           | 50,853            | (5,877)                       |
| Total taxes                        | <u>1,380,013</u> | <u>1,380,013</u> | <u>1,479,863</u>  | <u>99,850</u>                 |
| <b>Licenses, permits and fees:</b> |                  |                  |                   |                               |
| Licenses, permits and fees         | 17,750           | 17,750           | 24,177            | 6,427                         |
| Building permits                   | 20,000           | 20,000           | 29,891            | 9,891                         |
| Charges for services               | 87,300           | 87,300           | 100,012           | 12,712                        |
| Total licenses, permits and fees   | <u>125,050</u>   | <u>125,050</u>   | <u>154,080</u>    | <u>29,030</u>                 |
| <b>Intergovernmental:</b>          |                  |                  |                   |                               |
| Grant revenues                     | <u>101,524</u>   | <u>101,524</u>   | <u>131,598</u>    | <u>30,074</u>                 |
| Total intergovernmental            | <u>101,524</u>   | <u>101,524</u>   | <u>131,598</u>    | <u>30,074</u>                 |
| <b>Fines and forfeitures:</b>      |                  |                  |                   |                               |
| Fines and forfeitures              | <u>16,400</u>    | <u>16,400</u>    | <u>14,074</u>     | <u>(2,326)</u>                |
| Total fines and forfeitures        | <u>16,400</u>    | <u>16,400</u>    | <u>14,074</u>     | <u>(2,326)</u>                |
| <b>Interest:</b>                   |                  |                  |                   |                               |
| Interest revenue                   | <u>3,000</u>     | <u>3,000</u>     | <u>1,046</u>      | <u>(1,954)</u>                |
| Total interest                     | <u>3,000</u>     | <u>3,000</u>     | <u>1,046</u>      | <u>(1,954)</u>                |
| <b>Other revenues:</b>             |                  |                  |                   |                               |
| Miscellaneous                      | <u>6,800</u>     | <u>6,800</u>     | <u>15,797</u>     | <u>8,997</u>                  |
| Total other revenues               | <u>6,800</u>     | <u>6,800</u>     | <u>15,797</u>     | <u>8,997</u>                  |
| Total revenues                     | <u>1,632,787</u> | <u>1,632,787</u> | <u>1,796,458</u>  | <u>163,671</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, 2012**

| <b>Expenditures</b>           | <u>Budgeted Amounts</u> |                | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-------------------------------|-------------------------|----------------|---------------------------|---------------------------------------|
|                               | <u>Original</u>         | <u>Final</u>   |                           |                                       |
| <b>General Government:</b>    |                         |                |                           |                                       |
| Town board                    | 13,515                  | 13,515         | 12,440                    | 1,075                                 |
| Town manager's office         | 95,508                  | 95,508         | 75,497                    | 20,011                                |
| Intern                        | 5,441                   | 5,441          | 157                       | 5,284                                 |
| Planning and development      | 48,000                  | 68,000         | 62,540                    | 5,460                                 |
| Town clerk and finance        | 110,321                 | 110,321        | 105,159                   | 5,162                                 |
| Elections                     | 1,000                   | 1,000          | 868                       | 132                                   |
| Municipal                     | 7,350                   | 7,350          | 7,222                     | 128                                   |
| Administrative                | 102,150                 | 102,150        | 86,984                    | 15,166                                |
| Town hall                     | 33,350                  | 33,350         | 34,646                    | (1,296)                               |
| Information technology        | 18,800                  | 18,800         | 14,998                    | 3,802                                 |
| Community development         | 39,744                  | 39,744         | 38,494                    | 1,250                                 |
| Total General Government      | <u>475,179</u>          | <u>495,179</u> | <u>439,005</u>            | <u>56,174</u>                         |
| <b>Public Safety:</b>         |                         |                |                           |                                       |
| Wages and benefits            | 481,366                 | 481,366        | 473,090                   | 8,276                                 |
| Operations                    | 111,550                 | 131,550        | 107,055                   | 24,495                                |
| Administrative                | 20,250                  | 20,250         | 18,390                    | 1,860                                 |
| Miscellaneous                 | -                       | -              | 184                       | (184)                                 |
| Total Public Safety           | <u>613,166</u>          | <u>633,166</u> | <u>598,719</u>            | <u>34,447</u>                         |
| <b>Public Works:</b>          |                         |                |                           |                                       |
| Wages and benefits            | 156,580                 | 156,580        | 155,407                   | 1,173                                 |
| Streets                       | 49,600                  | 49,600         | 42,559                    | 7,041                                 |
| Operations                    | 23,500                  | 23,500         | 23,572                    | (72)                                  |
| Administrative                | 22,250                  | 22,250         | 17,856                    | 4,394                                 |
| Total Public Works            | <u>251,930</u>          | <u>251,930</u> | <u>239,394</u>            | <u>12,536</u>                         |
| <b>Parks &amp; Recreation</b> |                         |                |                           |                                       |
| Wages and benefits            | 169,685                 | 169,685        | 151,932                   | 17,753                                |
| Adult sports & athletics      | 5,900                   | 5,900          | 4,809                     | 1,091                                 |
| Youth sports & athletics      | 6,900                   | 6,900          | 8,815                     | (1,915)                               |
| Park expenses                 | 33,602                  | 33,602         | 36,023                    | (2,421)                               |
| Special events                | 11,500                  | 11,500         | 15,539                    | (4,039)                               |
| Senior center                 | 38,307                  | 38,307         | 32,603                    | 5,704                                 |
| Total Parks & Recreation      | <u>265,894</u>          | <u>265,894</u> | <u>249,721</u>            | <u>16,173</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, 2012**

| <b>Expenditures</b>                             | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-------------------------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
|                                                 | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Non-departmental:</b>                        | <u>61,567</u>           | <u>61,567</u>     | <u>16,284</u>             | <u>45,283</u>                         |
| Total Non-departmental                          | <u>61,567</u>           | <u>61,567</u>     | <u>16,284</u>             | <u>45,283</u>                         |
| <b>Payments to sub recipients</b>               | <u>20,000</u>           | <u>20,000</u>     | <u>39,917</u>             | <u>(19,917)</u>                       |
| Total payments to sub recipients                | <u>20,000</u>           | <u>20,000</u>     | <u>39,917</u>             | <u>(19,917)</u>                       |
| <b>Capital outlay:</b>                          |                         |                   |                           |                                       |
| Capital outlay                                  | <u>14,000</u>           | <u>14,000</u>     | <u>7,397</u>              | <u>6,603</u>                          |
| Total capital outlay                            | <u>14,000</u>           | <u>14,000</u>     | <u>7,397</u>              | <u>6,603</u>                          |
| Total expenditures                              | <u>1,701,736</u>        | <u>1,741,736</u>  | <u>1,590,437</u>          | <u>151,299</u>                        |
| Excess of revenues over<br>(under) expenditures | <u>(68,949)</u>         | <u>(108,949)</u>  | <u>206,021</u>            | <u>314,970</u>                        |
| Other financing sources (uses):                 |                         |                   |                           |                                       |
| Transfer out                                    | <u>(518,800)</u>        | <u>(518,800)</u>  | <u>(18,800)</u>           | <u>500,000</u>                        |
| Total other financing sources (uses)            | <u>(518,800)</u>        | <u>(518,800)</u>  | <u>(18,800)</u>           | <u>500,000</u>                        |
| Net change in fund balance                      | <u>(587,749)</u>        | <u>(627,749)</u>  | <u>187,221</u>            | <u>814,970</u>                        |
| Fund balance, beginning of year                 | <u>1,116,560</u>        | <u>1,116,560</u>  | <u>1,116,560</u>          | <u>-</u>                              |
| Fund balance, end of year                       | <u>\$ 528,811</u>       | <u>\$ 488,811</u> | <u>\$ 1,303,781</u>       | <u>\$ 814,970</u>                     |

**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).

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 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.

**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, 2012**

|                                                                                 | Budgeted Amounts  |                   | Actual              | Variance with<br>Final Budget |
|---------------------------------------------------------------------------------|-------------------|-------------------|---------------------|-------------------------------|
|                                                                                 | Original          | Final             |                     |                               |
| <b>Revenues</b>                                                                 |                   |                   |                     |                               |
| Sales taxes                                                                     | \$ 239,188        | \$ 239,188        | \$ 260,607          | \$ 21,419                     |
| Intergovernmental revenue                                                       | 1,570,594         | 1,570,594         | 211,459             | (1,359,135)                   |
| In lieu of parks fee                                                            | 3,000             | 3,000             | 4,488               | 1,488                         |
| Interest income                                                                 | 2,400             | 2,400             | 5,185               | 2,785                         |
| Total revenue                                                                   | <u>1,815,182</u>  | <u>1,815,182</u>  | <u>481,739</u>      | <u>(1,333,443)</u>            |
| <b>Expenditures</b>                                                             |                   |                   |                     |                               |
| Debt service                                                                    |                   |                   |                     |                               |
| Principal                                                                       | 220,046           | 220,046           | 220,126             | (80)                          |
| Interest                                                                        | 47,736            | 47,736            | 47,736              | -                             |
| Capital outlay                                                                  | <u>2,287,855</u>  | <u>2,302,855</u>  | <u>344,587</u>      | <u>1,958,268</u>              |
| Total expenditures                                                              | <u>2,555,637</u>  | <u>2,570,637</u>  | <u>612,449</u>      | <u>1,958,188</u>              |
| Excess of revenue and other sources over<br>(under) expenditures and other uses | <u>(740,455)</u>  | <u>(755,455)</u>  | <u>(130,710)</u>    | <u>624,745</u>                |
| Other financing sources (uses):                                                 |                   |                   |                     |                               |
| Transfers in                                                                    | 46,921            | 46,921            | 26,921              | (20,000)                      |
| Proceeds from the sale of capital assets                                        | <u>-</u>          | <u>-</u>          | <u>927</u>          | <u>927</u>                    |
| Total other financing sources (uses):                                           | <u>46,921</u>     | <u>46,921</u>     | <u>27,848</u>       | <u>(19,073)</u>               |
| Net change in fund balance                                                      | (693,534)         | (708,534)         | (102,862)           | 605,672                       |
| Fund balance, beginning of year                                                 | <u>1,153,052</u>  | <u>1,153,052</u>  | <u>1,153,052</u>    | <u>-</u>                      |
| Fund balance, end of year                                                       | <u>\$ 459,518</u> | <u>\$ 444,518</u> | <u>\$ 1,050,190</u> | <u>\$ 605,672</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, 2012**

|                                                                                 | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget |
|---------------------------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
|                                                                                 | Original            | Final               |                     |                               |
| <b>Revenues</b>                                                                 |                     |                     |                     |                               |
| Intergovernmental revenue                                                       | \$ 707,000          | \$ 707,000          | \$ -                | \$ (707,000)                  |
| Interest income                                                                 | -                   | -                   | 5,146               | 5,146                         |
| Total revenue                                                                   | <u>707,000</u>      | <u>707,000</u>      | <u>5,146</u>        | <u>(701,854)</u>              |
| <b>Expenditures</b>                                                             |                     |                     |                     |                               |
| Capital outlay                                                                  | 4,040,000           | 4,040,000           | 198,728             | 3,841,272                     |
| Total expenditures                                                              | <u>4,040,000</u>    | <u>4,040,000</u>    | <u>198,728</u>      | <u>3,841,272</u>              |
| Excess of revenue and other sources over<br>(under) expenditures and other uses | <u>(3,333,000)</u>  | <u>(3,333,000)</u>  | <u>(193,582)</u>    | <u>3,139,418</u>              |
| Net change in fund balance                                                      | (3,333,000)         | (3,333,000)         | (193,582)           | 3,139,418                     |
| Fund balance, beginning of year                                                 | <u>5,540,199</u>    | <u>5,540,199</u>    | <u>5,540,199</u>    | <u>-</u>                      |
| Fund balance, end of year                                                       | <u>\$ 2,207,199</u> | <u>\$ 2,207,199</u> | <u>\$ 5,346,617</u> | <u>\$ 3,139,418</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, 2012**

|                                                 | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final Budget |
|-------------------------------------------------|------------------|------------------|-------------------|-------------------------------|
|                                                 | Original         | Final            |                   |                               |
| <b>Revenues</b>                                 |                  |                  |                   |                               |
| Special assessments                             | \$ 153,000       | \$ 153,000       | \$ 152,826        | \$ (174)                      |
| Interest                                        | 200              | 200              | 389               | 189                           |
| Total revenues                                  | <u>153,200</u>   | <u>153,200</u>   | <u>153,215</u>    | <u>15</u>                     |
| <b>Expenditures</b>                             |                  |                  |                   |                               |
| General government                              | 1,600            | 1,600            | 1,701             | (101)                         |
| Debt service:                                   |                  |                  |                   |                               |
| Principal                                       | 90,000           | 90,000           | 90,000            | -                             |
| Interest                                        | <u>55,825</u>    | <u>55,825</u>    | <u>44,825</u>     | <u>11,000</u>                 |
| Total expenditures                              | <u>147,425</u>   | <u>147,425</u>   | <u>136,526</u>    | <u>10,899</u>                 |
| Excess of revenues<br>over (under) expenditures | 5,775            | 5,775            | 16,689            | 10,914                        |
| Fund balance, beginning of year                 | <u>46,007</u>    | <u>46,007</u>    | <u>46,007</u>     | <u>-</u>                      |
| Fund balance, end of year                       | <u>\$ 51,782</u> | <u>\$ 51,782</u> | <u>\$ 62,696</u>  | <u>\$ 10,914</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, 2012**

|                                                                                 | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget |
|---------------------------------------------------------------------------------|------------------|------------------|------------------|-------------------------------|
|                                                                                 | Original         | Final            |                  |                               |
| <b>Revenues</b>                                                                 |                  |                  |                  |                               |
| Intergovernmental revenue                                                       | \$ 72,000        | \$ 72,000        | \$ 23,353        | \$ (48,647)                   |
| Investment earnings                                                             | -                | -                | 30               | (30)                          |
| Total revenues                                                                  | <u>72,000</u>    | <u>72,000</u>    | <u>23,383</u>    | <u>(48,677)</u>               |
| <b>Expenditures</b>                                                             |                  |                  |                  |                               |
| Capital outlay                                                                  | <u>72,000</u>    | <u>72,000</u>    | -                | <u>72,000</u>                 |
| Total expenditures                                                              | <u>72,000</u>    | <u>72,000</u>    | -                | <u>72,000</u>                 |
| Excess of revenue and other sources over<br>(under) expenditures and other uses | <u>-</u>         | <u>-</u>         | <u>23,383</u>    | <u>23,383</u>                 |
| Net change in fund balance                                                      | -                | -                | 23,383           | 23,383                        |
| Fund balance, beginning of year                                                 | <u>23,716</u>    | <u>23,716</u>    | <u>23,716</u>    | <u>-</u>                      |
| Fund balance, end of year                                                       | <u>\$ 23,716</u> | <u>\$ 23,716</u> | <u>\$ 47,099</u> | <u>\$ 23,383</u>              |

**TOWN OF BAYFIELD, COLORADO**  
**Water Fund**  
**Schedule of Revenues, Expenses and Changes in Available Resources**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

|                                                                                                | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
|                                                                                                | Original          | Final             |                   |                               |
| <b>Operating revenues</b>                                                                      |                   |                   |                   |                               |
| Charges for services                                                                           | \$ 475,642        | \$ 475,642        | \$ 546,407        | \$ 70,765                     |
| Total operating revenues                                                                       | 475,642           | 475,642           | 546,407           | 70,765                        |
| <b>Operating expenses</b>                                                                      |                   |                   |                   |                               |
| Salaries and wages                                                                             | 114,229           | 114,229           | 117,552           | (3,323)                       |
| Water storage                                                                                  | 17,868            | 17,868            | 15,162            | 2,706                         |
| Pumping costs                                                                                  | 40,500            | 40,500            | 34,913            | 5,587                         |
| Water treatment                                                                                | 133,501           | 163,501           | 146,255           | 17,246                        |
| Transmission and distribution                                                                  | 36,086            | 36,086            | 49,656            | (13,570)                      |
| Administrative                                                                                 | 22,050            | 32,050            | 29,884            | 2,166                         |
| Total operating expenses                                                                       | 364,234           | 404,234           | 393,422           | 10,812                        |
| Operating income (loss)                                                                        | 111,408           | 71,408            | 152,985           | 81,577                        |
| <b>Non-operating revenues (expenses)</b>                                                       |                   |                   |                   |                               |
| Interest income                                                                                | 1,300             | 1,300             | 2,127             | 827                           |
| Connection and tap fees                                                                        | 33,000            | 33,000            | 81,268            | 48,268                        |
| Total non-operating revenues (expenses)                                                        | 34,300            | 34,300            | 83,395            | 49,095                        |
| <b>Income before contributions, transfers<br/>and capital and related financing activities</b> | 145,708           | 105,708           | 236,380           | 130,672                       |
| Contributions, transfers and capital<br>and related financing activities                       |                   |                   |                   |                               |
| Capital outlay                                                                                 | (20,000)          | (80,000)          | (23,108)          | 56,892                        |
| Debt service                                                                                   | (65,973)          | (65,973)          | (45,972)          | 20,001                        |
| Transfers out                                                                                  | (11,085)          | (11,085)          | (11,085)          | -                             |
| Total contributions and transfers                                                              | (97,058)          | (157,058)         | (80,165)          | 76,893                        |
| <b>Change in available resources</b>                                                           | 48,650            | (51,350)          | 156,215           | 207,565                       |
| Available resources, beginning of year                                                         | 758,793           | 758,793           | 758,793           | -                             |
| <b>Available resources, end of year</b>                                                        | <u>\$ 807,443</u> | <u>\$ 707,443</u> | <u>\$ 915,008</u> | <u>\$ 207,565</u>             |

**TOWN OF BAYFIELD, COLORADO**  
**Sewer Fund**  
**Schedule of Revenues, Expenses and Changes in Available Resources**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

|                                                                                                | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------------------------------------------------------------------|------------------|------------|-------------------|-------------------------------|
|                                                                                                | Original         | Final      |                   |                               |
| <b>Operating revenues</b>                                                                      |                  |            |                   |                               |
| Charges for services                                                                           | \$ 719,137       | \$ 719,137 | \$ 728,565        | \$ 9,428                      |
| Total operating revenues                                                                       | 719,137          | 719,137    | 728,565           | 9,428                         |
| <b>Operating expenses</b>                                                                      |                  |            |                   |                               |
| Salaries and wages                                                                             | 151,286          | 151,286    | 156,669           | (5,383)                       |
| Collection and transmission                                                                    | 14,602           | 14,602     | 13,542            | 1,060                         |
| Sewer treatment                                                                                | 87,422           | 87,422     | 105,106           | (17,684)                      |
| General operations                                                                             | 500,000          | 500,000    | 18,328            | 481,672                       |
| Administrative                                                                                 | 103,483          | 103,483    | 92,783            | 10,700                        |
| Total operating expenses                                                                       | 856,793          | 856,793    | 386,428           | 470,365                       |
| Operating income                                                                               | (137,656)        | (137,656)  | 342,137           | 479,793                       |
| <b>Non-operating revenues (expenses)</b>                                                       |                  |            |                   |                               |
| Interest income                                                                                | 650              | 650        | 905               | 255                           |
| Bond proceeds                                                                                  | 500,000          | 500,000    | -                 | (500,000)                     |
| Connection and tap fees                                                                        | 30,000           | 30,000     | 98,190            | 68,190                        |
| Decommissioning costs                                                                          | (500,000)        | (500,000)  | (482,413)         | 17,587                        |
| Total non-operating revenues (expenses)                                                        | 30,650           | 30,650     | (383,318)         | (413,968)                     |
| <b>Income before contributions, transfers<br/>and capital and related financing activities</b> | (107,006)        | (107,006)  | (41,181)          | 65,825                        |
| Contributions, transfers and capital<br>and related financing activities                       |                  |            |                   |                               |
| Debt service                                                                                   | (365,958)        | (365,958)  | (365,958)         | -                             |
| Transfers in                                                                                   | 518,800          | 518,800    | 18,800            | (500,000)                     |
| Transfers out                                                                                  | (15,836)         | (15,836)   | (15,836)          | -                             |
| Total contributions and transfers                                                              | 137,006          | 137,006    | (362,994)         | (500,000)                     |
| <b>Change in available resources</b>                                                           | 30,000           | 30,000     | (404,175)         | (434,175)                     |
| Available resources, beginning of year                                                         | 638,483          | 638,483    | 638,483           | -                             |
| <b>Available resources, end of year</b>                                                        | \$ 668,483       | \$ 668,483 | \$ 234,308        | \$ (434,175)                  |

**TOWN OF BAYFIELD, COLORADO**  
**Garbage Fund**  
**Schedule of Revenues, Expenses and Changes in Available Resources**  
**Budget and Actual**  
**For the Year Ended December 31, 2012**

|                                          | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------------|------------------|------------------|-------------------|-------------------------------|
|                                          | Original         | Final            |                   |                               |
| <b>Operating revenues</b>                |                  |                  |                   |                               |
| Charges for services                     | \$ 113,074       | \$ 113,074       | \$ 117,062        | \$ 3,988                      |
| Total operating revenues                 | 113,074          | 113,074          | 117,062           | 3,988                         |
| <b>Operating expenses</b>                |                  |                  |                   |                               |
| Salaries and wages                       | 14,853           | 14,853           | 15,365            | (512)                         |
| General operations                       | 108,140          | 114,347          | 110,340           | 4,007                         |
| Administrative                           | 800              | 800              | 376               | 424                           |
| Total operating expenses                 | 123,793          | 130,000          | 126,081           | 3,919                         |
| Operating income (loss)                  | (10,719)         | (16,926)         | (9,019)           | 7,907                         |
| <b>Non-operating revenues (expenses)</b> |                  |                  |                   |                               |
| Interest income                          | 100              | 100              | 37                | (63)                          |
| Total non-operating revenues (expenses)  | 100              | 100              | 37                | (63)                          |
| <b>Change in available resources</b>     | (10,619)         | (16,826)         | (8,982)           | 7,844                         |
| Available resources, beginning of year   | 38,799           | 38,799           | 38,799            | -                             |
| <b>Available resources, end of year</b>  | <u>\$ 28,180</u> | <u>\$ 21,973</u> | <u>\$ 29,817</u>  | <u>\$ 7,844</u>               |

**TOWN OF BAYFIELD, COLORADO**  
**SUPPLEMENTARY INFORMATION**  
**COLORADO WATER RESOURCES AND**  
**POWER DEVELOPMENT AUTHORITY**  
**LOAN COVENANTS AND REQUIREMENTS**

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2012, 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, 2012 calculation for the rate covenant is as follows:

|                                      |  |                    |
|--------------------------------------|--|--------------------|
| Total Revenues                       |  | 857,328            |
| Total Operating Exp (-) Depreciation |  | <u>(386,428)</u>   |
|                                      |  | 470,900            |
| Annual Debt Service                  |  | 364,903            |
|                                      |  |                    |
| Coverage Ratio                       |  | <u>1.29</u>        |
| Coverage Ratio Requirement           |  | 1.10               |
|                                      |  |                    |
| Over/(Under)                         |  | <u><u>0.19</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, 2012 reserve calculation is as follows:

|                                           |  |                  |
|-------------------------------------------|--|------------------|
| Current Assets                            |  | 733,978          |
| Current Liabilities                       |  | <u>240,499</u>   |
| CA-CL Calculation                         |  | 493,479          |
|                                           |  |                  |
| Operating Expense                         |  | 693,701          |
| Depreciation                              |  | <u>(307,273)</u> |
| Total Operating Exp Used                  |  | 386,428          |
|                                           |  |                  |
| 25% of Operating Exp (-) Depreciation Exp |  | 96,607           |
|                                           |  |                  |
| Restricted Reserve for Debt Service       |  | <u>96,607</u>    |
| Over/(Short)                              |  | <u><u>-</u></u>  |



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**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.

|                                                                               |                                         |
|-------------------------------------------------------------------------------|-----------------------------------------|
| <b>LOCAL HIGHWAY FINANCE REPORT</b>                                           | City or County:<br>Town of Bayfield, CO |
|                                                                               | YEAR ENDING :<br>December 2012          |
| Prepared By: Erin Dunavant, Finance Director<br>Phone: 1-970-884-9544 ext 105 |                                         |

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

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

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

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

| ITEM                                                        | AMOUNT  | ITEM                                              | AMOUNT  |
|-------------------------------------------------------------|---------|---------------------------------------------------|---------|
| <b>A. Receipts from local sources:</b>                      |         | <b>A. Local highway disbursements:</b>            |         |
| 1. Local highway-user taxes                                 |         | 1. Capital outlay (from page 2)                   | 62,634  |
| a. Motor Fuel (from Item I.A.5.)                            |         | 2. Maintenance:                                   | 339,939 |
| 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                              | 87,920  | b. Snow and ice removal                           | 11,662  |
| 3. Other local imposts (from page 2)                        | 0       | c. Other                                          | 17,911  |
| 4. Miscellaneous local receipts (from page 2)               | 12,433  | d. Total (a. through c.)                          | 29,573  |
| 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)                            | 432,146 |
| b. Bonds - Refunding Issues                                 |         | <b>B. Debt service on local obligations:</b>      |         |
| c. Notes                                                    |         | 1. Bonds:                                         |         |
| d. Total (a. + b. + c.)                                     | 0       | a. Interest                                       |         |
| 7. Total (1 through 6)                                      | 100,353 | b. Redemption                                     |         |
| <b>B. Private Contributions</b>                             |         | c. Total (a. + b.)                                | 0       |
| <b>C. Receipts from State government</b><br>(from page 2)   | 86,122  | 2. Notes:                                         |         |
| <b>D. Receipts from Federal Government</b><br>(from page 2) | 0       | a. Interest                                       |         |
| <b>E. Total receipts (A.7 + B + C + D)</b>                  | 186,475 | b. Redemption                                     |         |
|                                                             |         | c. Total (a. + b.)                                | 0       |
|                                                             |         | 3. Total (1.c + 2.c)                              | 0       |
|                                                             |         | <b>C. Payments to State for highways</b>          |         |
|                                                             |         | <b>D. Payments to toll facilities</b>             |         |
|                                                             |         | <b>E. Total disbursements (A.6 + B.3 + C + D)</b> | 432,146 |

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

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

|  | A. Beginning Balance | B. Total Receipts | C. Total Disbursement | D. Ending Balance | E. Reconciliation |
|--|----------------------|-------------------|-----------------------|-------------------|-------------------|
|  | 5,592,289            | 186,475           | 432,146               | 5,346,617         | 0                 |

Notes and Comments:

|                                     |                                       |
|-------------------------------------|---------------------------------------|
| <b>LOCAL HIGHWAY FINANCE REPORT</b> | STATE:<br>Colorado                    |
|                                     | YEAR ENDING (mm/yy):<br>December 2012 |

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

| ITEM                              | AMOUNT                    | ITEM                                      | AMOUNT                    |
|-----------------------------------|---------------------------|-------------------------------------------|---------------------------|
| <b>A.3. Other local imposts:</b>  |                           | <b>A.4. Miscellaneous local receipts:</b> |                           |
| a. Property Taxes and Assessments |                           | a. Interest on investments                |                           |
| b. Other local imposts:           |                           | b. Traffic Fines & Penalties              |                           |
| 1. Sales Taxes                    | 0                         | 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  |                           | g. Other Misc. Receipts                   |                           |
| 6. Total (1. through 5.)          | 0                         | h. Other - Road and Bridge                | 12,433                    |
| c. Total (a. + b.)                | 0                         | i. Total (a. through h.)                  | 12,433                    |
|                                   | (Carry forward to page 1) |                                           | (Carry forward to page 1) |

| ITEM                                     | AMOUNT | ITEM                                       | AMOUNT                    |
|------------------------------------------|--------|--------------------------------------------|---------------------------|
| <b>C. Receipts from State Government</b> |        | <b>D. Receipts from Federal Government</b> |                           |
| 1. Highway-user taxes                    | 76,441 | 1. FHWA (from Item I.D.5.)                 |                           |
| 2. State general funds                   |        | 2. Other Federal agencies:                 |                           |
| 3. Other State funds:                    |        | a. Forest Service                          |                           |
| a. State bond proceeds                   |        | b. FEMA                                    |                           |
| b. Project Match                         |        | c. HUD                                     |                           |
| c. Motor Vehicle Registrations           | 9,681  | d. Federal Transit Admin                   |                           |
| d. Other -                               |        | e. U.S. Corps of Engineers                 |                           |
| e. Other - Road and bridge               |        | f. Other Federal                           |                           |
| f. Total (a. through e.)                 | 9,681  | g. Total (a. through f.)                   | 0                         |
| 4. Total (1. + 2. + 3.f)                 | 86,122 | 3. Total (1. + 2.g)                        |                           |
|                                          |        |                                            | (Carry forward to page 1) |

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

|                                                     | ON NATIONAL<br>HIGHWAY<br>SYSTEM<br>(a) | OFF NATIONAL<br>HIGHWAY<br>SYSTEM<br>(b) | TOTAL<br>(c)              |
|-----------------------------------------------------|-----------------------------------------|------------------------------------------|---------------------------|
| <b>A.1. Capital outlay:</b>                         |                                         |                                          |                           |
| a. Right-Of-Way Costs                               |                                         |                                          | 0                         |
| b. Engineering Costs                                |                                         | 28,091                                   | 28,091                    |
| c. Construction:                                    |                                         |                                          |                           |
| (1). New Facilities                                 |                                         | 33,716                                   | 33,716                    |
| (2). Capacity Improvements                          |                                         |                                          | 0                         |
| (3). System Preservation                            |                                         | 827                                      | 827                       |
| (4). System Enhancement & Operation                 |                                         | 0                                        | 0                         |
| (5). Total Construction (1) + (2) + (3) + (4)       | 0                                       | 34,543                                   | 34,543                    |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | 0                                       | 62,634                                   | 62,634                    |
|                                                     |                                         |                                          | (Carry forward to page 1) |

**Notes and Comments:**

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MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
DEAN R. BURDICK, CPA  
ROBERT S. COX, CPA  
TODD B. FELTNER, CPA  
K. MARK FROST, CPA

KENNETH A. HINTON, CPA  
MORRIS J. PEACOCK, CPA  
PHILLIP S. PEINE, CPA  
MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA

**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, 2012, 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 May 10, 2013.

**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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the findings and recommendations letter dated May 10, 2013 to be a significant deficiency:

10-1 Accounting Adjustments

## **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*.

We noted certain other matters that we have reported to the management of the Town in a separate letter dated May 10, 2013.

## **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  
May 10, 2013