

TOWN OF BAYFIELD, COLORADO



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of December 31, 2014, 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

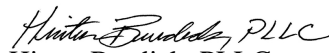
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bayfield, Colorado's basic financial statements. The budgetary comparison schedules, loan requirement disclosures, and the Local Highway Finance Report are presented for additional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

The budgetary comparison schedules 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 are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2015, 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 22, 2015

TOWN OF BAYFIELD, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

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, 2014. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows exceeded total liabilities and deferred inflows (net position) by \$31.2 million at the close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of \$443,333.
- The total cost of all Town programs for 2014 was \$4,690,338.
- The general fund unassigned fund balance at the end of 2014 was \$656,778 which is 35% 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 plus deferred outflows and liabilities plus deferred inflows, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position is an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the Town's roads to accurately assess the overall health of the Town.

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

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

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$31.2 million as of December 31, 2014 as shown in the following condensed statement of net position. Of this amount, \$3,606,400 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 \$22,858,458 (73.22% 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, 2014 and 2013:

TOWN OF BAYFIELD, COLORADO Statement of Net Position

| | Governmental activities | | Business-type activities | | Combined Total | |
|-----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| Current and other assets | \$ 6,999,882 | \$ 8,815,324 | \$ 2,031,867 | \$ 1,590,701 | \$ 9,031,749 | \$ 10,406,025 |
| Capital assets | 15,003,632 | 13,432,195 | 13,625,852 | 13,522,664 | 28,629,484 | 26,954,859 |
| Total assets | <u>22,003,514</u> | <u>22,247,519</u> | <u>15,657,719</u> | <u>15,113,365</u> | <u>37,661,233</u> | <u>37,360,884</u> |
| Long-term liabilities outstanding | 1,410,836 | 1,768,101 | 4,432,023 | 4,345,494 | 5,842,859 | 6,113,595 |
| Other liabilities | 185,371 | 175,775 | 216,182 | 100,258 | 401,553 | 276,033 |
| Total liabilities | <u>1,596,207</u> | <u>1,943,876</u> | <u>4,648,205</u> | <u>4,445,752</u> | <u>6,244,412</u> | <u>6,389,628</u> |
| Deferred inflows of resources | 199,356 | 197,124 | - | - | 199,356 | 197,124 |
| Net position: | | | | | | |
| Net investment | | | | | | |
| in capital assets | 13,649,170 | 11,716,718 | 9,209,288 | 9,191,048 | 22,858,458 | 20,907,766 |
| Restricted | 4,562,183 | 6,301,848 | 190,424 | 107,794 | 4,752,607 | 6,409,642 |
| Unrestricted | 1,996,598 | 2,087,953 | 1,609,802 | 1,368,771 | 3,606,400 | 3,456,724 |
| Total net position | <u>\$ 20,207,951</u> | <u>\$ 20,106,519</u> | <u>\$ 11,009,514</u> | <u>\$ 10,667,613</u> | <u>\$ 31,217,465</u> | <u>\$ 30,774,132</u> |

An additional portion of net position, \$4,752,607 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,606,400 (11.55% of total net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

The cost of all Governmental activities this year was \$3,123,995 as shown in the Changes in Net Position statement below. \$255,930 of this cost was paid for by those who directly benefited from the programs. \$1,067,680 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 \$1,323,610. General taxes and investment earnings totaled \$1,874,896.

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.

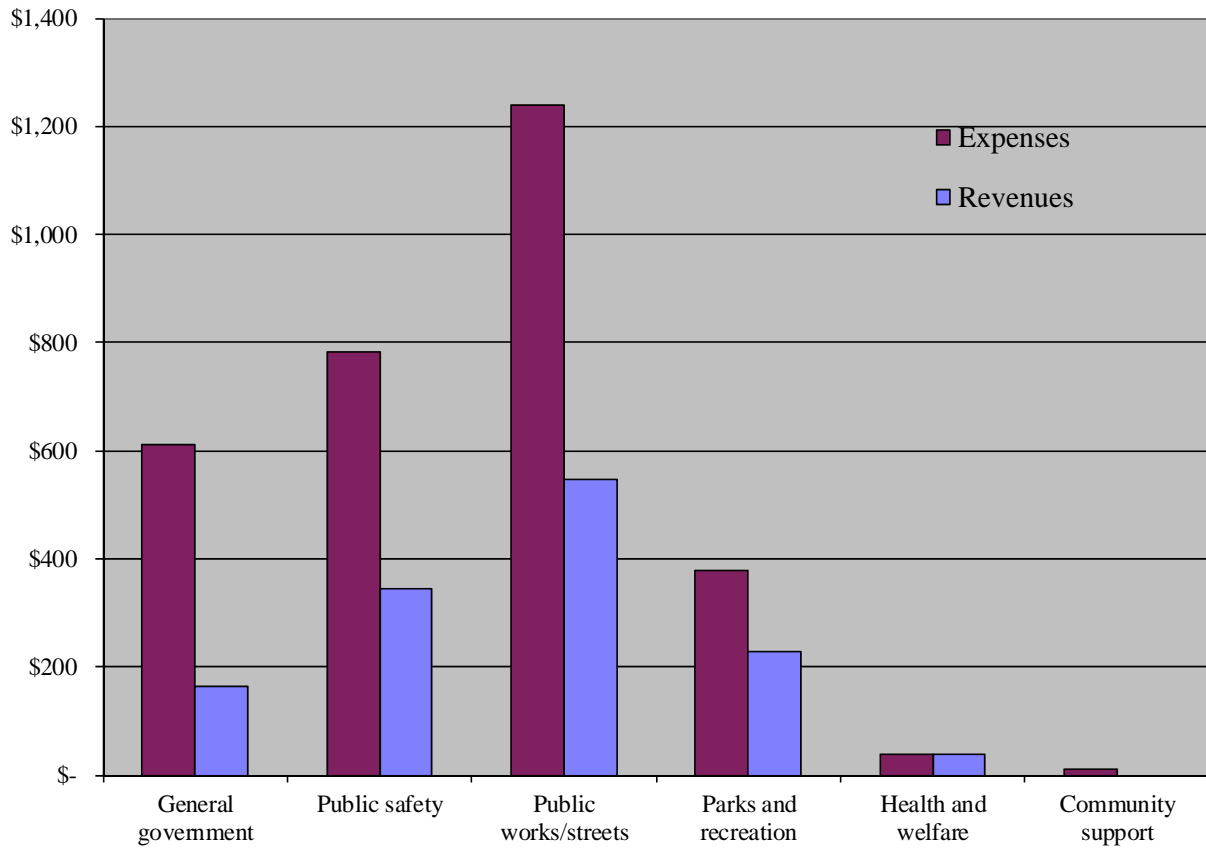
TOWN OF BAYFIELD, COLORADO Changes in Net Position

| | Governmental activities | | Business-type activities | | Combined Total | |
|-------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 255,930 | \$ 244,361 | \$ 1,594,983 | \$ 1,421,523 | \$ 1,850,913 | \$ 1,665,884 |
| Operating grants and contributions | 192,797 | 131,589 | - | - | 192,797 | 131,589 |
| Capital grants and contributions | 874,883 | 433,916 | 337,896 | 289,583 | 1,212,779 | 723,499 |
| General revenues: | | | | | | |
| Taxes | 1,857,874 | 1,736,914 | - | - | 1,857,874 | 1,736,914 |
| Investment earnings | 17,022 | 19,705 | - | - | 17,022 | 19,705 |
| Other revenue/(expense) | - | - | 2,286 | 2,342 | 2,286 | 2,342 |
| Total revenues | <u>3,198,506</u> | <u>2,566,485</u> | <u>1,935,165</u> | <u>1,713,448</u> | <u>5,133,671</u> | <u>4,279,933</u> |
| Expenses: | | | | | | |
| General government | 609,992 | 585,083 | - | - | 609,992 | 585,083 |
| Public safety | 781,746 | 671,853 | - | - | 781,746 | 671,853 |
| Public works/streets | 1,239,034 | 1,051,951 | - | - | 1,239,034 | 1,051,951 |
| Parks and recreation | 378,164 | 351,526 | - | - | 378,164 | 351,526 |
| Health and welfare | 39,643 | 40,770 | - | - | 39,643 | 40,770 |
| Community support | 9,669 | 17,910 | - | - | 9,669 | 17,910 |
| Interest on long-term debt | 65,747 | 79,589 | - | - | 65,747 | 79,589 |
| Water | - | - | 608,411 | 508,421 | 608,411 | 508,421 |
| Sewer | - | - | 839,092 | 856,767 | 839,092 | 856,767 |
| Garbage | - | - | 118,840 | 116,759 | 118,840 | 116,759 |
| Total expenses | <u>3,123,995</u> | <u>2,798,682</u> | <u>1,566,343</u> | <u>1,481,947</u> | <u>4,690,338</u> | <u>4,280,629</u> |
| Increase (decrease) in net position | | | | | | |
| before transfers | 74,511 | (232,197) | 368,822 | 231,501 | 443,333 | (696) |
| Transfers | 26,921 | 26,921 | (26,921) | (26,921) | - | - |
| Net position, beginning | 20,106,519 | 20,242,126 | 10,667,613 | 9,942,791 | 30,774,132 | 30,184,917 |
| Prior period adjustment | - | 69,669 | - | 520,242 | - | 589,911 |
| Net position, ending | <u>\$ 20,207,951</u> | <u>\$ 20,106,519</u> | <u>\$ 11,009,514</u> | <u>\$ 10,667,613</u> | <u>\$ 31,217,465</u> | <u>\$ 30,774,132</u> |

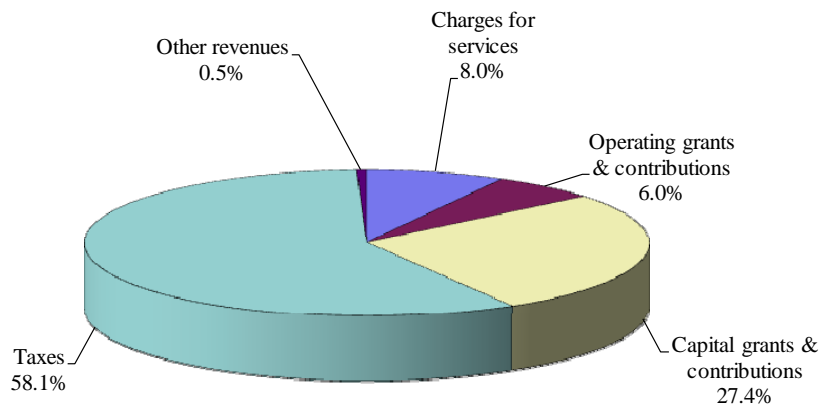
Total resources available during the year to finance governmental operations were \$23,305,025 consisting of net position at January 1, 2014 of \$20,106,519, program revenues of \$1,323,610, and General Revenues of \$1,874,896. Total Governmental Activities expenses during the year were \$3,123,995 and transfers from business-type funds were \$26,921; thus Governmental Net Position increased by \$101,432 to \$20,207,951.

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)



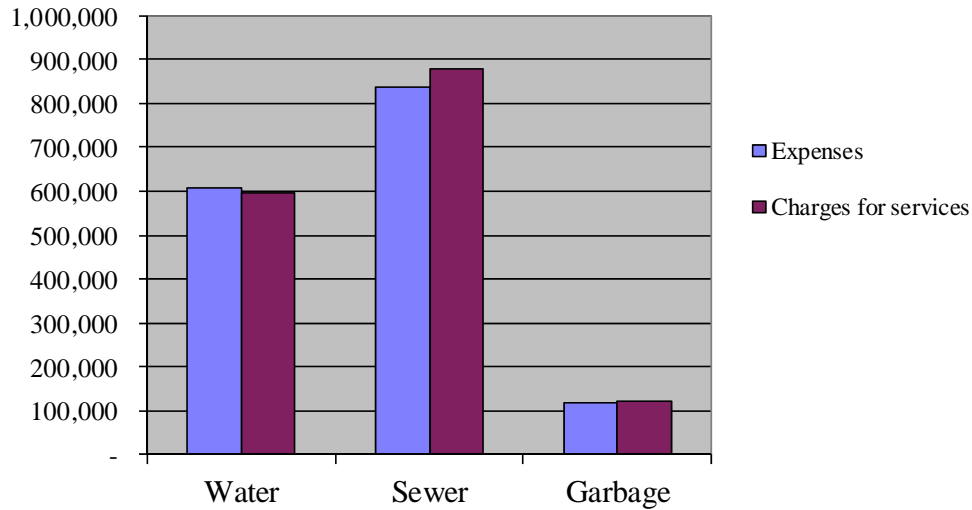
Revenue By Source - Governmental Activities



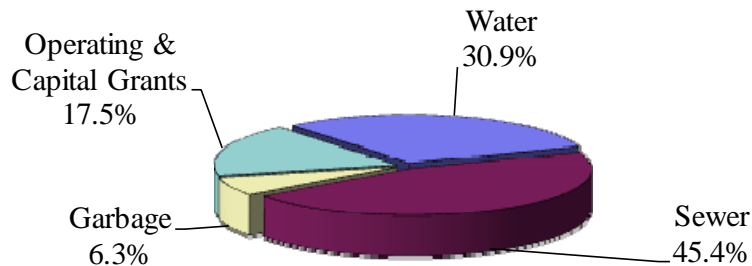
Business Type Activities

Net position of the Business Type activities at December 31, 2014, as reflected in the Statement of Net Position was \$11 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,566,343. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1,594,983 and there was \$337,896 subsidized by capital grants and contributions. Investment earnings and other revenues were \$2,286. Transfers to governmental activities totaled \$26,921. The Net Position increased by \$341,901. 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 \$5,893,900, a decrease of \$1,736,284 in comparison with the prior year. Approximately 11.14% (\$656,778) 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, 2014, unassigned fund balance in the General fund was \$656,778. 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 35% of the total General fund expenditures. The fund balance of the Town's General fund increased by \$102,874 for the year ended December 31, 2014. As compared to the prior year, the General fund revenues increased due to increased tax and intergovernmental revenue. General fund expenses increased due to increased public safety expenses.

The special assessments and interest earned in the debt service fund were less than total expenditures in the fund by \$13,278.

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 \$191,283.

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 \$1,654,777 for street maintenance projects for Bayfield Parkway during 2014.

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, 2014 for the Town's three enterprise funds (Water, Sewer, and Garbage) are as follows:

| | Water | Sewer | Garbage | Total |
|---------------------------|--------------|------------|-----------|--------------|
| Unrestricted net position | \$ 1,307,901 | \$ 261,148 | \$ 40,753 | \$ 1,609,802 |
| Total net position | 5,318,650 | 5,603,188 | 87,676 | 11,009,514 |
| Change in net position | 53,437 | 285,915 | 2,549 | 341,901 |

Budgetary Highlights

General fund revenues of \$1,977,086 were higher than budgeted revenues of \$1,774,177 by \$202,911. The most significant factor contributing to this excess amount is related to sales tax revenues which exceeded budget by \$60,716. Budgeted expenditures exceeded actual expenditures by \$35,096.

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 2014, net capital assets of the government activities totaled \$15 million and the net capital assets of the business-type activities were \$13.62 million. The most significant governmental capital additions were for a Street Resurfacing Project and the Fiber SCAN project. The most significant business-type capital addition during the year was the Infiltration Project. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the Town had \$1,410,836 in governmental type debt, and \$4,432,023 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$270,737. (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 2015, 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, 2014

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 5,236,799 | \$ 1,880,718 | \$ 7,117,517 |
| Receivables (net of allowance) | 513,339 | 365,375 | 878,714 |
| Internal balances | 475,544 | (475,544) | - |
| Inventories | 17,749 | 70,894 | 88,643 |
| Temporarily restricted assets: | | | |
| Cash and cash equivalents | - | 190,424 | 190,424 |
| Special improvement district receivable | 756,451 | - | 756,451 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 812,598 | 103,766 | 916,364 |
| Construction in progress | 682,754 | 606,417 | 1,289,171 |
| Buildings | 5,599,396 | 436,650 | 6,036,046 |
| Machinery and equipment | 311,319 | 327,781 | 639,100 |
| Vehicles | 569,451 | - | 569,451 |
| Infrastructure and systems | 7,028,114 | 12,151,238 | 19,179,352 |
| Total assets | <u>22,003,514</u> | <u>15,657,719</u> | <u>37,661,233</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | 150,173 | 185,078 | 335,251 |
| Interest payable | 35,196 | - | 35,196 |
| Unearned revenue | - | 31,104 | 31,104 |
| Noncurrent liabilities: | | | |
| Due within one year | 405,759 | 309,797 | 715,556 |
| Due in more than one year | 1,005,077 | 4,122,226 | 5,127,303 |
| Total liabilities | <u>1,596,205</u> | <u>4,648,205</u> | <u>6,244,410</u> |
| Deferred Inflows of Resources | | | |
| Deferred revenue - property taxes | <u>199,356</u> | <u>-</u> | <u>199,356</u> |
| Net Position | | | |
| Net investment in capital assets | 13,649,170 | 9,209,288 | 22,858,458 |
| Restricted for: | | | |
| Parks and recreation | 277,564 | - | 277,564 |
| Public works | 3,472,350 | - | 3,472,350 |
| Debt service | 812,269 | 190,424 | 1,002,693 |
| Unrestricted | 1,996,600 | 1,609,802 | 3,606,402 |
| Total Net Position | <u>\$ 20,207,953</u> | <u>\$ 11,009,514</u> | <u>\$ 31,217,467</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, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|------------------------------------|--------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Governmental activities: | | | | | | | |
| General government | \$ 609,992 | \$ 60,944 | \$ 16,726 | \$ 86,404 | \$ (445,918) | \$ - | \$ (445,918) |
| Public safety | 781,746 | 65,620 | 148,229 | 132,132 | (435,765) | - | (435,765) |
| Public works/streets | 1,239,034 | 45,402 | - | 500,952 | (692,680) | - | (692,680) |
| Parks and recreation | 378,164 | 77,364 | 23,365 | 128,962 | (148,473) | - | (148,473) |
| Health and welfare | 39,643 | 6,601 | 4,477 | 26,433 | (2,132) | - | (2,132) |
| Community support | 9,669 | - | - | - | (9,669) | - | (9,669) |
| Interest on long-term debt | 65,747 | - | - | - | (65,747) | - | (65,747) |
| Total governmental activities | 3,123,995 | 255,931 | 192,797 | 874,883 | (1,800,384) | - | (1,800,384) |
| Business-type activities: | | | | | | | |
| Water | 608,411 | 596,422 | - | 75,025 | - | 63,036 | 63,036 |
| Sewer | 839,092 | 877,210 | - | 262,871 | - | 300,989 | 300,989 |
| Garbage | 118,840 | 121,351 | - | - | - | 2,511 | 2,511 |
| Total business-type activities | 1,566,343 | 1,594,983 | - | 337,896 | - | 366,536 | 366,536 |
| Total primary government | \$ 4,690,338 | \$ 1,850,914 | \$ 192,797 | \$ 1,212,779 | (1,800,384) | 366,536 | (1,433,848) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property tax | | | | | 196,027 | - | 196,027 |
| Sales tax | | | | | 1,348,295 | - | 1,348,295 |
| Other taxes | | | | | 299,406 | - | 299,406 |
| Franchise tax | | | | | 14,146 | - | 14,146 |
| Unrestricted investment earnings | | | | | 17,023 | 2,286 | 19,309 |
| Transfers | | | | | 26,921 | (26,921) | - |
| Total general revenues & transfers | | | | | 1,901,818 | (24,635) | 1,877,183 |
| Change in net position | | | | | 101,434 | 341,901 | 443,335 |
| Net position - beginning | | | | | 20,106,519 | 10,667,613 | 30,774,132 |
| Net position - ending | | | | | \$ 20,207,953 | \$ 11,009,514 | \$ 31,217,467 |

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

TOWN OF BAYFIELD, COLORADO
Balance Sheet
Governmental Funds
December 31, 2014

| Assets | General Fund | Debt Service Fund | Capital Improvement Fund | Transportation Fund | Nonmajor Conservation Trust Fund | Total Governmental Funds |
|---|---------------------|----------------------|--------------------------------|------------------------|---|--------------------------------|
| Cash and cash equivalents | \$ 762,752 | \$ 55,818 | \$ 815,001 | \$ 3,518,266 | \$ 84,962 | \$ 5,236,799 |
| Receivables, net of allowances: | 487 | 756,451 | - | - | - | 756,938 |
| Property tax receivable | 199,356 | - | - | - | - | 199,356 |
| Due from other governments | 238,478 | - | 75,018 | - | - | 313,496 |
| Due from other funds | 475,544 | - | - | - | - | 475,544 |
| Inventories | 17,749 | - | - | - | - | 17,749 |
| Total assets | <u>\$ 1,694,366</u> | <u>\$ 812,269</u> | <u>\$ 890,019</u> | <u>\$ 3,518,266</u> | <u>\$ 84,962</u> | <u>\$ 6,999,882</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 30,247 | \$ - | \$ 15,182 | \$ 45,916 | \$ 5,938 | \$ 97,283 |
| Accrued liabilities | 52,890 | - | - | - | - | 52,890 |
| Total liabilities | <u>83,137</u> | <u>-</u> | <u>15,182</u> | <u>45,916</u> | <u>5,938</u> | <u>150,173</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred revenue - property taxes | 199,356 | - | - | - | - | 199,356 |
| Deferred revenue - special assessments | - | 756,451 | - | - | - | 756,451 |
| Total deferred inflows of resources | <u>199,356</u> | <u>756,451</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>955,807</u> |
| Fund Balances | | | | | | |
| Nonspendable | 459,694 | - | - | - | - | 459,694 |
| Restricted for: | | | | | | |
| Emergency reserve | 129,864 | - | - | - | - | 129,864 |
| Debt service | - | 55,818 | - | - | - | 55,818 |
| Parks and recreation | - | - | 198,540 | - | 79,024 | 277,564 |
| Public works and streets | - | - | - | 3,472,350 | - | 3,472,350 |
| Committed to: | | | | | | |
| Equipment replacement | - | - | 396,721 | - | - | 396,721 |
| Capital outlay | - | - | 279,576 | - | - | 279,576 |
| Assigned to: | | | | | | |
| Public safety | 4,867 | - | - | - | - | 4,867 |
| Health and welfare | 5,668 | - | - | - | - | 5,668 |
| Subsequent years | 155,000 | - | - | - | - | 155,000 |
| Unassigned | 656,780 | - | - | - | - | 656,780 |
| Total fund balances | <u>1,411,873</u> | <u>55,818</u> | <u>874,837</u> | <u>3,472,350</u> | <u>79,024</u> | <u>5,893,902</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 1,694,366</u> | <u>\$ 812,269</u> | <u>\$ 890,019</u> | <u>\$ 3,518,266</u> | <u>\$ 84,962</u> | <u>\$ 6,999,882</u> |

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

TOWN OF BAYFIELD, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2014

| | |
|--|--------------|
| Total fund balances - governmental funds | \$ 5,893,902 |
|--|--------------|

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. | 756,451 |
|---|---------|

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

| | | |
|-----------------------------|-------------|------------|
| Governmental capital assets | 20,956,506 | |
| Accumulated depreciation | (5,952,874) | |
| | | 15,003,632 |

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

| | |
|------------------------|-----------|
| Capital leases payable | (759,462) |
| Bonds payable | (595,000) |
| Interest payable | (35,196) |
| Compensated absences | (56,374) |
| | |

| | |
|--|-----------------------------|
| Total net position - governmental activities | <u><u>\$ 20,207,953</u></u> |
|--|-----------------------------|

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

TOWN OF BAYFIELD, COLORADO
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2014

| | General Fund | Debt Service Fund | Capital Improvement Fund | Transportation Fund | Nonmajor Conservation Trust Fund | Total Governmental Funds |
|---|---------------------|----------------------|--------------------------------|------------------------|---|--------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 1,583,199 | \$ - | \$ 274,673 | \$ - | \$ - | \$ 1,857,872 |
| Licenses and permits | 48,784 | - | - | - | - | 48,784 |
| Intergovernmental | 161,761 | - | 311,305 | - | 23,365 | 496,431 |
| Fines and forfeitures | 47,932 | - | - | - | - | 47,932 |
| Charges for services | 110,984 | - | - | - | - | 110,984 |
| Interest revenue | 10,615 | 437 | 1,753 | 4,151 | 66 | 17,022 |
| Special assessments | - | 152,585 | - | - | - | 152,585 |
| Impact fees | - | - | 4,896 | - | - | 4,896 |
| Other revenues | 13,813 | - | - | - | - | 13,813 |
| Total revenues | <u>1,977,088</u> | <u>153,022</u> | <u>592,627</u> | <u>4,151</u> | <u>23,431</u> | <u>2,750,319</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 508,252 | 1,700 | - | - | - | 509,952 |
| Public safety | 728,557 | - | - | - | - | 728,557 |
| Public works/streets | 268,980 | - | - | - | - | 268,980 |
| Non-departmental | 10,655 | - | - | - | - | 10,655 |
| Parks and recreation | 327,193 | - | - | - | - | 327,193 |
| Payments to sub recipients | 9,669 | - | - | - | - | 9,669 |
| Capital outlay | 20,906 | - | 608,191 | 1,654,777 | 7,402 | 2,291,276 |
| Debt service: | | | | | | |
| Principal retirement | - | 125,000 | 236,015 | - | - | 361,015 |
| Interest on long-term debt | - | 39,600 | 31,847 | - | - | 71,447 |
| Total expenditures | <u>1,874,212</u> | <u>166,300</u> | <u>876,053</u> | <u>1,654,777</u> | <u>7,402</u> | <u>4,578,744</u> |
| Excess of revenues over (under) expenditures | 102,876 | (13,278) | (283,426) | (1,650,626) | 16,029 | (1,828,425) |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | 26,921 | - | - | 26,921 |
| Insurance recoveries | - | - | 64,872 | - | - | 64,872 |
| Sale of assets | - | - | 350 | - | - | 350 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>92,143</u> | <u>-</u> | <u>-</u> | <u>92,143</u> |
| Net change in fund balances | 102,876 | (13,278) | (191,283) | (1,650,626) | 16,029 | (1,736,282) |
| Fund balance, beginning of year | <u>1,308,997</u> | <u>69,096</u> | <u>1,066,120</u> | <u>5,122,976</u> | <u>62,995</u> | <u>7,630,184</u> |
| Fund balance, end of year | <u>\$ 1,411,873</u> | <u>\$ 55,818</u> | <u>\$ 874,837</u> | <u>\$ 3,472,350</u> | <u>\$ 79,024</u> | <u>\$ 5,893,902</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, 2014

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

Net change in fund balances - total governmental funds \$ (1,736,282)

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

| | | |
|----------------------|-----------|-----------|
| Capital outlay | 2,010,445 | |
| Depreciation expense | (915,544) | |
| | | 1,094,901 |

The net effect of various transactions involving capital assets (i.e. sales and donations) is to decrease net position. (3,467)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 480,003

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. 361,015

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. 5,700

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. (3,750)

Deferred revenues in the governmental funds were recognized as revenues in the statement of activities in previous years. (96,686)

| | | |
|---|--|------------|
| Change in net position of governmental activities | | \$ 101,434 |
|---|--|------------|

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

TOWN OF BAYFIELD, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2014

| | Water Fund | Sewer Fund | Garbage Fund | Combined Total |
|---|---------------------|----------------------|------------------|----------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash | \$ 1,339,991 | \$ 495,474 | \$ 45,253 | \$ 1,880,718 |
| Receivables (net of allowance) | 4,959 | 37,351 | 5,229 | 47,539 |
| Due from other governments | - | 317,836 | - | 317,836 |
| Inventory | 38,231 | 32,663 | - | 70,894 |
| Restricted cash and investments | - | 190,424 | - | 190,424 |
| Total current assets | <u>1,383,181</u> | <u>1,073,748</u> | <u>50,482</u> | <u>2,507,411</u> |
| Noncurrent assets: | | | | |
| Land | 55,858 | 47,908 | - | 103,766 |
| Construction in progress | 10,422 | 595,995 | - | 606,417 |
| Buildings | 625,255 | 250,993 | 57,967 | 934,215 |
| Improvements and system | 5,371,220 | 11,052,727 | - | 16,423,947 |
| Machinery and equipment | 251,766 | 319,944 | - | 571,710 |
| Accumulated depreciation | (2,137,142) | (2,866,017) | (11,044) | (5,014,203) |
| Total noncurrent assets | <u>4,177,379</u> | <u>9,401,550</u> | <u>46,923</u> | <u>13,625,852</u> |
| Total assets | <u>\$ 5,560,560</u> | <u>\$ 10,475,298</u> | <u>\$ 97,405</u> | <u>\$ 16,133,263</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 34,209 | 125,194 | 9,291 | 168,694 |
| Accrued liabilities | 3,504 | 12,880 | - | 16,384 |
| Unearned revenue | 31,104 | - | - | 31,104 |
| Due to other funds - current | - | 33,599 | - | 33,599 |
| Loans payable - current | 38,305 | 256,033 | - | 294,338 |
| Compensated absences - current | 6,463 | 8,558 | 438 | 15,459 |
| Total current liabilities | <u>113,585</u> | <u>436,264</u> | <u>9,729</u> | <u>559,578</u> |
| Noncurrent liabilities: | | | | |
| Due to other funds (net of current portion) | - | 441,945 | - | 441,945 |
| Loans payable (net of current portion) | 128,325 | 3,993,901 | - | 4,122,226 |
| Total long-term debt | <u>128,325</u> | <u>4,435,846</u> | <u>-</u> | <u>4,564,171</u> |
| Total liabilities | <u>241,910</u> | <u>4,872,110</u> | <u>9,729</u> | <u>5,123,749</u> |
| Net position | | | | |
| Net investment in capital assets | 4,010,749 | 5,151,616 | 46,923 | 9,209,288 |
| Restricted | - | 190,424 | - | 190,424 |
| Unrestricted | 1,307,901 | 261,148 | 40,753 | 1,609,802 |
| Total net position | <u>\$ 5,318,650</u> | <u>\$ 5,603,188</u> | <u>\$ 87,676</u> | <u>\$ 11,009,514</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, 2014

| | Water Fund | Sewer Fund | Garbage Fund | Combined Total |
|--|---------------------|---------------------|------------------|----------------------|
| Operating revenues | | | | |
| Charges for services | \$ 596,422 | \$ 877,210 | \$ 121,351 | \$ 1,594,983 |
| Total operating revenues | <u>596,422</u> | <u>877,210</u> | <u>121,351</u> | <u>1,594,983</u> |
| Operating expenses | | | | |
| Salaries and wages | 154,563 | 182,516 | 4,196 | 341,275 |
| Water storage | 35,645 | - | - | 35,645 |
| Pumping costs | 1,888 | - | - | 1,888 |
| Water treatment | 132,291 | - | - | 132,291 |
| Transmission and distribution | 37,760 | - | - | 37,760 |
| Collection and transmission | - | 20,515 | - | 20,515 |
| Sewer treatment | - | 110,819 | - | 110,819 |
| General operations | - | - | 111,091 | 111,091 |
| Administrative | 46,586 | 41,239 | 838 | 88,663 |
| Depreciation | 190,285 | 319,249 | 2,715 | 512,249 |
| Total operating expenses | <u>599,018</u> | <u>674,338</u> | <u>118,840</u> | <u>1,392,196</u> |
| Operating income | <u>(2,596)</u> | <u>202,872</u> | <u>2,511</u> | <u>202,787</u> |
| Non-operating revenues (expenses) | | | | |
| Interest income | 1,486 | 762 | 38 | 2,286 |
| Interest expense and fiscal charges | (9,393) | (164,754) | - | (174,147) |
| Grant revenue | - | 170,221 | - | 170,221 |
| Connection and tap fees | 75,025 | 92,650 | - | 167,675 |
| Total non-operating revenues (expenses) | <u>67,118</u> | <u>98,879</u> | <u>38</u> | <u>166,035</u> |
| Income before transfers | 64,522 | 301,751 | 2,549 | 368,822 |
| Transfers: | | | | |
| Transfers out | (11,085) | (15,836) | - | (26,921) |
| Change in net position | 53,437 | 285,915 | 2,549 | 341,901 |
| Total net position, beginning of year | <u>5,265,213</u> | <u>5,317,273</u> | <u>85,127</u> | <u>10,667,613</u> |
| Total net position, end of year | <u>\$ 5,318,650</u> | <u>\$ 5,603,188</u> | <u>\$ 87,676</u> | <u>\$ 11,009,514</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, 2014

| | Water Fund | Sewer Fund | Garbage Fund | Combined Total |
|---|----------------------------|--------------------------|-------------------------|----------------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers, service fees | \$ 611,221 | \$ 866,517 | \$ 120,203 | \$ 1,597,941 |
| Cash paid to suppliers | (182,707) | (19,942) | (110,926) | (313,575) |
| Cash paid to employees | (201,149) | (222,916) | (5,037) | (429,102) |
| Net cash flows from operating activities | <u>227,365</u> | <u>623,659</u> | <u>4,240</u> | <u>855,264</u> |
| Cash flows from noncapital financing activities: | | | | |
| Repayment of interfund loan | (31,000) | (33,208) | - | (64,208) |
| Transfers from/(to) other funds | (11,085) | (15,836) | - | (26,921) |
| Net cash flows from noncapital financing activities | <u>(42,085)</u> | <u>(49,044)</u> | <u>-</u> | <u>(91,129)</u> |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | (19,443) | (595,995) | - | (615,438) |
| Principal paid on long-term debt | (36,579) | (234,670) | - | (271,249) |
| Interest paid | (9,393) | (175,622) | - | (185,015) |
| Capital grants | - | 66,722 | - | 66,722 |
| Proceeds from loan | - | 162,729 | - | 162,729 |
| Connection and tap fees | 64,721 | 92,650 | - | 157,371 |
| Net cash flows from capital and related financing activities | <u>(694)</u> | <u>(684,186)</u> | <u>-</u> | <u>(684,880)</u> |
| Cash flows from investing activities: | | | | |
| Interest on investments | 1,486 | 762 | 38 | 2,286 |
| Net change in cash and cash equivalents | 186,072 | (108,809) | 4,278 | 81,541 |
| Cash and cash equivalents, including restricted cash beginning of year | <u>1,153,919</u> | <u>794,707</u> | <u>40,975</u> | <u>1,989,601</u> |
| Cash and cash equivalents, including restricted cash end of year | <u>\$ 1,339,991</u> | <u>\$ 685,898</u> | <u>\$ 45,253</u> | <u>\$ 2,071,142</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Net operating income (loss) | \$ (2,596) | \$ 202,872 | \$ 2,511 | \$ 202,787 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation/amortization | 190,285 | 319,249 | 2,715 | 512,249 |
| Changes in operating assets and liabilities: | | | | |
| (Increase)/decrease in receivables | 14,799 | (10,693) | (1,148) | 2,958 |
| (Increase)/decrease in inventory | 7,243 | 2,218 | - | 9,461 |
| Increase/(decrease) in payables | 16,889 | 109,174 | 165 | 126,228 |
| Increase/(decrease) in accrued liabilities & deposits | 745 | 839 | (3) | 1,581 |
| Net cash flows from operating activities | <u>\$ 227,365</u> | <u>\$ 623,659</u> | <u>\$ 4,240</u> | <u>\$ 855,264</u> |
| Supplemental schedule of non-cash financing and investing activities: | | | | |
| Bond premium amortization | \$ - | \$ 10,868 | \$ - | \$ 10,868 |

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 1. Summary of Significant Accounting Policies

Description of Government-Wide Financial Statements

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

Reporting Entity

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

Basis of Presentation – Government-Wide Financial Statements

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

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

Basis of Presentation – Fund Financial Statements

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 1. Summary of Significant Accounting Policies, Continued

The Town reports the following major governmental funds:

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

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

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

The **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 enterprise funds:

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

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

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

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Deposits and Investments

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Receivables and Payables

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

Inventories

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

Capital Assets

Capital assets, which include; property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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 |

Deferred Outflows/Inflows of Resources

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 1. Summary of Significant Accounting Policies, Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. The item, *deferred revenue – special assessments*, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

Fund Balance Flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 1. Summary of Significant Accounting Policies, Continued

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes levied in the current year and not collected within 60 days of year-end are not deemed available to pay current liabilities and therefore the receivable is recorded as a deferred inflow in the governmental funds. Property taxes for the current year are levied by the County and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The County also levies various personal property taxes during the year.

Compensated Absences

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

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

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

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

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, 2014

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

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

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

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

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, 2014

Note 3. Stewardship, Compliance, and Accountability, Continued

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, 2014.

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.

Note 4. Deposits and Investments

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

| | |
|----------------------------|----------------------------|
| Cash on hand | \$ 300 |
| Cash in bank | 4,608,709 |
| Colorado Trust | 2,274,106 |
| Certificates of deposit | <u>424,826</u> |
| Total cash and investments | <u><u>\$ 7,307,941</u></u> |

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk; however, the Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2014 cash on hand was \$300 and the carrying amount of the Town's deposits was \$4,608,709. As of December 31, 2014 the bank balance of the Town's deposits was \$4,663,756 of which \$250,000 was insured by federal depository insurance and \$4,413,756 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, 2014 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, 2014 the Town had \$2,274,106 invested in the COLOTRUST with a fair market value of \$2,274,106 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, 2014

Note 4. Deposits and Investments, Continued

Interest rate risk

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

Credit risk

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

Note 5. Restricted Assets

The Town reported \$190,424 in restricted cash in the Sewer Fund as of December 31, 2014. This is made up of \$177,544 as required by the Colorado Water Resources and Power Development Authority Loan Agreements and \$12,880 for the Elston Subdivision Sanitary Sewer Line construction deposit.

The special improvement district receivable of \$756,451 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, 2014

Note 6. Capital Assets

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

| Governmental Activities: | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
|--|-------------------------------|---------------------|---------------------|-------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 812,598 | \$ - | \$ - | \$ 812,598 |
| Construction in progress | 625,731 | 641,344 | (584,321) | 682,754 |
| Total capital assets, not being depreciated | <u>1,438,329</u> | <u>641,344</u> | <u>(584,321)</u> | <u>1,495,352</u> |
| Capital assets, being depreciated: | | | | |
| Buildings & improvements | 6,489,462 | 216,291 | - | 6,705,753 |
| Machinery and equipment | 432,714 | 181,341 | (26,500) | 587,555 |
| Vehicles | 622,074 | 356,883 | (6,000) | 972,957 |
| Infrastructure | 9,515,978 | 1,678,911 | - | 11,194,889 |
| Total capital assets, being depreciated | <u>17,060,228</u> | <u>2,433,426</u> | <u>(32,500)</u> | <u>19,461,154</u> |
| Less accumulated depreciation for: | | | | |
| Buildings & improvements | (922,078) | (184,279) | - | (1,106,357) |
| Machinery and equipment | (238,816) | (60,453) | 23,033 | (276,236) |
| Vehicles | (306,879) | (102,627) | 6,000 | (403,506) |
| Infrastructure | (3,598,589) | (568,186) | - | (4,166,775) |
| Total accumulated depreciation | <u>(5,066,362)</u> | <u>(915,545)</u> | <u>29,033</u> | <u>(5,952,874)</u> |
| Total capital assets, being depreciated, net | <u>11,993,866</u> | <u>1,517,881</u> | <u>(3,467)</u> | <u>13,508,280</u> |
| Governmental activities capital assets, net | <u>\$ 13,432,195</u> | <u>\$ 2,159,225</u> | <u>\$ (587,788)</u> | <u>\$ 15,003,632</u> |

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

| | |
|--|-------------------|
| Governmental Activities: | |
| General government | \$ 108,758 |
| Public safety | 44,483 |
| Public works/streets | 673,646 |
| Parks & recreation | 49,465 |
| Health & welfare | 39,193 |
| Total depreciation expense - governmental activities | <u>\$ 915,545</u> |

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 6. Capital Assets, Continued

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

| Business Type Activities: | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
|--|-------------------------------|-------------------|------------------|-------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and water rights | \$ 103,766 | \$ - | \$ - | \$ 103,766 |
| Construction in progress | 2,026 | 604,391 | - | 606,417 |
| Total capital assets, not being depreciated | <u>105,792</u> | <u>604,391</u> | <u>-</u> | <u>710,183</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 932,231 | 1,984 | - | 934,215 |
| Improvements and systems | 16,423,947 | - | - | 16,423,947 |
| Machinery and equipment | 562,647 | 9,063 | - | 571,710 |
| Total capital assets, being depreciated | <u>17,918,825</u> | <u>11,047</u> | <u>-</u> | <u>17,929,872</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (471,873) | (25,692) | - | (497,565) |
| Improvements and systems | (3,840,230) | (432,479) | - | (4,272,709) |
| Machinery and equipment | (189,850) | (54,079) | - | (243,929) |
| Total accumulated depreciation | <u>(4,501,953)</u> | <u>(512,250)</u> | <u>-</u> | <u>(5,014,203)</u> |
| Total capital assets, being depreciated, net | <u>13,416,872</u> | <u>(501,203)</u> | <u>-</u> | <u>12,915,669</u> |
| Business-type activities capital assets, net | <u>\$ 13,522,664</u> | <u>\$ 103,188</u> | <u>\$ -</u> | <u>\$ 13,625,852</u> |

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

| Business-Type Activities: | |
|---|-------------------|
| Water | \$ 190,285 |
| Sewer | 319,250 |
| Garbage | 2,715 |
| Total depreciation expense - business-type activities | <u>\$ 512,250</u> |

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended December 31, 2014:

| | Balance 12/31/2013 | Additions | Retirements | Balance 12/31/2014 | Current Portion |
|---|-----------------------|-------------------|---------------------|-----------------------|--------------------|
| Governmental Activities: | | | | | |
| Town hall lease | \$ 995,477 | \$ - | \$ (236,015) | \$ 759,462 | \$244,385 |
| Special assessment bond | 720,000 | - | (125,000) | 595,000 | 105,000 |
| Compensated absences | 52,624 | 52,157 | (48,407) | 56,374 | 56,374 |
| Total Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 1,768,101</u> | <u>\$ 52,157</u> | <u>\$ (409,422)</u> | <u>\$ 1,410,836</u> | <u>\$ 405,759</u> |
| Business-Type Activities: | | | | | |
| Drinking Water Revolving Fund Loan | \$ 70,318 | \$ - | \$ (24,528) | \$ 45,790 | \$ 25,650 |
| Energy/Mineral Impact Assistance Loan | 132,892 | - | (12,052) | 120,840 | 12,655 |
| Water Pollution Control Fund Loan | 3,980,000 | - | (210,000) | 3,770,000 | 220,000 |
| Water Pollution Control Revolving Fund Loan | - | 367,065 | (24,670) | 342,395 | 25,165 |
| Plus deferred amounts: | | | | | |
| For issuance premiums | 148,407 | - | (10,868) | 137,539 | 10,868 |
| Total loans payable | <u>4,331,617</u> | <u>367,065</u> | <u>(282,118)</u> | <u>4,416,564</u> | <u>294,338</u> |
| Compensated absences | <u>13,878</u> | <u>10,413</u> | <u>(8,832)</u> | <u>15,459</u> | <u>15,459</u> |
| Total Business-type activity | | | | | |
| Long-term liabilities | <u>\$ 4,345,495</u> | <u>\$ 377,478</u> | <u>\$ (290,950)</u> | <u>\$ 4,432,023</u> | <u>\$ 309,797</u> |

Long-term liabilities for the primary government at December 31, 2014 are comprised of the following:

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.

\$ 595,000

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

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. | \$ 45,790 |
| 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. | 120,840 |
| 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. | 3,770,000 |
| Loan payable to Colorado Water Resources and Power Development Authority, secured by system property and net revenue, bearing interest at 2%, due in semi-annual principal and interest installments of \$18,273, maturing November 1, 2033. At December 31, 2014, the total proceeds for this loan had not been received, but are expected to be drawn down in future years. | 342,395 |
| | \$ 4,279,025 |
| Total Loans Payable | \$ 4,874,025 |

Debt service requirements to maturity are as follows:

| Years ending December 31: | Business-Type Activities | | Governmental Activities | |
|---------------------------|--------------------------|--------------|-------------------------|------------|
| | Principal | Interest | Principal | Interest |
| 2015 | \$ 283,470 | \$ 166,390 | \$ 105,000 | \$ 40,150 |
| 2016 | 284,099 | 157,417 | 110,000 | 34,375 |
| 2017 | 270,139 | 148,974 | 120,000 | 28,325 |
| 2018 | 281,363 | 140,787 | 125,000 | 21,725 |
| 2019 | 287,632 | 132,253 | 130,000 | 14,850 |
| 2020-2024 | 1,540,607 | 525,180 | 5,000 | 7,700 |
| 2025-2028 | 1,331,715 | 204,100 | - | - |
| | \$ 4,279,025 | \$ 1,475,101 | \$ 595,000 | \$ 147,125 |

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

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 Activities</u> |
|---|------------------------------------|
| 2015 | \$ 267,782 |
| 2016 | 267,782 |
| 2017 | <u>267,782</u> |
| Total remaining lease payments | \$ 803,346 |
| Less: Amount representing interest | <u>(43,884)</u> |
| Present value of net remaining minimum lease payments | <u><u>\$ 759,462</u></u> |

A summary of assets acquired through capital leases follows:

| | <u>Governmental Activities</u> |
|--------------------------|------------------------------------|
| Buildings & improvements | \$ 3,796,030 |
| Accumulated depreciation | <u>(593,130)</u> |
| Net total | <u><u>\$ 3,202,900</u></u> |

Note 9. Interfund Receivables, Payables and Transfers

As of December 31, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|--------------|---------------------------------|-------------------------------|
| General Fund | \$ 475,544 | \$ - |
| Sewer Fund | - | 475,544 |
| | <u>\$ 475,544</u> | <u>\$ 475,544</u> |

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

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.

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

During the year ended December 31, 2013, the General Fund loaned the Sewer Fund \$66,540 to finance the purchase of a sewer camera. The loan has a 2% interest rate payable in 5 annual principal installments of \$13,308.

Interfund transfers for the year ended December 31, 2014 were as follows:

| | Transfers Out: | | |
|---------------------|----------------|---------------|-----------|
| Transfers In: | Water Fund | Sewer Fund | Total |
| Capital Improvement | \$ 11,085 | \$ 15,836 | \$ 26,921 |
| | \$ 11,085 | \$ 15,836 | \$ 26,921 |

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, 2014 was \$686,115.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2014

Note 10. Pension Plans, Continued

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, 2014 was \$149,364 which consisted of \$94,299 from the Town and \$55,065 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 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, 2014 was \$429,715.

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, 2014

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, 2014 and the preceding two years were as follows:

| | 2014 | 2013 | 2012 |
|------------------------|-----------|-----------|-----------|
| Employer contributions | \$ 32,223 | \$ 27,769 | \$ 26,825 |
| Employee contributions | 32,223 | 27,769 | 26,825 |
| Total | 64,446 | 55,538 | 53,650 |

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, 2014

Note 11. Risk Management, Continued

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against 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.

Note 12. Garbage Disposal Contract

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

Note 13. Related Parties

During the year ended December 31, 2014, the Town paid Data Safe \$63,950 for IT services and Absolute Pest Control \$810 for pest control services. The principal partner of Data Safe is Rick Smith who is currently serving as the Mayor. Absolute Pest Control is owned by Matthew Salka who is currently serving as a member of the Board of Directors.

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, 2014

| Revenues | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|------------------------------------|-------------------------|------------------|-----------------------|-----------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Taxes: | | | | |
| Property tax | \$ 197,615 | \$ 197,615 | \$ 196,027 | \$ (1,588) |
| Sales tax | 1,012,905 | 1,012,905 | 1,073,621 | 60,716 |
| Severance tax | 60,000 | 60,000 | 115,895 | 55,895 |
| Federal mineral leasing | 20,000 | 20,000 | 44,771 | 24,771 |
| Franchise tax | 13,368 | 13,368 | 14,146 | 778 |
| Highway users tax | 76,255 | 76,255 | 80,353 | 4,098 |
| Other taxes | 56,502 | 56,502 | 58,386 | 1,884 |
| Total taxes | <u>1,436,645</u> | <u>1,436,645</u> | <u>1,583,199</u> | <u>146,554</u> |
| Licenses, permits and fees: | | | | |
| Licenses, permits and fees | 34,400 | 34,400 | 23,611 | (10,789) |
| Building permits | 33,710 | 33,710 | 25,173 | (8,537) |
| Charges for services | 99,060 | 99,060 | 110,984 | 11,924 |
| Total licenses, permits and fees | <u>167,170</u> | <u>167,170</u> | <u>159,768</u> | <u>(7,402)</u> |
| Intergovernmental: | | | | |
| Grant revenues | 138,006 | 138,006 | 161,761 | 23,755 |
| Total intergovernmental | <u>138,006</u> | <u>138,006</u> | <u>161,761</u> | <u>23,755</u> |
| Fines and forfeitures: | | | | |
| Fines and forfeitures | 21,511 | 21,511 | 47,932 | 26,421 |
| Total fines and forfeitures | <u>21,511</u> | <u>21,511</u> | <u>47,932</u> | <u>26,421</u> |
| Interest: | | | | |
| Interest revenue | 1,045 | 1,045 | 10,615 | 9,570 |
| Total interest | <u>1,045</u> | <u>1,045</u> | <u>10,615</u> | <u>9,570</u> |
| Other revenues: | | | | |
| Miscellaneous | 9,800 | 9,800 | 13,813 | 4,013 |
| Total other revenues | <u>9,800</u> | <u>9,800</u> | <u>13,813</u> | <u>4,013</u> |
| Total revenues | <u>1,774,177</u> | <u>1,774,177</u> | <u>1,977,088</u> | <u>202,911</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, 2014

| Expenditures | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-------------------------------------|-------------------------|----------------|-----------------------|-----------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| General Government: | | | | |
| Town board | 18,517 | 18,517 | 14,804 | 3,713 |
| Town manager's office | 102,949 | 102,949 | 80,887 | 22,062 |
| Planning and development | 61,000 | 121,000 | 83,437 | 37,563 |
| Town clerk and finance | 103,793 | 103,793 | 95,134 | 8,659 |
| Elections | 1,000 | 1,000 | 2,886 | (1,886) |
| Municipal | 7,350 | 7,350 | 7,200 | 150 |
| Administrative | 96,408 | 96,408 | 106,054 | (9,646) |
| Town hall | 32,672 | 32,672 | 33,249 | (577) |
| Information technology | 41,950 | 41,950 | 37,313 | 4,637 |
| Community development | 47,288 | 47,288 | 47,288 | - |
| Total General Government | <u>512,927</u> | <u>572,927</u> | <u>508,252</u> | <u>64,675</u> |
| Public Safety: | | | | |
| Wages and benefits | 548,469 | 548,469 | 569,072 | (20,603) |
| Operations | 117,577 | 117,577 | 138,225 | (20,648) |
| Administrative | 17,512 | 17,512 | 21,260 | (3,748) |
| Miscellaneous | 17,500 | 17,500 | - | 17,500 |
| Total Public Safety | <u>701,058</u> | <u>701,058</u> | <u>728,557</u> | <u>(27,499)</u> |
| Public Works: | | | | |
| Wages and benefits | 184,740 | 184,740 | 170,912 | 13,828 |
| Streets | 59,400 | 59,400 | 56,549 | 2,851 |
| Operations | 15,800 | 15,800 | 20,350 | (4,550) |
| Administrative | 18,729 | 18,729 | 21,169 | (2,440) |
| Total Public Works | <u>278,669</u> | <u>278,669</u> | <u>268,980</u> | <u>9,689</u> |
| Parks & Recreation | | | | |
| Wages and benefits | 193,726 | 193,726 | 188,775 | 4,951 |
| Adult sports & athletics | 7,550 | 7,550 | 5,050 | 2,500 |
| Youth sports & athletics | 8,100 | 8,100 | 11,877 | (3,777) |
| Park expenses | 40,979 | 40,979 | 50,491 | (9,512) |
| Special events | 14,500 | 14,500 | 15,186 | (686) |
| Senior center | 54,693 | 54,693 | 55,814 | (1,121) |
| Total Parks & Recreation | <u>319,548</u> | <u>319,548</u> | <u>327,193</u> | <u>(7,645)</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, 2014

| Expenditures | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|--------------|-------------------|-------------------------------|
| | Original | Final | | |
| Non-departmental: | 9,856 | 9,856 | 10,655 | (799) |
| Total Non-departmental | 9,856 | 9,856 | 10,655 | (799) |
| Payments to sub recipients | 8,000 | 8,000 | 9,669 | (1,669) |
| Total payments to sub recipients | 8,000 | 8,000 | 9,669 | (1,669) |
| Capital outlay: | | | | |
| Capital outlay | 19,250 | 19,250 | 20,906 | (1,656) |
| Total capital outlay | 19,250 | 19,250 | 20,906 | (1,656) |
| Total expenditures | 1,849,308 | 1,909,308 | 1,874,212 | 35,096 |
| Excess of revenues over (under) expenditures | (75,131) | (135,131) | 102,876 | 238,007 |
| Other financing sources (uses): | | | | |
| Transfers in | 43,211 | 43,211 | - | (43,211) |
| Transfer out | - | - | - | - |
| Total other financing sources (uses) | 43,211 | 43,211 | - | (43,211) |
| Net change in fund balance | (31,920) | (91,920) | 102,876 | 194,796 |
| Fund balance, beginning of year | 1,308,997 | 1,308,997 | 1,308,997 | - |
| Fund balance, end of year | \$ 1,277,077 | \$ 1,217,077 | \$ 1,411,873 | \$ 194,796 |

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, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|--------------------------|--------------------------|--------------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Sales taxes | \$ 267,471 | \$ 267,471 | \$ 274,673 | \$ 7,202 |
| Impact fees | 4,080 | 4,080 | 4,896 | 816 |
| Intergovernmental revenue | 480,695 | 480,695 | 311,305 | (169,390) |
| Interest income | 1,190 | 1,190 | 1,753 | 563 |
| Total revenue | <u>753,436</u> | <u>753,436</u> | <u>592,627</u> | <u>(160,809)</u> |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 236,014 | 236,014 | 236,015 | (1) |
| Interest | 31,847 | 31,847 | 31,847 | - |
| Capital outlay | 862,000 | 862,000 | 608,191 | 253,809 |
| Total expenditures | <u>1,129,861</u> | <u>1,129,861</u> | <u>876,053</u> | <u>253,808</u> |
| Excess of revenue and other sources over (under) expenditures and other uses | <u>(376,425)</u> | <u>(376,425)</u> | <u>(283,426)</u> | <u>92,999</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 36,921 | 36,921 | 26,921 | (10,000) |
| Insurance recoveries | - | - | 64,872 | 64,872 |
| Proceeds from the sale of capital assets | - | - | 350 | 350 |
| Total other financing sources (uses): | <u>36,921</u> | <u>36,921</u> | <u>92,143</u> | <u>55,222</u> |
| Net change in fund balance | (339,504) | (339,504) | (191,283) | 148,221 |
| Fund balance, beginning of year | <u>1,066,120</u> | <u>1,066,120</u> | <u>1,066,120</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$ 726,616</u></u> | <u><u>\$ 726,616</u></u> | <u><u>\$ 874,837</u></u> | <u><u>\$ 148,221</u></u> |

TOWN OF BAYFIELD, COLORADO
Transportation Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenue | \$ 707,000 | \$ 707,000 | \$ - | \$ (707,000) |
| Interest income | 3,558 | 3,558 | 4,151 | 593 |
| Total revenue | <u>710,558</u> | <u>710,558</u> | <u>4,151</u> | <u>(706,407)</u> |
| Expenditures | | | | |
| Capital outlay | <u>3,689,559</u> | <u>3,689,559</u> | <u>1,654,777</u> | <u>2,034,782</u> |
| Total expenditures | <u>3,689,559</u> | <u>3,689,559</u> | <u>1,654,777</u> | <u>2,034,782</u> |
| Excess of revenue and other sources over (under) expenditures and other uses | <u>(2,979,001)</u> | <u>(2,979,001)</u> | <u>(1,650,626)</u> | <u>1,328,375</u> |
| Net change in fund balance | (2,979,001) | (2,979,001) | (1,650,626) | 1,328,375 |
| Fund balance, beginning of year | <u>5,122,976</u> | <u>5,122,976</u> | <u>5,122,976</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 2,143,975</u> | <u>\$ 2,143,975</u> | <u>\$ 3,472,350</u> | <u>\$ 1,328,375</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, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------------|-------------------------|-------------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Special assessments | \$ 154,579 | \$ 154,579 | \$ 152,585 | \$ (1,994) |
| Interest | 400 | 400 | 437 | 37 |
| Total revenues | <u>154,979</u> | <u>154,979</u> | <u>153,022</u> | <u>(1,957)</u> |
| Expenditures | | | | |
| General government | 1,600 | 1,669 | 1,700 | (31) |
| Debt service: | | | | |
| Principal | 100,000 | 125,000 | 125,000 | - |
| Interest | 39,600 | 39,600 | 39,600 | - |
| Total expenditures | <u>141,200</u> | <u>166,269</u> | <u>166,300</u> | <u>(31)</u> |
| Excess of revenues over (under) expenditures | 13,779 | (11,290) | (13,278) | (1,988) |
| Fund balance, beginning of year | <u>69,096</u> | <u>69,096</u> | <u>69,096</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$ 82,875</u></u> | <u><u>\$ 57,806</u></u> | <u><u>\$ 55,818</u></u> | <u><u>\$ (1,988)</u></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, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------------|-------------------------|-------------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenue | \$ 100,000 | \$ 100,000 | \$ 23,365 | \$ (76,635) |
| Investment earnings | 50 | 50 | 66 | (16) |
| Total revenues | <u>100,050</u> | <u>100,050</u> | <u>23,431</u> | <u>(76,651)</u> |
| Expenditures | | | | |
| Capital outlay | 110,000 | 110,000 | 7,402 | 102,598 |
| Total expenditures | <u>110,000</u> | <u>110,000</u> | <u>7,402</u> | <u>102,598</u> |
| Excess of revenue and other sources over (under) expenditures and other uses | <u>(9,950)</u> | <u>(9,950)</u> | <u>16,029</u> | <u>25,979</u> |
| Fund balance, beginning of year | <u>62,995</u> | <u>62,995</u> | <u>62,995</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$ 53,045</u></u> | <u><u>\$ 53,045</u></u> | <u><u>\$ 79,024</u></u> | <u><u>\$ 25,979</u></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, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Operating revenues | | | | |
| Charges for services | \$ 518,627 | \$ 518,627 | \$ 596,422 | \$ 77,795 |
| Total operating revenues | 518,627 | 518,627 | 596,422 | 77,795 |
| Operating expenses | | | | |
| Salaries and wages | 158,380 | 158,380 | 154,563 | 3,817 |
| Water storage | 54,800 | 54,800 | 35,645 | 19,155 |
| Pumping costs | 12,150 | 12,150 | 1,888 | 10,262 |
| Water treatment | 97,488 | 97,488 | 132,291 | (34,803) |
| Transmission and distribution | 73,375 | 73,375 | 37,760 | 35,615 |
| Administrative | 35,789 | 35,789 | 46,586 | (10,797) |
| Total operating expenses | 431,982 | 431,982 | 408,733 | 23,249 |
| Operating income (loss) | 86,645 | 86,645 | 187,689 | 101,044 |
| Non-operating revenues (expenses) | | | | |
| Interest income | 1,413 | 1,413 | 1,486 | 73 |
| Connection and tap fees | 60,000 | 60,000 | 75,025 | 15,025 |
| Total non-operating revenues (expenses) | 61,413 | 61,413 | 76,511 | 15,098 |
| Income before contributions, transfers and capital and related financing activities | 148,058 | 148,058 | 264,200 | 116,142 |
| Contributions, transfers and capital and related financing activities | | | | |
| Capital outlay | - | - | (19,443) | (19,443) |
| Debt service | (55,973) | (55,973) | (45,972) | 10,001 |
| Transfers out | (32,085) | (32,085) | (11,085) | 21,000 |
| Total contributions and transfers | (88,058) | (88,058) | (76,500) | 11,558 |
| Change in available resources | 60,000 | 60,000 | 187,700 | 127,700 |
| Available resources, beginning of year | 1,120,201 | 1,120,201 | 1,120,201 | - |
| Available resources, end of year | <u>\$ 1,180,201</u> | <u>\$ 1,180,201</u> | <u>\$ 1,307,901</u> | <u>\$ 127,700</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, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Operating revenues | | | | |
| Charges for services | \$ 810,702 | \$ 810,702 | \$ 877,210 | \$ 66,508 |
| Total operating revenues | 810,702 | 810,702 | 877,210 | 66,508 |
| Operating expenses | | | | |
| Salaries and wages | 187,056 | 187,056 | 182,516 | 4,540 |
| Collection and transmission | 17,500 | 17,500 | 20,515 | (3,015) |
| Sewer treatment | 109,722 | 109,722 | 110,819 | (1,097) |
| General operations | 2,000 | 2,000 | - | 2,000 |
| Administrative | 35,932 | 35,932 | 41,239 | (5,307) |
| Total operating expenses | 352,210 | 352,210 | 355,089 | (2,879) |
| Operating income | 458,492 | 458,492 | 522,121 | 63,629 |
| Non-operating revenues (expenses) | | | | |
| Interest income | 800 | 800 | 762 | (38) |
| Bond proceeds | 590,000 | 590,000 | 367,065 | (222,935) |
| Connection and tap fees | 66,000 | 66,000 | 92,650 | 26,650 |
| Total non-operating revenues (expenses) | 656,800 | 656,800 | 460,477 | (196,323) |
| Income before contributions, transfers and capital and related financing activities | 1,115,292 | 1,115,292 | 982,598 | (132,694) |
| Contributions, transfers and capital and related financing activities | | | | |
| Capital outlay | (890,000) | (890,000) | (595,995) | 294,005 |
| Debt service | (400,245) | (400,245) | (410,291) | (10,046) |
| Capital contributions and grants | 300,000 | 300,000 | 170,221 | (129,779) |
| Transfers out | (59,047) | (59,047) | (15,836) | (43,211) |
| Total contributions and transfers | (1,049,292) | (1,049,292) | (851,901) | 110,969 |
| Change in available resources | 66,000 | 66,000 | 130,697 | (21,725) |
| Available resources, beginning of year | 320,875 | 320,875 | 320,875 | - |
| Available resources, end of year | <u>\$ 386,875</u> | <u>\$ 386,875</u> | <u>\$ 451,572</u> | <u>\$ (21,725)</u> |

TOWN OF BAYFIELD, COLORADO
Garbage Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Operating revenues | | | | |
| Charges for services | \$ 118,500 | \$ 118,500 | \$ 121,351 | \$ 2,851 |
| Total operating revenues | 118,500 | 118,500 | 121,351 | 2,851 |
| Operating expenses | | | | |
| Salaries and wages | 5,685 | 5,685 | 4,196 | 1,489 |
| General operations | 112,070 | 112,070 | 111,091 | 979 |
| Administrative | 775 | 775 | 838 | (63) |
| Total operating expenses | 118,530 | 118,530 | 116,125 | 2,405 |
| Operating income (loss) | (30) | (30) | 5,226 | 5,256 |
| Non-operating revenues (expenses) | | | | |
| Interest income | 30 | 30 | 38 | 8 |
| Total non-operating revenues (expenses) | 30 | 30 | 38 | 8 |
| Change in available resources | - | - | 5,264 | 5,264 |
| Available resources, beginning of year | 35,489 | 35,489 | 35,489 | - |
| Available resources, end of year | <u>\$ 35,489</u> | <u>\$ 35,489</u> | <u>\$ 40,753</u> | <u>\$ 5,264</u> |

TOWN OF BAYFIELD, COLORADO
SUPPLEMENTARY INFORMATION
COLORADO WATER RESOURCES AND
POWER DEVELOPMENT AUTHORITY
LOAN COVENANTS AND REQUIREMENTS
LOAN 2007A

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2014, 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, 2014 calculation for the rate covenant is as follows:

| | |
|--------------------------------------|--------------------|
| Total Revenues | 1,140,843 |
| Total Operating Exp (-) Depreciation | <u>(355,088)</u> |
| | 785,755 |
| Annual Debt Service | 367,340 |
| | |
| Coverage Ratio | <u>2.14</u> |
| Coverage Ratio Requirement | 1.10 |
| | |
| Over/(Under) | <u><u>1.04</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, 2014 reserve calculation is as follows:

| | |
|---|------------------|
| Current Assets | 1,073,749 |
| Current Liabilities | <u>436,265</u> |
| CA-CL Calculation | 637,484 |
| | |
| Operating Expense | 674,337 |
| Depreciation | <u>(319,249)</u> |
| Total Operating Exp Used | 355,088 |
| | |
| 25% of Operating Exp (-) Depreciation Exp | 88,772 |
| | |
| Restricted Reserve | <u>88,772</u> |
| Over/(Short) | <u><u>-</u></u> |

TOWN OF BAYFIELD, COLORADO
SUPPLEMENTARY INFORMATION
COLORADO WATER RESOURCES AND
POWER DEVELOPMENT AUTHORITY
LOAN COVENANTS AND REQUIREMENTS
LOAN 2013

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2014, 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, 2014 calculation for the rate covenant is as follows:

| | |
|--------------------------------------|---------------------|
| Total Revenues | 1,140,843 |
| Total Operating Exp (-) Depreciation | <u>(355,088)</u> |
| | 785,755 |
| Annual Debt Service | 36,547 |
| | |
| Coverage Ratio | <u>21.50</u> |
| Coverage Ratio Requirement | 1.10 |
| | |
| Over/(Under) | <u><u>20.40</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, 2014 reserve calculation is as follows:

| | |
|---|------------------|
| Current Assets | 1,073,749 |
| Current Liabilities | <u>436,265</u> |
| CA-CL Calculation | 637,484 |
| | |
| Operating Expense | 674,337 |
| Depreciation | <u>(319,249)</u> |
| Total Operating Exp Used | 355,088 |
| | |
| 25% of Operating Exp (-) Depreciation Exp | 88,772 |
| | |
| Restricted Reserve | <u>88,772</u> |
| Over/(Short) | <u><u>-</u></u> |

SUPPLEMENTARY INFORMATION
LOCAL HIGHWAY FINANCE REPORT

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

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

| | |
|-------------------------------------|---|
| LOCAL HIGHWAY FINANCE REPORT | City or County: Town of Bayfield, CO |
| | YEAR ENDING : December 2014 |
| | Prepared By: Erin Dunavant, Finance Director 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

| ITEM | AMOUNT |
|---|---------|
| A. Receipts from local sources: | |
| 1. Local highway-user taxes | |
| a. Motor Fuel (from Item I.A.5.) | |
| b. Motor Vehicle (from Item I.B.5.) | |
| c. Total (a.+b.) | |
| 2. General fund appropriations | 148,831 |
| 3. Other local imposts (from page 2) | 0 |
| 4. Miscellaneous local receipts (from page 2) | 11,598 |
| 5. Transfers from toll facilities | |
| 6. Proceeds of sale of bonds and notes: | |
| a. Bonds - Original Issues | |
| b. Bonds - Refunding Issues | |
| c. Notes | |
| d. Total (a. + b. + c.) | 0 |
| 7. Total (1 through 6) | 160,429 |
| B. Private Contributions | |
| C. Receipts from State government (from page 2) | 91,263 |
| D. Receipts from Federal Government (from page 2) | 0 |
| E. Total receipts (A.7 + B + C + D) | 251,693 |

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

| ITEM | AMOUNT |
|---|-----------|
| A. Local highway disbursements: | |
| 1. Capital outlay (from page 2) | 1,399,005 |
| 2. Maintenance: | 473,882 |
| 3. Road and street services: | |
| a. Traffic control operations | |
| b. Snow and ice removal | 10,554 |
| c. Other | 18,877 |
| d. Total (a. through c.) | 29,431 |
| 4. General administration & miscellaneous | 0 |
| 5. Highway law enforcement and safety | |
| 6. Total (1 through 5) | 1,902,318 |
| B. Debt service on local obligations: | |
| 1. Bonds: | |
| a. Interest | |
| b. Redemption | |
| c. Total (a. + b.) | 0 |
| 2. Notes: | |
| a. Interest | |
| b. Redemption | |
| c. Total (a. + b.) | 0 |
| 3. Total (1.c + 2.c) | 0 |
| C. Payments to State for highways | |
| D. Payments to toll facilities | |
| E. Total disbursements (A.6 + B.3 + C + D) | 1,902,318 |

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

| | A. Beginning Balance | B. Total Receipts | C. Total Disbursements | D. Ending Balance | E. Reconciliation |
|--|----------------------|-------------------|------------------------|-------------------|-------------------|
| | 5,122,976 | 251,693 | 1,902,318 | 3,472,350 | 0 |

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2014

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

| ITEM | AMOUNT | ITEM | AMOUNT |
|-----------------------------------|---------------------------|---|---------------------------|
| A.3. Other local imposts: | | A.4. Miscellaneous local receipts: | |
| a. Property Taxes and Assessments | | a. Interest on investments | |
| b. Other local imposts: | | b. Traffic Fines & Penalties | |
| 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 | 11,598 |
| c. Total (a. + b.) | 0 | i. Total (a. through h.) | 11,598 |
| | (Carry forward to page 1) | | (Carry forward to page 1) |

| ITEM | AMOUNT | ITEM | AMOUNT |
|--|--------|--|---------------------------|
| C. Receipts from State Government | | D. Receipts from Federal Government | |
| 1. Highway-user taxes | 80,353 | 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 | 10,911 | 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.) | 10,911 | g. Total (a. through f.) | 0 |
| 4. Total (1. + 2. + 3.f) | 91,263 | 3. Total (1. + 2.g) | |
| | | | (Carry forward to page 1) |

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

| | ON NATIONAL HIGHWAY SYSTEM (a) | OFF NATIONAL HIGHWAY SYSTEM (b) | TOTAL (c) |
|---|---|--|---------------------------|
| A.1. Capital outlay: | | | |
| a. Right-Of-Way Costs | | | 0 |
| b. Engineering Costs | | 27,899 | 27,899 |
| c. Construction: | | | |
| (1). New Facilities | | | 0 |
| (2). Capacity Improvements | | | 0 |
| (3). System Preservation | | 1,371,106 | 1,371,106 |
| (4). System Enhancement & Operation | | | 0 |
| (5). Total Construction (1) + (2) + (3) + (4) | 0 | 1,371,106 | 1,371,106 |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | 0 | 1,399,005 | 1,399,005 |
| | | | (Carry forward to page 1) |

Notes and Comments:

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

The Honorable Mayor and Board
Town of Bayfield, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of and for the year ended December 31, 2014, 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 22, 2015.

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 22, 2015, that we consider a significant deficiency:

2010-001 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*.

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 22, 2015