



**TOWN OF BAYFIELD, COLORADO**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

# TOWN OF BAYFIELD, COLORADO

## Table of Contents

<b>Financial Section:</b>	<u>Page</u>
Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	14
Statement of Activities .....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Net Position - Proprietary Funds.....	20
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	21
Statement of Cash Flows - Proprietary Funds .....	22
Notes to Financial Statements .....	23
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability .....	52
Schedule of Pension Contributions .....	53
Notes to Pension Plan Schedules.....	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund - Budget-and-Actual .....	56
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Street Special Revenue Fund - Budget-and-Actual .....	59
Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Capital Improvement Capital Project Fund - Budget-and-Actual .....	62
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Transportation Capital Project Fund - Budget-and-Actual.....	63
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Debt Service Fund - Budget-and-Actual .....	64
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Conservation Trust Fund - Budget-and-Actual .....	65
Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Funds - Budget-and-Actual:	
Water Fund .....	66
Sewer Fund .....	67
Garbage Fund.....	68
Colorado Water Resources Loan Agreement Requirements .....	69
Local Highway Finance Report.....	72

**Table of Contents, continued**

**Compliance Section:**

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters ..... 75

## 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, 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  
June 9, 2017

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**TOWN OF BAYFIELD, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2016**

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, 2016. 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 \$30.8 million at the close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of \$590,988.
- The total cost of all Town programs for 2016 was \$4,779,949.
- The general fund unassigned fund balance at the end of 2016 was \$318,839 which is 18% of total General fund expenditures.

**USING THIS ANNUAL REPORT**

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

**Reporting the Town as a Whole**

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

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



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

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

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

### **Reporting the Town's Most Significant Funds**

#### **Fund Financial Statements**

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets plus deferred outflows exceeded liabilities plus deferred inflows by \$30.8 million as of December 31, 2016 as shown in the following condensed statement of net position. Of this amount, \$3,648,952 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 \$23,012,537 (74.69% 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, 2016 and 2015:

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

	Governmental activities		Business-type activities		Combined Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current and other assets	\$ 6,505,621	\$ 6,649,369	\$ 2,631,967	\$ 2,415,097	\$ 9,137,588	\$ 9,064,466
Capital assets	13,938,570	14,380,032	13,751,188	13,548,699	27,689,758	27,928,731
Total assets	20,444,191	21,029,401	16,383,155	15,963,796	36,827,346	36,993,197
Deferred outflows of resources	368,555	147,097	133,912	67,606	502,467	214,703
Long-term liabilities outstanding	1,549,441	1,771,561	4,542,256	4,772,301	6,091,697	6,543,862
Other liabilities	82,756	130,191	120,012	107,300	202,768	237,491
Total liabilities	1,632,197	1,901,752	4,662,268	4,879,601	6,294,465	6,781,353
Deferred inflows of resources	215,850	206,655	8,618	-	224,468	206,655
Net position:						
Net investment						
in capital assets	13,321,545	13,384,955	9,690,992	9,193,537	23,012,537	22,578,492
Restricted	3,942,853	4,173,159	206,538	180,012	4,149,391	4,353,171
Unrestricted	1,700,301	1,509,977	1,948,651	1,778,252	3,648,952	3,288,229
Total net position	\$ 18,964,699	\$ 19,068,091	\$ 11,846,181	\$ 11,151,801	\$ 30,810,880	\$ 30,219,892

An additional portion of net position, \$4,149,391 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,648,952 (11.84% 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 \$3,171,864 as shown in the Changes in Net Position statement below. \$292,477 of this cost was paid for by those who directly benefited from the programs. \$605,945 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 \$898,422. General taxes and investment earnings totaled \$2,138,797.

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

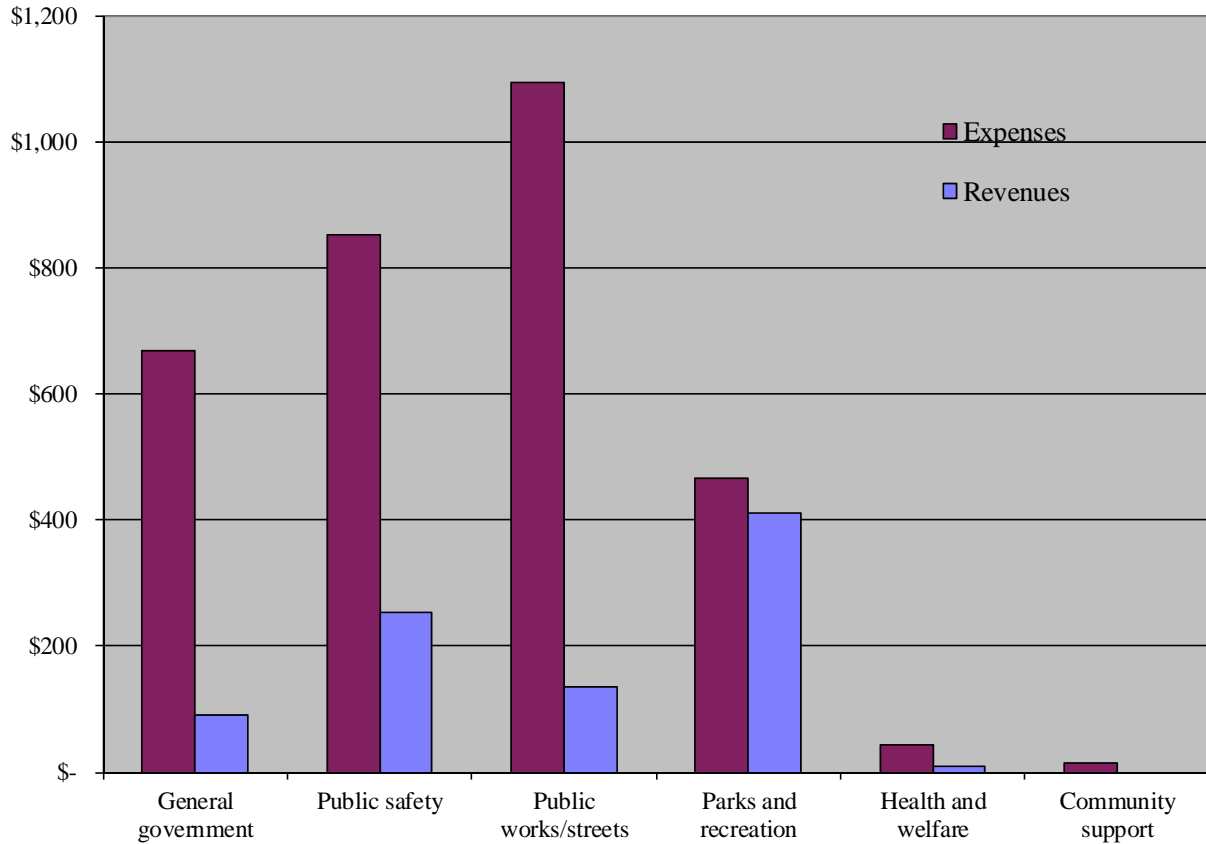
	Governmental activities		Business-type activities		Combined Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Revenues:						
Program revenues:						
Charges for services	\$ 292,477	\$ 250,612	\$ 1,695,431	\$ 1,614,438	\$ 1,987,908	\$ 1,865,050
Operating grants and contributions	225,107	179,499	-	-	225,107	179,499
Capital grants and contributions	380,838	65,308	626,228	429,021	1,007,066	494,329
General revenues:						
Taxes	2,117,033	1,923,500	-	-	2,117,033	1,923,500
Investment earnings	21,764	15,637	-	-	21,764	15,637
Gain on sales of assets	1,000	250	-	-	1,000	250
Other revenue/(expense)	-	-	11,059	3,286	11,059	3,286
Total revenues	<u>3,038,219</u>	<u>2,434,806</u>	<u>2,332,718</u>	<u>2,046,745</u>	<u>5,370,937</u>	<u>4,481,551</u>
Expenses:						
General government	667,883	709,975	-	-	667,883	709,975
Public safety	851,633	762,075	-	-	851,633	762,075
Public works/streets	1,094,301	1,123,400	-	-	1,094,301	1,123,400
Parks and recreation	465,914	423,455	-	-	465,914	423,455
Health and welfare	42,235	38,949	-	-	42,235	38,949
Community support	14,841	11,180	-	-	14,841	11,180
Interest on long-term debt	35,057	50,174	-	-	35,057	50,174
Water	-	-	583,517	577,597	583,517	577,597
Sewer	-	-	895,224	889,974	895,224	889,974
Garbage	-	-	129,344	123,117	129,344	123,117
Total expenses	<u>3,171,864</u>	<u>3,119,208</u>	<u>1,608,085</u>	<u>1,590,688</u>	<u>4,779,949</u>	<u>4,709,896</u>
Increase (decrease) in net position						
before transfers	(133,645)	(684,402)	724,633	456,057	590,988	(228,345)
Transfers	30,253	30,253	(30,253)	(30,253)	-	-
Net position, beginning	19,068,091	20,207,953	11,151,801	11,009,513	30,219,892	31,217,466
Restatement adjustment	-	(485,713)	-	(318,097)	-	(803,810)
Prior period adjustment	-	-	-	34,581	-	34,581
Net position, ending	<u>\$ 18,964,699</u>	<u>\$ 19,068,091</u>	<u>\$ 11,846,181</u>	<u>\$ 11,151,801</u>	<u>\$ 30,810,880</u>	<u>\$ 30,219,892</u>

Total resources available during the year to finance governmental operations were \$22,106,310 consisting of net position at January 1, 2016 of \$19,068,091, program revenues of \$898,422, and General Revenues of \$2,139,797. Total Governmental Activities expenses during the year were \$3,171,864 and transfers

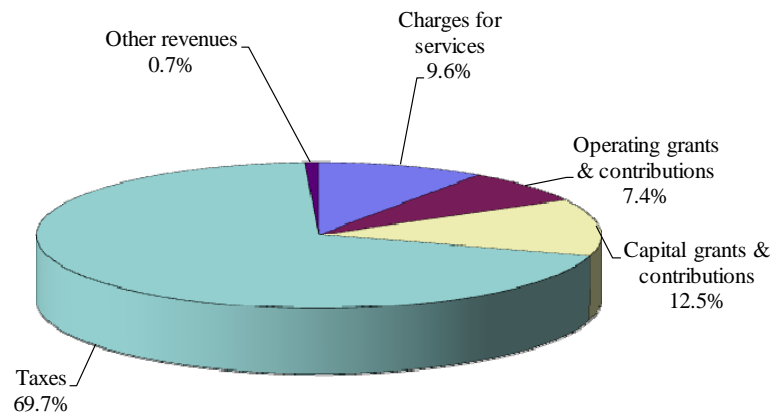
from business-type funds were \$30,253; thus Governmental Net Position decreased by \$103,392 to \$18,964,699.

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)



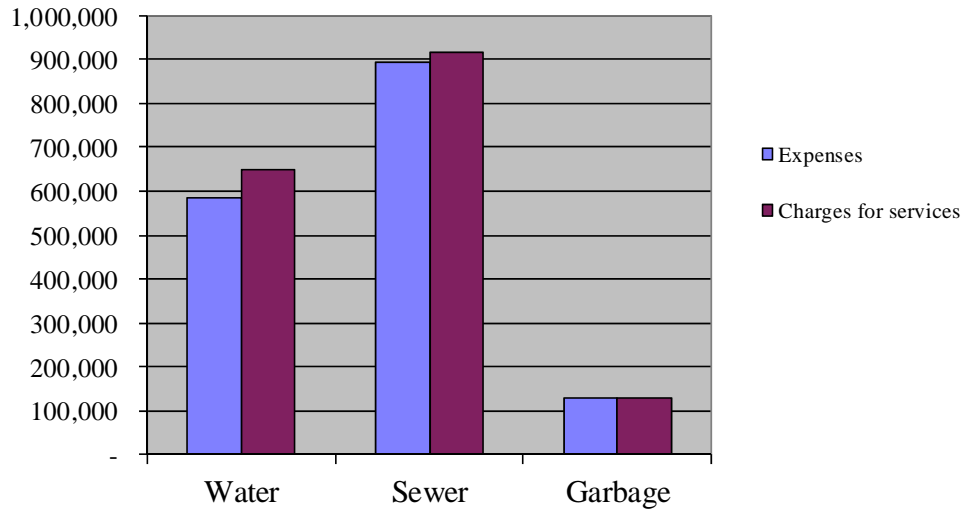
**Revenue By Source - Governmental Activities**



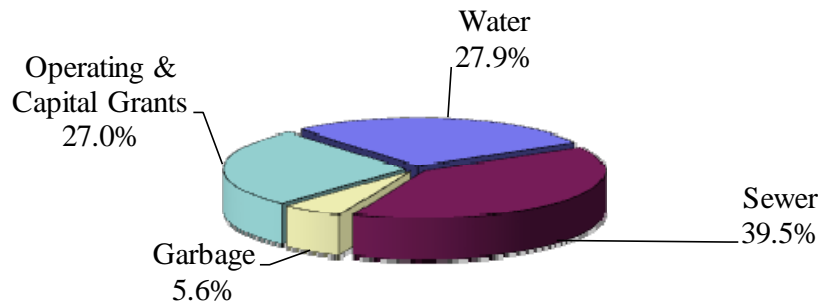
## Business Type Activities

Net position of the Business Type activities at December 31, 2016, as reflected in the Statement of Net Position was \$11.8 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,608,085. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1,695,431 and there was \$626,228 subsidized by capital grants and contributions. Investment earnings and other revenues were \$11,059. Transfers to governmental activities totaled \$30,253. The Net Position increased by \$694,380. 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 \$5,703,494, an increase of \$96,554 in comparison with the prior year. Approximately 5.59%, \$318,839 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The Town has five major governmental funds, the general fund, the street 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, 2016, unassigned fund balance in the General fund was \$318,839. 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 18% of the total General fund expenditures. The fund balance of the Town's General fund decreased by \$164,284 for the year ended December 31, 2016. The General fund revenues and expenses decreased from the prior year due to the creation of the Street fund.

The Street fund is a new fund in 2016 to account for a voter approved 1 percent sales tax to construct and maintain critical infrastructure needs. The Town expended \$351,866. The actual increase in fund balance was \$337,421.

The special assessments and interest earned in the debt service fund were less than total expenditures in the fund by \$133.

The Capital Improvement fund received higher intergovernmental revenue than budgeted. However, the fund transferred out \$92,282 to other funds. The actual decrease in fund balance was \$76,258.

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 \$30,474 for engineering on the Twin Bridges Replacement project during 2016.

**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, 2016 for the Town’s three enterprise funds (Water, Sewer, and Garbage) are as follows:

	Water	Sewer	Garbage	Total
Unrestricted net position	\$ 1,289,416	\$ 616,518	\$ 42,717	\$ 1,948,651
Total net position	5,844,685	5,917,286	84,210	11,846,181
Change in net position	479,295	214,837	248	694,380

**Budgetary Highlights**

General fund revenues of \$1,808,966 were higher than budgeted revenues of \$1,712,265 by \$96,701. The most significant factor contributing to this excess amount is related to licenses, permits, and fees revenues which exceeded budget by \$49,117. Budgeted expenditures exceeded actual expenditures by \$39,235.

**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 2016, net capital assets of the government activities totaled \$13.9 million and the net capital assets of the business-type activities were \$13.8 million. The most significant governmental capital additions were for the Park Land Acquisition and vehicles. The most significant business-type capital addition during the year was the Mesa Waterline Improvement 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 \$1,549,441 in governmental type debt, and \$4,542,256 in proprietary debt. During the current fiscal year, the Town’s total debt decreased by \$452,165. (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 2017, 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, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,796,127	\$ 2,592,607	\$ 7,388,734
Receivables (net of allowance)	586,747	174,721	761,468
Net pension asset	1,248	-	1,248
Internal balances	407,890	(407,890)	-
Inventories	17,035	65,991	83,026
Temporarily restricted assets:			
Cash and cash equivalents	153,772	206,538	360,310
Special improvement district receivable	542,802	-	542,802
Capital assets (net of accumulated depreciation):			
Land	1,254,194	105,750	1,359,944
Construction in progress	590,755	162,108	752,863
Buildings	5,533,330	473,202	6,006,532
Machinery and equipment	229,786	228,182	457,968
Vehicles	463,046	-	463,046
Infrastructure and systems	5,867,459	12,781,946	18,649,405
Total assets	<u>20,444,191</u>	<u>16,383,155</u>	<u>36,827,346</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	<u>368,555</u>	<u>133,912</u>	<u>502,467</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	59,748	80,513	140,261
Interest payable	23,008	39,499	62,507
Noncurrent liabilities:			
Due within one year	439,936	293,419	733,355
Due in more than one year	1,109,505	4,248,837	5,358,342
Total liabilities	<u>1,632,197</u>	<u>4,662,268</u>	<u>6,294,465</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property taxes	198,329	-	198,329
Deferred inflows related to pensions	<u>17,521</u>	<u>8,618</u>	<u>26,139</u>
Total deferred inflows of resources	<u>215,850</u>	<u>8,618</u>	<u>224,468</u>
<b>Net Position</b>			
Net investment in capital assets	13,321,545	9,690,992	23,012,537
Restricted for:			
Parks and recreation	208,666	-	208,666
Public works	3,132,286	-	3,132,286
Debt service	601,901	206,538	808,439
Unrestricted	<u>1,700,301</u>	<u>1,948,651</u>	<u>3,648,952</u>
Total Net Position	<u>\$ 18,964,699</u>	<u>\$ 11,846,181</u>	<u>\$ 30,810,880</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, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 667,883	\$ 66,495	\$ 24,030	\$ -	\$ (577,358)	\$ -	\$ (577,358)
Public safety	851,633	45,327	169,056	40,000	(597,250)	-	(597,250)
Public works/streets	1,094,301	88,662	-	45,359	(960,280)	-	(960,280)
Parks and recreation	465,914	86,848	28,208	295,479	(55,379)	-	(55,379)
Health and welfare	42,235	5,145	3,813	-	(33,277)	-	(33,277)
Community support	14,841	-	-	-	(14,841)	-	(14,841)
Interest on long-term debt	35,057	-	-	-	(35,057)	-	(35,057)
Total governmental activities	<u>3,171,864</u>	<u>292,477</u>	<u>225,107</u>	<u>380,838</u>	<u>(2,273,442)</u>	<u>-</u>	<u>(2,273,442)</u>
Business-type activities:							
Water	583,517	647,666	-	420,278	-	484,427	484,427
Sewer	895,224	918,208	-	205,950	-	228,934	228,934
Garbage	129,344	129,557	-	-	-	213	213
Total business-type activities	<u>1,608,085</u>	<u>1,695,431</u>	<u>-</u>	<u>626,228</u>	<u>-</u>	<u>713,574</u>	<u>713,574</u>
Total primary government	<u>\$ 4,779,949</u>	<u>\$ 1,987,908</u>	<u>\$ 225,107</u>	<u>\$ 1,007,066</u>	<u>(2,273,442)</u>	<u>713,574</u>	<u>(1,559,868)</u>
General Revenues:							
Taxes:							
Property tax					205,026	-	205,026
Sales tax					1,670,494	-	1,670,494
Other taxes					227,985	-	227,985
Franchise tax					13,528	-	13,528
Unrestricted investment earnings					21,764	11,059	32,823
Gain on sale of capital assets					1,000	-	1,000
Transfers					30,253	(30,253)	-
Total general revenues & transfers					<u>2,170,050</u>	<u>(19,194)</u>	<u>2,150,856</u>
Change in net position					(103,392)	694,380	590,988
Net position - beginning					<u>19,068,091</u>	<u>11,151,801</u>	<u>30,219,892</u>
Net position - ending					<u>\$ 18,964,699</u>	<u>\$ 11,846,181</u>	<u>\$ 30,810,880</u>

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

**TOWN OF BAYFIELD, COLORADO**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2016**

<b>Assets</b>	General Fund	Street Fund	Debt Service Fund	Capital Improvement Fund	Transportation Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Cash and cash equivalents	\$ 507,977	\$ 272,893	\$ -	\$ 763,381	\$ 3,134,284	\$ 117,592	\$ 4,796,127
Receivables, net of allowances	714	-	-	-	-	-	714
Restricted special assessment receivable	-	-	542,802	-	-	-	542,802
Property tax receivable	198,329	-	-	-	-	-	198,329
Due from other governments	294,004	54,275	-	39,425	-	-	387,704
Due from other funds	407,890	-	-	-	-	-	407,890
Inventories	-	17,035	-	-	-	-	17,035
Restricted cash and investments	94,673	-	59,099	-	-	-	153,772
Total assets	<u>\$ 1,503,587</u>	<u>\$ 344,203</u>	<u>\$ 601,901</u>	<u>\$ 802,806</u>	<u>\$ 3,134,284</u>	<u>\$ 117,592</u>	<u>\$ 6,504,373</u>
<b>Liabilities</b>							
Accounts payable	\$ 30,341	\$ 6,782	\$ -	\$ -	\$ 1,998	\$ -	\$ 39,121
Accrued liabilities	20,627	-	-	-	-	-	20,627
Total liabilities	<u>50,968</u>	<u>6,782</u>	<u>-</u>	<u>-</u>	<u>1,998</u>	<u>-</u>	<u>59,748</u>
<b>Deferred Inflows of Resources</b>							
Deferred revenue - property taxes	198,329	-	-	-	-	-	198,329
Deferred revenue - special assessments	-	-	542,802	-	-	-	542,802
Total deferred inflows of resources	<u>198,329</u>	<u>-</u>	<u>542,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>741,131</u>
<b>Fund Balances</b>							
Nonspendable:							
Inventories	-	17,035	-	-	-	-	17,035
Due from other funds	373,443	-	-	-	-	-	373,443
Restricted for:							
Emergency reserve	94,673	-	-	-	-	-	94,673
Debt service	-	-	59,099	-	-	-	59,099
Parks and recreation	-	-	-	91,074	-	117,592	208,666
Public works and streets	-	-	-	-	3,132,286	-	3,132,286
Committed to:							
Equipment replacement	-	-	-	639,274	-	-	639,274
Public works and streets	-	320,386	-	-	-	-	320,386
Capital outlay	-	-	-	72,458	-	-	72,458
Assigned to:							
Public safety	5,382	-	-	-	-	-	5,382
Health and welfare	5,626	-	-	-	-	-	5,626
Subsequent years	456,327	-	-	-	-	-	456,327
Unassigned	318,839	-	-	-	-	-	318,839
Total fund balances	<u>1,254,290</u>	<u>337,421</u>	<u>59,099</u>	<u>802,806</u>	<u>3,132,286</u>	<u>117,592</u>	<u>5,703,494</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,503,587</u>	<u>\$ 344,203</u>	<u>\$ 601,901</u>	<u>\$ 802,806</u>	<u>\$ 3,134,284</u>	<u>\$ 117,592</u>	<u>\$ 6,504,373</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, 2016**

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Total fund balances - governmental funds \$ 5,703,494

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

Special assessment receivables are not available to pay for current period expenditures, and therefore, are deferred in the funds. 542,802

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

Governmental capital assets	21,822,767	
Accumulated depreciation	<u>(7,884,197)</u>	13,938,570

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

Capital leases payable	(262,025)	
Bonds payable	(355,000)	
Interest payable	(23,008)	
Net pension liability	(874,505)	
Compensated absences	<u>(57,911)</u>	(1,572,449)

Deferred outflows and inflows of resources related to pensions and net pension assets are applicable to future reporting periods and therefore are not reported in the funds.

Deferred outflows	368,555	
Deferred inflows	(17,521)	
Net pension asset	<u>1,248</u>	352,282

Total net position - governmental activities		<u><u>\$ 18,964,699</u></u>
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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, 2016**

	General Fund	Street Fund	Debt Service Fund	Capital Improvement Fund	Transportation Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 1,358,097	\$ 396,705	\$ -	\$ 362,231	\$ -	\$ -	\$ 2,117,033
Licenses and permits	91,066	300	-	-	-	-	91,366
Intergovernmental	186,041	-	-	374,939	-	28,208	589,188
Fines and forfeitures	25,811	-	-	-	-	-	25,811
Charges for services	119,765	-	-	-	-	-	119,765
Interest revenue	9,268	-	381	9,815	2,229	73	21,766
Special assessments	-	-	152,585	-	-	-	152,585
Impact fees	-	-	-	11,016	-	-	11,016
Other revenues	18,918	-	-	-	-	-	18,918
<b>Total revenues</b>	<b>1,808,966</b>	<b>397,005</b>	<b>152,966</b>	<b>758,001</b>	<b>2,229</b>	<b>28,281</b>	<b>3,147,448</b>
<b>Expenditures</b>							
<b>Current:</b>							
General government	541,185	-	1,699	-	-	-	542,884
Public safety	812,961	-	-	-	-	-	812,961
Public works/streets	3,439	315,259	-	-	-	-	318,698
Non-departmental	17,483	-	-	-	-	-	17,483
Parks and recreation	383,341	-	-	-	-	-	383,341
Payments to sub recipients	14,841	-	-	-	-	-	14,841
Capital outlay	-	36,607	-	505,367	30,474	228	572,676
<b>Debt service:</b>							
Principal retirement	-	-	125,000	253,052	-	-	378,052
Interest on long-term debt	-	-	26,400	14,811	-	-	41,211
<b>Total expenditures</b>	<b>1,773,250</b>	<b>351,866</b>	<b>153,099</b>	<b>773,230</b>	<b>30,474</b>	<b>228</b>	<b>3,082,147</b>
Excess of revenues over (under) expenditures	35,716	45,139	(133)	(15,229)	(28,245)	28,053	65,301
<b>Other financing sources (uses):</b>							
Transfers in	-	292,282	-	30,253	-	-	322,535
Transfers out	(200,000)	-	-	(92,282)	-	-	(292,282)
Sale of capital assets	-	-	-	1,000	-	-	1,000
<b>Total other financing sources (uses)</b>	<b>(200,000)</b>	<b>292,282</b>	<b>-</b>	<b>(61,029)</b>	<b>-</b>	<b>-</b>	<b>31,253</b>
<b>Net change in fund balances</b>	<b>(164,284)</b>	<b>337,421</b>	<b>(133)</b>	<b>(76,258)</b>	<b>(28,245)</b>	<b>28,053</b>	<b>96,554</b>
Fund balance, beginning of year	1,418,574	-	59,232	879,064	3,160,531	89,539	5,606,940
<b>Fund balance, end of year</b>	<b>\$ 1,254,290</b>	<b>\$ 337,421</b>	<b>\$ 59,099</b>	<b>\$ 802,806</b>	<b>\$ 3,132,286</b>	<b>\$ 117,592</b>	<b>\$ 5,703,494</b>

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, 2016**

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

Net change in fund balances - total governmental funds	\$	96,554
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay		552,345
Depreciation expense		(993,807)
		(441,462)
<p>Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		378,052
<p>Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		6,154
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		(3,102)
<p>Deferred revenues in the governmental funds were recognized as revenues in the statement of activities in previous years.</p>		(110,229)
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related ot pension, is reported in the Statement of Activities.</p>		
Pension contributions		92,701
Pension expense		(122,060)
		(29,359)
Change in net position of governmental activities	\$	(103,392)

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

**TOWN OF BAYFIELD, COLORADO**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2016**

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,321,650	\$ 1,219,191	\$ 51,766	\$ 2,592,607
Receivables (net of allowance)	2,482	44,379	6,290	53,151
Due from other governments	121,570	-	-	121,570
Inventory	43,879	22,112	-	65,991
Restricted cash and investments	-	206,538	-	206,538
Total current assets	<u>1,489,581</u>	<u>1,492,220</u>	<u>58,056</u>	<u>3,039,857</u>
Noncurrent assets:				
Land	57,842	47,908	-	105,750
Construction in progress	140,806	21,302	-	162,108
Buildings	712,832	250,993	57,967	1,021,792
Improvements and system	6,000,326	11,946,030	-	17,946,356
Machinery and equipment	258,776	319,944	-	578,720
Accumulated depreciation	(2,520,415)	(3,526,649)	(16,474)	(6,063,538)
Total noncurrent assets	<u>4,650,167</u>	<u>9,059,528</u>	<u>41,493</u>	<u>13,751,188</u>
<b>Total assets</b>	<u>6,139,748</u>	<u>10,551,748</u>	<u>99,549</u>	<u>16,791,045</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pensions	60,211	71,860	1,841	133,912
<b>Total deferred outflows of resources</b>	<u>60,211</u>	<u>71,860</u>	<u>1,841</u>	<u>133,912</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	38,204	30,056	10,253	78,513
Accrued liabilities	2,000	-	-	2,000
Due to other funds - current	-	34,447	-	34,447
Interest payable	-	39,499	-	39,499
Loans payable - current	13,952	267,055	-	281,007
Compensated absences - current	5,130	6,925	357	12,412
Total current liabilities	<u>59,286</u>	<u>377,982</u>	<u>10,610</u>	<u>447,878</u>
Noncurrent liabilities:				
Due to other funds (net of current portion)	-	373,443	-	373,443
Loans payable (net of current portion)	80,946	3,698,243	-	3,779,189
Net pension liability	211,167	252,029	6,452	469,648
Total noncurrent liabilities	<u>292,113</u>	<u>4,323,715</u>	<u>6,452</u>	<u>4,622,280</u>
Total liabilities	<u>351,399</u>	<u>4,701,697</u>	<u>17,062</u>	<u>5,070,158</u>
<b>Deferred inflows of resources</b>				
Deferred inflows related to pensions	3,875	4,625	118	8,618
<b>Total deferred inflows of resources</b>	<u>3,875</u>	<u>4,625</u>	<u>118</u>	<u>8,618</u>
<b>Net position</b>				
Net investment in capital assets	4,555,269	5,094,230	41,493	9,690,992
Restricted	-	206,538	-	206,538
Unrestricted	1,289,416	616,518	42,717	1,948,651
Total net position	<u>\$ 5,844,685</u>	<u>\$ 5,917,286</u>	<u>\$ 84,210</u>	<u>\$ 11,846,181</u>

**TOWN OF BAYFIELD, COLORADO**  
**Statement Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2016**

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
<b>Operating revenues</b>				
Charges for services	\$ 647,666	\$ 918,064	\$ 129,557	\$ 1,695,287
Other revenues	-	144	-	144
Total operating revenues	<u>647,666</u>	<u>918,208</u>	<u>129,557</u>	<u>1,695,431</u>
<b>Operating expenses</b>				
Salaries and wages	171,390	202,791	5,259	379,440
Water storage	28,926	-	-	28,926
Pumping costs	4,425	-	-	4,425
Water treatment	103,540	-	-	103,540
Transmission and distribution	45,594	-	-	45,594
Collection and transmission	-	24,878	-	24,878
Sewer treatment	-	137,458	-	137,458
General operations	-	-	120,288	120,288
Administrative	31,013	48,407	1,082	80,502
Depreciation	192,903	339,522	2,715	535,140
Total operating expenses	<u>577,791</u>	<u>753,056</u>	<u>129,344</u>	<u>1,460,191</u>
Operating income (loss)	<u>69,875</u>	<u>165,152</u>	<u>213</u>	<u>235,240</u>
<b>Non-operating revenues (expenses)</b>				
Interest income	5,603	5,421	35	11,059
Interest expense and fiscal charges	(5,726)	(142,168)	-	(147,894)
Grant revenue	236,064	-	-	236,064
Connection and tap fees	184,214	205,950	-	390,164
Total non-operating revenues (expenses)	<u>420,155</u>	<u>69,203</u>	<u>35</u>	<u>489,393</u>
<b>Income before transfers</b>	490,030	234,355	248	724,633
Transfers:				
Transfers out	(10,735)	(19,518)	-	(30,253)
<b>Change in net position</b>	479,295	214,837	248	694,380
Total net position, beginning of year	<u>5,365,390</u>	<u>5,702,449</u>	<u>83,962</u>	<u>11,151,801</u>
<b>Total net position, end of year</b>	<u>\$ 5,844,685</u>	<u>\$ 5,917,286</u>	<u>\$ 84,210</u>	<u>\$ 11,846,181</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, 2016**

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
<b>Cash flows from operating activities:</b>				
Cash received from customers, service fees	\$ 651,447	\$ 920,256	\$ 128,587	\$ 1,700,290
Cash received from customers, other	-	144	-	144
Cash paid to suppliers	(172,914)	(131,964)	(119,603)	(424,481)
Cash paid to employees	(198,390)	(250,202)	(6,168)	(454,760)
Net cash flows from operating activities	<u>280,143</u>	<u>538,234</u>	<u>2,816</u>	<u>821,193</u>
<b>Cash flows from noncapital financing activities:</b>				
Repayment of interfund loan	-	(34,029)	-	(34,029)
Transfers from/(to) other funds	(10,735)	(19,518)	-	(30,253)
Net cash flows from noncapital financing activities	<u>(10,735)</u>	<u>(53,547)</u>	<u>-</u>	<u>(64,282)</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(716,326)	(21,302)	-	(737,628)
Principal paid on long-term debt	(33,427)	(250,671)	-	(284,098)
Interest paid	(5,726)	(153,036)	-	(158,762)
Capital grants	118,553	40,472	-	159,025
Connection and tap fees	173,761	205,950	-	379,711
Net cash flows from capital and related financing activities	<u>(463,165)</u>	<u>(178,587)</u>	<u>-</u>	<u>(641,752)</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	5,603	5,421	35	11,059
Net change in cash and cash equivalents	(188,154)	311,521	2,851	126,218
Cash and cash equivalents, including restricted cash beginning of year	<u>1,509,804</u>	<u>1,114,208</u>	<u>48,915</u>	<u>2,672,927</u>
<b>Cash and cash equivalents, including restricted cash end of year</b>	<u>\$ 1,321,650</u>	<u>\$ 1,425,729</u>	<u>\$ 51,766</u>	<u>\$ 2,799,145</u>
Reconciliation of operating income to net cash provided by operating activities:				
Net operating income (loss)	\$ 69,875	\$ 165,152	\$ 213	\$ 235,240
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation/amortization	192,903	339,522	2,715	535,140
Pension expense	6,268	7,481	192	13,941
Employer pension contributions	(2,255)	(2,710)	(59)	(5,024)
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	3,781	2,192	(970)	5,003
(Increase)/decrease in inventory	2,053	13,360	-	15,413
Increase/(decrease) in payables	8,280	17,012	685	25,977
Increase/(decrease) in accrued liabilities & deposits	(762)	(3,775)	40	(4,497)
Net cash flows from operating activities	<u>\$ 280,143</u>	<u>\$ 538,234</u>	<u>\$ 2,816</u>	<u>\$ 821,193</u>
<b>Supplemental schedule of non-cash financing and investing activities:</b>				
Bond premium amortization	\$ -	\$ 10,868	\$ -	\$ 10,868

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

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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

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**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, 2016**

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

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The Town reports the following major governmental funds:

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

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

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

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

The **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, 2016**

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

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**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, 2016**

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

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***Receivables and Payables***

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

***Inventories***

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

***Capital Assets***

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

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

***Deferred Outflows/Inflows of Resources***

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

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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

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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 three types of items that qualify for reporting in this category. Accordingly, the item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. The item, *deferred revenue – special assessments*, is reported only in the governmental funds balance sheet. The item, *deferred inflows related to pensions*, is reported only in the government-wide financial statements (see Note 10). These amounts are deferred and recognized as an inflow of resources in the period that the amounts were levied for or become available.

***Pensions***

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

***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.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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

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***Fund Balance Policies***

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

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

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

**Revenues and Expenditures/Expenses**

***Program Revenues***

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

***Property Taxes***

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

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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

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*Compensated Absences*

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

*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.

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

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

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



**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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

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

**Budgets and Budgetary Accounting**

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

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

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

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

**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

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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

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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, 2016.

**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 69 for compliance with debt covenants.

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**Note 4. Deposits and Investments**

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

Cash on hand	\$ 300
Cash in bank	4,091,225
Colorado Trust	3,230,894
Certificates of deposit	<u>426,625</u>
Total cash and investments	<u><u>\$ 7,749,044</u></u>

**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

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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

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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, 2016 cash on hand was \$300 and the carrying amount of the Town's deposits was \$4,091,225. As of December 31, 2016 the bank balance of the Town's deposits was \$4,174,371 of which \$250,000 was insured by federal depository insurance and \$3,924,371 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, 2016 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, 2016 the Town had \$3,177,534 invested in the COLOTRUST with a fair market value of \$3,177,534 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.

**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.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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

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**Credit risk**

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

**Fair value measurements**

As noted above, the Town holds investments that are measured at fair value on a recurring basis. The Town categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The COLOTRUST, as listed above, is valued using significant other observable inputs (Level 2 inputs).

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**Note 5. Restricted Assets**

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The Town reported restricted cash of \$94,673 in the General Fund, \$59,099 in the Debt Service Fund, and \$206,538 in the Sewer Fund as of December 31, 2016. This is made up of \$94,673 for the emergency reserve requirement, \$59,099 for the special improvement district, and \$206,538 as required by the Colorado Water Resources and Power Development Authority Loan Agreements.

The special improvement district receivable of \$542,802 is reported as a restricted asset in the government-wide statement of net position. This receivable is associated with the special assessment bonds described in the long-term liabilities footnote.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 6. Capital Assets**

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

<b>Governmental Activities:</b>	<b>Balance 12/31/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2016</b>
Capital assets, not being depreciated:				
Land	\$ 812,598	\$ 441,596	\$ -	\$ 1,254,194
Construction in progress	641,626	7,138	(58,009)	590,755
Total capital assets, not being depreciated	<u>1,454,224</u>	<u>448,734</u>	<u>(58,009)</u>	<u>1,844,949</u>
Capital assets, being depreciated:				
Buildings & improvements	7,008,068	57,028	-	7,065,096
Machinery and equipment	612,512	11,601	-	624,113
Vehicles	949,653	92,991	(38,000)	1,004,644
Infrastructure	11,283,965	-	-	11,283,965
Total capital assets, being depreciated	<u>19,854,198</u>	<u>161,620</u>	<u>(38,000)</u>	<u>19,977,818</u>
Less accumulated depreciation for:				
Buildings & improvements	(1,317,798)	(213,968)	-	(1,531,766)
Machinery and equipment	(338,024)	(56,303)	-	(394,327)
Vehicles	(481,670)	(97,928)	38,000	(541,598)
Infrastructure	(4,790,898)	(625,608)	-	(5,416,506)
Total accumulated depreciation	<u>(6,928,390)</u>	<u>(993,807)</u>	<u>38,000</u>	<u>(7,884,197)</u>
Total capital assets, being depreciated, net	<u>12,925,808</u>	<u>(832,187)</u>	<u>-</u>	<u>12,093,621</u>
Governmental activities capital assets, net	<u>\$ 14,380,032</u>	<u>\$ (383,453)</u>	<u>\$ (58,009)</u>	<u>\$ 13,938,570</u>

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

<b>Governmental Activities:</b>	
General government	\$ 130,688
Public safety	45,354
Public works/streets	702,871
Parks & recreation	75,701
Health & welfare	39,193
Total depreciation expense - governmental activities	<u>\$ 993,807</u>

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 6. Capital Assets, Continued**

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

<b>Business Type Activities:</b>	<b>Balance 12/31/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2016</b>
Capital assets not being depreciated:				
Land and water rights	\$ 105,750	\$ -	\$ -	\$ 105,750
Construction in progress	105,821	75,703	(19,416)	162,108
Total capital assets, not being depreciated	<u>211,571</u>	<u>75,703</u>	<u>(19,416)</u>	<u>267,858</u>
Capital assets being depreciated:				
Buildings	932,231	89,561	-	1,021,792
Improvements and systems	17,361,586	584,770	-	17,946,356
Machinery and equipment	571,710	7,010	-	578,720
Total capital assets, being depreciated	<u>18,865,527</u>	<u>681,341</u>	<u>-</u>	<u>19,546,868</u>
Less accumulated depreciation for:				
Buildings	(522,893)	(25,697)	-	(548,590)
Improvements and systems	(4,707,272)	(457,138)	-	(5,164,410)
Machinery and equipment	(298,234)	(52,304)	-	(350,538)
Total accumulated depreciation	<u>(5,528,399)</u>	<u>(535,139)</u>	<u>-</u>	<u>(6,063,538)</u>
Total capital assets, being depreciated, net	<u>13,337,128</u>	<u>146,202</u>	<u>-</u>	<u>13,483,330</u>
Business-type activities capital assets, net	<u>\$ 13,548,699</u>	<u>\$ 221,905</u>	<u>\$ (19,416)</u>	<u>\$ 13,751,188</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 192,902
Sewer	339,522
Garbage	2,715
Total depreciation expense - business-type activities	<u>\$ 535,139</u>

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 7. Long-Term Liabilities**

The following is a summary of changes in long-term obligations for the year ended December 31, 2016:

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016	Current Portion
<b>Governmental Activities:</b>					
Town hall lease	\$ 515,077	\$ -	\$ (253,052)	\$ 262,025	\$262,025
Special assessment bond	480,000	-	(125,000)	355,000	120,000
Net pension liability	721,675	152,830	-	874,505	-
Compensated absences	54,809	60,870	(57,768)	57,911	57,911
Total Governmental activity					
Long-term liabilities	<u>\$ 1,771,561</u>	<u>\$ 213,700</u>	<u>\$ (435,820)</u>	<u>\$ 1,549,441</u>	<u>\$439,936</u>
<b>Business-Type Activities:</b>					
Drinking Water Revolving Fund Loan	\$ 20,140	\$ -	\$ (20,140)	\$ -	\$ -
Energy/Mineral Impact Assistance Loan	108,185	-	(13,287)	94,898	13,952
Water Pollution Control Fund Loan	3,550,000	-	(225,000)	3,325,000	230,000
Water Pollution Control Revolving Fund Loan	550,165	-	(25,671)	524,494	26,187
Plus deferred amounts:					
For issuance premiums	126,671	-	(10,867)	115,804	10,868
Total loans payable	4,355,161	-	(294,965)	4,060,196	281,007
Net pension liability	403,043	66,605	-	469,648	-
Compensated absences	14,097	21,661	(23,346)	12,412	12,412
Total Business-type activity					
Long-term liabilities	<u>\$ 4,772,301</u>	<u>\$ 88,266</u>	<u>\$ (318,311)</u>	<u>\$ 4,542,256</u>	<u>\$ 293,419</u>

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

Years ending December 31:	Business-Type Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2017	\$ 270,139	\$ 148,974	\$ 120,000	\$ 34,375
2018	281,363	140,787	125,000	28,325
2019	287,632	132,253	110,000	21,725
2020	298,949	123,519	-	-
2021	305,315	114,434	-	-
2022-2026	1,593,373	432,378	-	-
2027-2031	836,319	72,988	-	-
2032-2033	71,302	1,791	-	-
	<u>\$ 3,944,392</u>	<u>\$ 1,167,124</u>	<u>\$ 355,000</u>	<u>\$ 84,425</u>

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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

Long-term liabilities for the primary government at December 31, 2016 are comprised of the following:

**Governmental Activities:**

**Special assessment debt:**

Special Assessment Bonds for the Town of Bayfield Special Improvement District No. 2000-1 (Bayfield Center Subdivision), due in annual principal and interest installments ranging from \$144,375 to \$148,325, bearing interest at 5.5%, maturing April 1, 2020. Repayment payable solely from the assessments levied on the SID.	<u>\$ 355,000</u>
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**Leases payable:**

Lease payable in quarterly installments of \$66,945 through October 2017, at 3.50% interest.	<u>262,025</u>
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Net pension liability	874,505
Accrued vacation and comp time payable	<u>57,911</u>

**Business-Type Activities:**

**Loans payable:**

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.	94,898
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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.	3,325,000
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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.	524,494
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Deferred amounts for issuance premiums.	<u>115,804</u>
	<u>4,060,196</u>

Net pension liability	469,648
Accrued vacation and comp time payable	<u>12,412</u>

Total Long-term liabilities	<u><u>\$ 6,091,697</u></u>
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For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.



**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**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> 2017	<u>Governmental Activities</u>
	<u>\$267,782</u>
Total remaining lease payments	\$267,782
Less: Amount representing interest	<u>(5,757)</u>
Present value of net remaining minimum lease payments	<u><u>\$262,025</u></u>

A summary of assets acquired through capital leases follows:

	<u>Governmental Activities</u>
Buildings & improvements	\$ 3,796,030
Accumulated depreciation	<u>(782,931)</u>
Net total	<u><u>\$ 3,013,099</u></u>

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

As of December 31, 2016, 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	\$ 407,890	\$ -
Sewer Fund	<u>-</u>	<u>407,890</u>
	<u><u>\$ 407,890</u></u>	<u><u>\$ 407,890</u></u>

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**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, 2014, 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, 2016 were as follows:

Transfers In:	Transfers Out:				Total
	General Fund	Capital Improvement	Water Fund	Sewer Fund	
Capital Improvement	\$ -	\$ -	\$ 10,735	\$ 19,518	\$ 30,253
Street	200,000	92,282	-	-	292,282
	\$ 200,000	\$ 92,282	\$ 10,735	\$ 19,518	\$ 322,535

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

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 10. Pension Plans**

The Town contributes to the Fire & Police Pension Association of Colorado and the Public Employees' Retirement Association plans described below. At December 31, 2016, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

	<u>Net Pension Asset (Liability)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
FPPA	\$ 1,248	\$ 116,771	\$ (1,473)
PERA	(1,344,152)	385,696	(24,666)
Total	<u>\$ (1,342,904)</u>	<u>\$ 502,467</u>	<u>\$ (26,139)</u>
Business-Type Activities	\$ (469,647)	\$ 133,912	\$ (8,618)
Governmental Activities	(873,257)	368,555	(17,521)
Total	<u>\$ (1,342,904)</u>	<u>\$ 502,467</u>	<u>\$ (26,139)</u>

**Fire & Police Pension Association of Colorado**

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

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

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

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 10. Pension Plans, Continued**

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

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

Members of the SWDB plan and their employers are contributing at the rate of 8.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 16.5 percent in 2015. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

The Town's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended December 31,	Retirement Fund
2014	\$ 26,597
2015	27,452
2016	28,184

**Pension liability** – At December 31, 2016, the Town reported an asset of \$1,248 for its proportionate share of the SWDB net pension asset/liability. The net pension asset/liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2016. The Town's proportion of the net pension asset was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2015. The Town's proportion measured as of December 31, 2015, was 0.070786 percent, which was a decrease of 0.003143 percent from the proportions measured as of December 31, 2014.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 10. Pension Plans, Continued**

**Pension expense and deferred outflows/inflows of resources** – For the year ended December 31, 2016, the Town recognized pension expense for SWDB of \$19,034. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Police</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 10,092	\$ 1,473
Changes in assumptions	19,600	-
Net difference between projected and actual earnings on pension plan investments	63,510	-
Changes in proportion and differences between contributions and proportional share of contributions	(4,615)	-
Contributions subsequent to the measurement date	28,184	-
Total	\$ 116,771	\$ 1,473

The \$28,184 reported as deferred outflows of resources related to SWDB pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SWDB pensions will be recognized in pension expense as follows:

<b>Year Ending December 31</b>	<b>Deferred Outflows (Inflows) of Resources Police</b>
2017	\$ 18,871
2018	18,871
2019	18,871
2020	17,296
2021	2,600
Thereafter	10,604

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 10. Pension Plans, Continued**

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

Actuarial valuation date	January 1, 2016
Actuarial roll forward date	January 1, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	4.0-14.0%
Inflation	2.5%
Mortality rates	RP-2014 Mortality Table

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
<b>Total</b>	<b>100.0%</b>	

**Discount Rate** – The discount rate used to measure the SWDB total pension liability was 7.5 percent, which is less than the long-term expected rate of return. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the SWDB Board's funding policy, which establishes the contractually required rate under Colorado statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 10. Pension Plans, Continued**

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate** – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Police			
Net pension (asset) / liability	\$ 174,805	\$ (1,248)	\$ (147,278)

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

**Public Employees' Retirement Association**

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

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

**Contributions** - The Town and participant contributions are defined by State Statute. Participants are required to contribute 8% of their annual salary to the PERA. Participants' contributions are fully refundable, without interest, upon request at termination of employment from the Town. If participants have at least five years of credited service, they are eligible to receive a future monthly retirement benefit. Any refund of contributions paid waives all future rights to any benefits.

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

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 10. Pension Plans, Continued**

The Town's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ending December 31,	Retirement Fund
2014	\$ 87,187
2015	87,870
2016	99,165

**Pension liability** – At December 31, 2016, the Town reported a liability of \$1,344,152 for its proportionate share of the LGDTF net pension asset/liability. The net pension liability/asset was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2016. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2015. The Town's proportion measured as of December 31, 2015, was 0.122020 percent, which was a decrease of 0.003463 percent from the proportions measured as of December 31, 2014.

**Pension expense and deferred outflows/inflows of resources** – For the year ended December 31, 2016, the Town recognized pension expense for LGDTF of \$151,308. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 10,085	\$ 46
Changes in assumptions	-	24,620
Net difference between projected and actual earnings on pension plan investments	258,759	-
Changes in proportion and differences between contributions and proportional share of contributions	17,688	-
Contributions subsequent to the measurement date	99,165	-
Total	\$ 385,696	\$ 24,666



**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 10. Pension Plans, Continued**

The \$99,165 reported as deferred outflows of resources related to LGDTF pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LGDTF pensions will be recognized in pension expense as follows:

<b>Year Ending December 31</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2017	\$ 64,525
2018	73,481
2019	70,291
2020	53,568
2021	-
Thereafter	-

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

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90-10.85 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and females set back 2 years.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 10. Pension Plans, Continued**

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
<b>Total</b>	<b>100%</b>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50 percent.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 10. Pension Plans, Continued**

**Discount Rate** – The discount rate used to measure the total LGDTF pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate** – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Net pension (asset) / liability	\$ 2,060,723	\$ 1,344,152	\$ 749,828

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

**Note 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).

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 11. Risk Management, Continued**

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

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

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

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

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

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

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**Note 12. Garbage Disposal Contract**

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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.

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**Note 13. Related Parties**

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During the year ended December 31, 2016, the Town paid Absolute Pest Control \$270 for pest control services. Absolute Pest Control is owned by Matthew Salka who served as the Mayor in 2016.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**PENSION PLANS**

**TOWN OF BAYFIELD, COLORADO**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**December 31, 2016**

**Fire and Police Pension Association of Colorado (FPPA)**

	<b>Police</b>			
	<b>Reporting Fiscal Year</b>			
	<b>(Measurement Date)</b>			
	<b>2016</b>		<b>2015</b>	
	<b>(2015)</b>		<b>(2014)</b>	
Proportion of the net pension liability (asset)	0.070786%		0.073929%	
Proportionate share of the net pension liability (asset)	\$ (1,248)	\$	(83,435)	\$
Covered employee payroll	\$ 352,306	\$	343,148	\$
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.35%		-24.31%	
Plan fiduciary net position as a percentage of the total pension liability	100.10%		106.80%	

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

**Public Employees' Retirement Association of Colorado (PERA)**

	<b>Reporting Fiscal Year</b>			
	<b>(Measurement Date)</b>			
	<b>2016</b>		<b>2015</b>	
	<b>(2015)</b>		<b>(2014)</b>	
Proportion of the net pension liability (asset)	0.122020%		0.125483%	
Proportionate share of the net pension liability (asset)	\$ 1,344,152	\$	1,124,718	\$
Covered employee payroll	\$ 782,061	\$	694,257	\$
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	171.87%		162.00%	
Plan fiduciary net position as a percentage of the total pension liability	76.90%		80.70%	

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

**TOWN OF BAYFIELD, COLORADO**  
**Required Supplementary Information**  
**Schedule of Pension Contributions**  
**December 31, 2016**

**Fire and Police Pension Association of Colorado (FPPA)**

	<b>Police</b>	
	<b>Reporting Fiscal Year</b>	
	<b>(Measurement Date)</b>	
	<b>2016</b>	<b>2015</b>
	<b>(2015)</b>	<b>(2014)</b>
	<hr/>	<hr/>
Contractually required contribution	\$ 27,452	\$ 26,597
Contributions in relation to the contractually required contribution	\$ (27,452)	\$ (26,597)
Contribution deficiency (excess)	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>
Covered employee payroll	\$ 352,306	\$ 343,148
Contributions as a percentage of covered-employee payroll	7.79%	7.75%

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

**Public Employees' Retirement Association of Colorado (PERA)**

	<b>Reporting Fiscal Year</b>	
	<b>(Measurement Date)</b>	
	<b>2016</b>	<b>2015</b>
	<b>(2015)</b>	<b>(2014)</b>
	<hr/>	<hr/>
Contractually required contribution	\$ 87,870	\$ 87,187
Contributions in relation to the contractually required contribution	\$ (87,870)	\$ (87,187)
Contribution deficiency (excess)	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>
Covered employee payroll	\$ 782,061	\$ 694,257
Contributions as a percentage of covered-employee payroll	11.24%	12.56%

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





**TOWN OF BAYFIELD, COLORADO**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULES**

**FOR THE FOLLOWING MAJOR FUNDS:**

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

**Major Special Revenue Fund**

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

**TOWN OF BAYFIELD, COLORADO**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2016**

<b>Revenues</b>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Taxes:</b>				
Property tax	\$ 204,986	\$ 204,986	\$ 205,026	\$ 40
Sales tax	1,108,553	1,108,553	1,130,595	22,042
Other taxes	24,400	24,400	22,476	(1,924)
Total taxes	<u>1,337,939</u>	<u>1,337,939</u>	<u>1,358,097</u>	<u>20,158</u>
<b>Licenses, permits and fees:</b>				
Licenses, permits and fees	20,435	20,435	34,023	13,588
Building permits	35,000	35,000	57,043	22,043
Charges for services	106,279	106,279	119,765	13,486
Total licenses, permits and fees	<u>161,714</u>	<u>161,714</u>	<u>210,831</u>	<u>49,117</u>
<b>Intergovernmental:</b>				
Grant revenues	163,843	163,843	186,041	22,198
Total intergovernmental	<u>163,843</u>	<u>163,843</u>	<u>186,041</u>	<u>22,198</u>
<b>Fines and forfeitures:</b>				
Fines and forfeitures	28,200	28,200	25,811	(2,389)
Total fines and forfeitures	<u>28,200</u>	<u>28,200</u>	<u>25,811</u>	<u>(2,389)</u>
<b>Interest:</b>				
Interest revenue	604	604	9,268	8,664
Total interest	<u>604</u>	<u>604</u>	<u>9,268</u>	<u>8,664</u>
<b>Other revenues:</b>				
Miscellaneous	19,965	19,965	18,918	(1,047)
Total other revenues	<u>19,965</u>	<u>19,965</u>	<u>18,918</u>	<u>(1,047)</u>
Total revenues	<u>1,712,265</u>	<u>1,712,265</u>	<u>1,808,966</u>	<u>96,701</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, 2016**

<b>Expenditures</b>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>General Government:</b>				
Town board	16,992	16,992	18,482	(1,490)
Town manager's office	139,789	139,789	83,093	56,696
Planning and development	45,980	45,980	85,591	(39,611)
Town clerk and finance	90,891	90,891	92,641	(1,750)
Elections	1,500	1,500	705	795
Municipal	7,350	7,350	6,600	750
Administrative	106,689	106,689	104,594	2,095
Town hall	39,110	39,110	39,751	(641)
Information technology	72,560	72,560	43,623	28,937
Community development	67,525	67,525	66,105	1,420
<b>Total General Government</b>	<u>588,386</u>	<u>588,386</u>	<u>541,185</u>	<u>47,201</u>
<b>Public Safety:</b>				
Wages and benefits	614,872	614,872	630,455	(15,583)
Operations	136,815	136,815	147,739	(10,924)
Administrative	21,100	21,100	26,379	(5,279)
Miscellaneous	23,468	23,468	8,388	15,080
<b>Total Public Safety</b>	<u>796,255</u>	<u>796,255</u>	<u>812,961</u>	<u>(16,706)</u>
<b>Public Works:</b>				
Wages and benefits	-	-	2,439	(2,439)
Streets	-	-	-	-
Operations	-	-	1,000	(1,000)
Administrative	-	-	-	-
<b>Total Public Works</b>	<u>-</u>	<u>-</u>	<u>3,439</u>	<u>(3,439)</u>
<b>Parks &amp; Recreation</b>				
Wages and benefits	217,625	217,625	211,328	6,297
Adult sports & athletics	5,850	5,850	6,895	(1,045)
Youth sports & athletics	10,292	10,292	12,731	(2,439)
Park expenses	85,793	85,793	63,837	21,956
Special events	16,050	16,050	17,897	(1,847)
Senior center	67,275	67,275	70,653	(3,378)
<b>Total Parks &amp; Recreation</b>	<u>402,885</u>	<u>402,885</u>	<u>383,341</u>	<u>19,544</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, 2016**

<b>Expenditures</b>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Non-departmental:</b>	15,959	15,959	17,483	(1,524)
Total Non-departmental	<u>15,959</u>	<u>15,959</u>	<u>17,483</u>	<u>(1,524)</u>
<b>Payments to sub recipients</b>	9,000	9,000	14,841	(5,841)
Total payments to sub recipients	<u>9,000</u>	<u>9,000</u>	<u>14,841</u>	<u>(5,841)</u>
Total expenditures	<u>1,812,485</u>	<u>1,812,485</u>	<u>1,773,250</u>	<u>39,235</u>
Excess of revenues over (under) expenditures	<u>(100,220)</u>	<u>(100,220)</u>	<u>35,716</u>	<u>135,936</u>
Other financing sources (uses):				
Transfers in	42,678	42,678	-	(42,678)
Transfer out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(157,322)</u>	<u>(157,322)</u>	<u>(200,000)</u>	<u>(42,678)</u>
Net change in fund balance	(257,542)	(257,542)	(164,284)	93,258
Fund balance, beginning of year	<u>1,418,574</u>	<u>1,418,574</u>	<u>1,418,574</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,161,032</u>	<u>\$ 1,161,032</u>	<u>\$ 1,254,290</u>	<u>\$ 93,258</u>

**TOWN OF BAYFIELD, COLORADO**  
**Street Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Sales tax	\$ 286,886	\$ 286,886	\$ 269,950	\$ (16,936)
Highway users tax	79,260	79,260	83,655	4,395
Other taxes	30,227	30,227	29,572	(655)
Franchise tax	13,500	13,500	13,528	28
Licenses, permits and fees	2,600	2,600	300	(2,300)
Total revenue	<u>412,473</u>	<u>412,473</u>	<u>397,005</u>	<u>(15,468)</u>
<b>Expenditures</b>				
Public Works:				
Wages and benefits	234,425	234,425	216,436	17,989
Streets	48,300	48,300	45,136	3,164
Operations	17,300	17,300	11,220	6,080
Administrative	51,968	51,968	42,467	9,501
Total Public Works	<u>351,993</u>	<u>351,993</u>	<u>315,259</u>	<u>36,734</u>
Capital outlay	<u>47,000</u>	<u>47,000</u>	<u>36,607</u>	<u>10,393</u>
Total expenditures	<u>398,993</u>	<u>398,993</u>	<u>351,866</u>	<u>47,127</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>13,480</u>	<u>13,480</u>	<u>45,139</u>	<u>31,659</u>
Other financing sources (uses):				
Transfers in	<u>322,606</u>	<u>322,606</u>	<u>292,282</u>	<u>(30,324)</u>
Total other financing sources (uses):	<u>322,606</u>	<u>322,606</u>	<u>292,282</u>	<u>(30,324)</u>
Net change in fund balance	336,086	336,086	337,421	1,335
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ 336,086</u>	<u>\$ 336,086</u>	<u>\$ 337,421</u>	<u>\$ 1,335</u>

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

**Major Capital Project Funds**

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

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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Sales taxes	\$ 286,886	\$ 286,886	\$ 269,950	\$ (16,936)
Severance tax	82,606	82,606	33,964	(48,642)
Federal mineral leasing	40,000	40,000	58,317	18,317
Impact fees	5,304	5,304	11,016	5,712
Intergovernmental revenue	39,460	39,460	374,939	335,479
Interest income	1,605	1,605	9,815	8,210
Total revenue	<u>455,861</u>	<u>455,861</u>	<u>758,001</u>	<u>302,140</u>
<b>Expenditures</b>				
Debt service				
Principal	253,051	253,051	253,052	(1)
Interest	14,811	14,811	14,811	-
Capital outlay	<u>45,000</u>	<u>551,242</u>	<u>505,367</u>	<u>45,875</u>
Total expenditures	<u>312,862</u>	<u>819,104</u>	<u>773,230</u>	<u>45,874</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>142,999</u>	<u>(363,243)</u>	<u>(15,229)</u>	<u>348,014</u>
Other financing sources (uses):				
Transfers in	30,253	30,253	30,253	-
Transfers out	(122,606)	(122,606)	(92,282)	30,324
Proceeds from the sale of capital assets	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total other financing sources (uses):	<u>(92,353)</u>	<u>(92,353)</u>	<u>(61,029)</u>	<u>31,324</u>
Net change in fund balance	50,646	(455,596)	(76,258)	379,338
Fund balance, beginning of year	<u>879,064</u>	<u>879,064</u>	<u>879,064</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 929,710</u></u>	<u><u>\$ 423,468</u></u>	<u><u>\$ 802,806</u></u>	<u><u>\$ 379,338</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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenue	\$ 1,647,000	\$ 1,647,000	\$ -	\$ (1,647,000)
Interest income	2,000	2,000	2,229	229
Total revenue	<u>1,649,000</u>	<u>1,649,000</u>	<u>2,229</u>	<u>(1,646,771)</u>
<b>Expenditures</b>				
Capital outlay	<u>4,725,000</u>	<u>4,725,000</u>	<u>30,474</u>	<u>4,694,526</u>
Total expenditures	<u>4,725,000</u>	<u>4,725,000</u>	<u>30,474</u>	<u>4,694,526</u>
Net change in fund balance	(3,076,000)	(3,076,000)	(28,245)	3,047,755
Fund balance, beginning of year	<u>3,160,531</u>	<u>3,160,531</u>	<u>3,160,531</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 84,531</u></u>	<u><u>\$ 84,531</u></u>	<u><u>\$ 3,132,286</u></u>	<u><u>\$ 3,047,755</u></u>

**TOWN OF BAYFIELD, COLORADO**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 152,842	\$ 152,842	\$ 152,585	\$ (257)
Interest	100	100	381	281
Total revenues	<u>152,942</u>	<u>152,942</u>	<u>152,966</u>	<u>24</u>
<b>Expenditures</b>				
General government	1,700	1,700	1,699	1
Debt service:				
Principal	125,000	125,000	125,000	-
Interest	26,950	26,950	26,400	550
Total expenditures	<u>153,650</u>	<u>153,650</u>	<u>153,099</u>	<u>551</u>
Excess of revenues over (under) expenditures	(708)	(708)	(133)	575
Fund balance, beginning of year	<u>59,232</u>	<u>59,232</u>	<u>59,232</u>	<u>-</u>
Fund balance, end of year	<u>\$ 58,524</u>	<u>\$ 58,524</u>	<u>\$ 59,099</u>	<u>\$ 575</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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenue	\$ 100,000	\$ 100,000	\$ 28,208	\$ (71,792)
Investment earnings	60	60	73	(13)
Total revenues	<u>100,060</u>	<u>100,060</u>	<u>28,281</u>	<u>(71,805)</u>
<b>Expenditures</b>				
Capital outlay	<u>125,000</u>	<u>125,000</u>	228	<u>124,772</u>
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>228</u>	<u>124,772</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(24,940)</u>	<u>(24,940)</u>	<u>28,053</u>	<u>52,993</u>
Fund balance, beginning of year	<u>89,539</u>	<u>89,539</u>	<u>89,539</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 64,599</u></u>	<u><u>\$ 64,599</u></u>	<u><u>\$ 117,592</u></u>	<u><u>\$ 52,993</u></u>

**TOWN OF BAYFIELD, COLORADO**  
**Water Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual with Reconciliation to US GAAP Basis**  
**For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 542,150	\$ 542,150	\$ 647,666	\$ 105,516
Intergovernmental revenue	245,000	245,000	236,064	(8,936)
Interest income	1,434	1,434	5,603	4,169
Connection and tap fees	78,000	78,000	184,214	106,214
Total revenues	<u>866,584</u>	<u>866,584</u>	<u>1,073,547</u>	<u>206,963</u>
<b>Expenses</b>				
Salaries and wages	172,418	172,418	171,390	1,028
Water storage	73,500	73,500	28,926	44,574
Pumping costs	2,500	2,500	4,425	(1,925)
Water treatment	120,500	120,500	103,540	16,960
Transmission and distribution	860,021	860,021	45,594	814,427
Administrative	35,926	35,926	31,013	4,913
Debt service	39,154	39,154	5,726	(33,428)
Transfers out	10,735	10,735	10,735	-
Total expenses	<u>1,314,754</u>	<u>1,314,754</u>	<u>401,349</u>	<u>846,549</u>
Change in net position - budget basis	<u>\$ (448,170)</u>	<u>\$ (448,170)</u>	672,198	<u>\$ 1,053,512</u>
GAAP Basis Adjustments				
Depreciation			<u>(192,902)</u>	
Change in net position - GAAP basis			479,296	
Net position, beginning of year			<u>5,365,390</u>	
<b>Net position, end of year</b>			<u>\$ 5,844,686</u>	

**TOWN OF BAYFIELD, COLORADO**  
**Sewer Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual with Reconciliation to US GAAP Basis**  
**For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 892,210	\$ 892,210	\$ 918,064	\$ 25,854
Intergovernmental revenue	-	-	-	-
Interest income	740	740	5,421	4,681
Connection and tap fees	85,800	85,800	205,950	120,150
Other revenues	-	-	144	144
<b>Total revenues</b>	<b>978,750</b>	<b>978,750</b>	<b>1,129,579</b>	<b>150,829</b>
<b>Expenses</b>				
Salaries and wages	203,561	203,561	202,791	770
Collection and transmission	62,750	62,750	24,878	37,872
Sewer treatment	128,190	128,190	137,458	(9,268)
General operations	2,000	2,000	-	2,000
Administrative	42,965	42,965	48,407	(5,442)
Capital outlay	8,000	8,000	-	(8,000)
Debt service	402,228	402,228	142,168	(260,060)
Transfers out	62,196	62,196	19,518	42,678
<b>Total expenses</b>	<b>911,890</b>	<b>911,890</b>	<b>575,220</b>	<b>(199,450)</b>
Change in net position - budget basis	<u>\$ 66,860</u>	<u>\$ 66,860</u>	554,359	<u>\$ (48,621)</u>
GAAP Basis Adjustments				
Depreciation			(339,522)	
Change in net position - GAAP basis			214,837	
Net position, beginning of year			<u>5,702,449</u>	
<b>Net position, end of year</b>			<u><u>\$ 5,917,286</u></u>	

**TOWN OF BAYFIELD, COLORADO**  
**Garbage Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual with Reconciliation to US GAAP Basis**  
**For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 127,000	\$ 127,000	\$ 129,557	\$ 2,557
Interest income	40	40	35	(5)
Total revenues	<u>127,040</u>	<u>127,040</u>	<u>129,592</u>	<u>2,552</u>
<b>Expenses</b>				
Salaries and wages	5,074	5,074	5,259	(185)
General operations	120,782	123,742	120,288	3,454
Administrative	1,184	1,184	1,082	102
Total expenses	<u>127,040</u>	<u>130,000</u>	<u>126,629</u>	<u>3,371</u>
Change in net position - budget basis	<u>\$ -</u>	<u>\$ (2,960)</u>	2,963	<u>\$ 5,923</u>
GAAP Basis Adjustments				
Depreciation			<u>(2,715)</u>	
Change in net position - GAAP basis			248	
Net position, beginning of year			<u>83,962</u>	
<b>Net position, end of year</b>			<u><u>\$ 84,210</u></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, 2016, 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, 2016 calculation for the rate covenant is as follows:

	Total Revenues	1,129,579
	Total Operating Exp (-) Depreciation	<u>(413,076)</u>
		716,503
	Annual Debt Service	365,681
	Coverage Ratio	<u>1.96</u>
	Coverage Ratio Requirement	1.10
	Over/(Under)	<u><u>0.86</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, 2016 reserve calculation is as follows:

	Current Assets	1,492,220
	Current Liabilities	<u>436,406</u>
	CA-CL Calculation	1,055,814
	Operating Expense	752,598
	Depreciation	<u>(339,522)</u>
	Total Operating Exp Used	413,076
	25% of Operating Exp (-) Depreciation Exp	103,269
	Restricted Reserve	<u>103,269</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, 2016, 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, 2016 calculation for the rate covenant is as follows:

	Total Revenues	1,129,579
	Total Operating Exp (-) Depreciation	<u>(413,076)</u>
		716,503
	Annual Debt Service	36,547
	Coverage Ratio	<u>19.60</u>
	Coverage Ratio Requirement	1.10
	Over/(Under)	<u><u>18.50</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, 2016 reserve calculation is as follows:

	Current Assets	1,492,220
	Current Liabilities	<u>436,406</u>
	CA-CL Calculation	1,055,814
	Operating Expense	752,598
	Depreciation	<u>(339,522)</u>
	Total Operating Exp Used	413,076
	25% of Operating Exp (-) Depreciation Exp	103,269
	Restricted Reserve	<u>103,269</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.

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Town of Bayfield, CO
	YEAR ENDING : December 2016
	Prepared By: Erin Dunavant, Finance Director Phone: 1-970-884-9544 ext 105

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
<b>A. Receipts from local sources:</b>	
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	221,275
3. Other local imposts (from page 2)	287,423
4. Miscellaneous local receipts (from page 2)	12,399
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)	521,097
<b>B. Private Contributions</b>	
<b>C. Receipts from State government</b> (from page 2)	94,784
<b>D. Receipts from Federal Government</b> (from page 2)	0
<b>E. Total receipts (A.7 + B + C + D)</b>	615,881

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

ITEM	AMOUNT
<b>A. Local highway disbursements:</b>	
1. Capital outlay (from page 2)	5,278
2. Maintenance:	270,945
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	12,884
c. Other	17,598
d. Total (a. through c.)	30,482
4. General administration & miscellaneous	0
5. Highway law enforcement and safety	
6. Total (1 through 5)	306,705
<b>B. Debt service on local obligations:</b>	
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
<b>C. Payments to State for highways</b>	
<b>D. Payments to toll facilities</b>	
<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	306,705

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	3,160,531	615,881	306,705	3,469,707	(0)

Notes and Comments:

<b>LOCAL HIGHWAY FINANCE REPORT</b>	STATE: Colorado
	YEAR ENDING (mm/yy): December 2016

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	269,950	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	17,474	g. Other Misc. Receipts	300
6. Total (1. through 5.)	287,423	h. Other - Road and Bridge	12,099
c. Total (a. + b.)	287,423	i. Total (a. through h.)	12,399
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	83,655	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	11,129	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.)	11,129	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	94,784	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)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		5,278	5,278
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	5,278	5,278
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	5,278	5,278
			(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, 2016, 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 June 9, 2017.

**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. 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.

## **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  
June 9, 2017