



**TOWN OF BAYFIELD, COLORADO**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

# TOWN OF BAYFIELD, COLORADO

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## Independent Auditors' Report

The Honorable Mayor and Board  
Town of Bayfield, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of and for the year ended December 31, 2017, 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, 2017, 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 Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and Local Highway Finance Report are fairly stated in all material respects in relation to the financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2018, 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 18, 2018

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**TOWN OF BAYFIELD, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2017**

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, 2017. 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 \$33.1 million at the close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of \$2,298,597.
- The total cost of all Town programs for 2017 was \$5,584,423.
- The general fund unassigned fund balance at the end of 2017 was \$657,758 which is 35% of total General fund expenditures.

**USING THIS ANNUAL REPORT**

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

**Reporting the Town as a Whole**

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

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets, 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 \$33.1 million as of December 31, 2017 as shown in the following condensed statement of net position. Of this amount, \$4,122,248 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 \$27,251,799 (82.31% 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, 2017 and 2016:

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

	Governmental activities		Business-type activities		Combined Total	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current and other assets	\$ 4,946,677	\$ 6,505,621	\$ 3,195,174	\$ 2,631,967	\$ 8,141,851	\$ 9,137,588
Capital assets	17,970,010	13,938,570	13,295,978	13,751,188	31,265,988	27,689,758
Total assets	<u>22,916,687</u>	<u>20,444,191</u>	<u>16,491,152</u>	<u>16,383,155</u>	<u>39,407,839</u>	<u>36,827,346</u>
Deferred outflows of resources	451,601	368,555	162,600	133,912	614,201	502,467
Long-term liabilities outstanding	1,436,131	1,549,441	4,358,268	4,542,256	5,794,399	6,091,697
Other liabilities	816,943	82,756	85,278	120,012	902,221	202,768
Total liabilities	<u>2,253,074</u>	<u>1,632,197</u>	<u>4,443,546</u>	<u>4,662,268</u>	<u>6,696,620</u>	<u>6,294,465</u>
Deferred inflows of resources	214,302	215,850	1,641	8,618	215,943	224,468
Net position:						
Net investment						
in capital assets	17,735,010	13,321,545	9,516,789	9,690,992	27,251,799	23,012,537
Restricted	1,508,308	3,942,853	227,122	206,538	1,735,430	4,149,391
Unrestricted	1,657,594	1,700,301	2,464,654	1,948,651	4,122,248	3,648,952
Total net position	<u>\$ 20,900,912</u>	<u>\$ 18,964,699</u>	<u>\$ 12,208,565</u>	<u>\$ 11,846,181</u>	<u>\$ 33,109,477</u>	<u>\$ 30,810,880</u>

An additional portion of net position, \$1,735,430 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,122,248 (12.45% 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 \$3,878,921 as shown in the Changes in Net Position statement below. \$307,850 of this cost was paid for by those who directly benefited from the programs. \$3,290,746 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 \$3,598,596. General taxes and investment earnings totaled \$2,183,116.

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

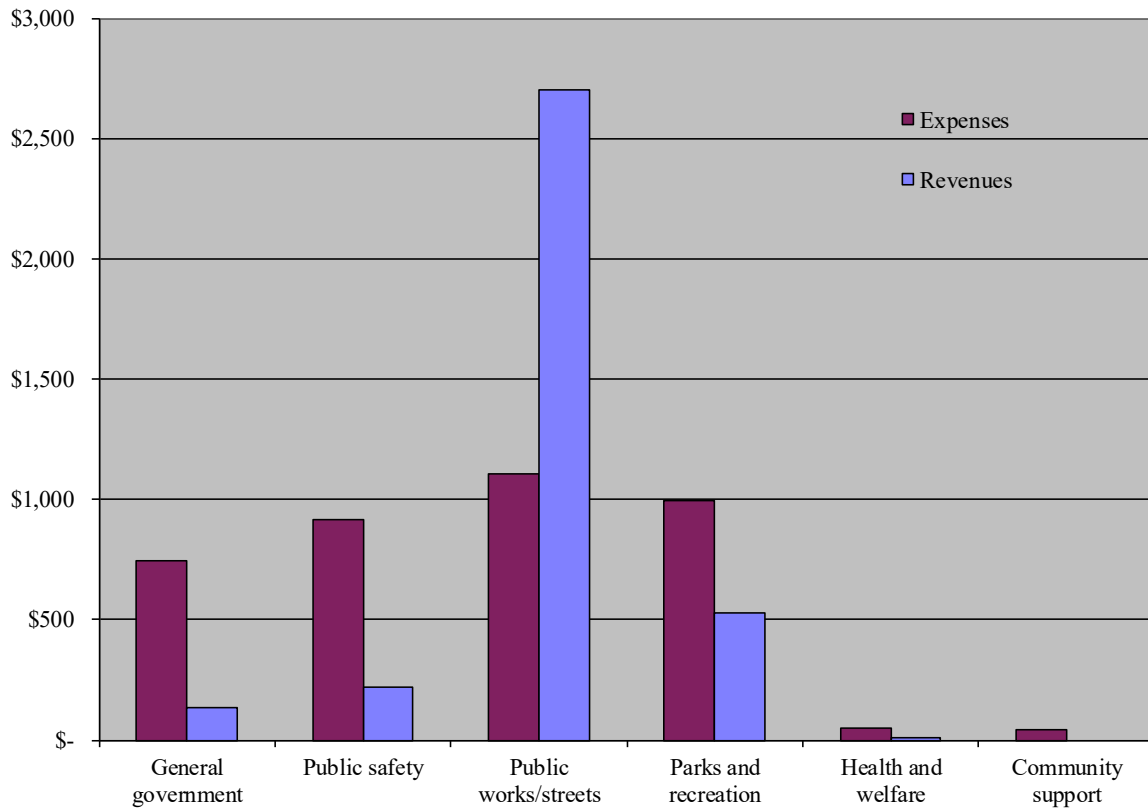
	Governmental activities		Business-type activities		Combined Total	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Revenues:						
Program revenues:						
Charges for services	\$ 307,850	\$ 292,477	\$ 1,750,391	\$ 1,695,431	\$ 2,058,241	\$ 1,987,908
Operating grants and contributions	692,252	225,107	-	-	692,252	225,107
Capital grants and contributions	2,598,494	380,838	325,030	626,228	2,923,524	1,007,066
General revenues:						
Taxes	2,156,023	2,117,033	-	-	2,156,023	2,117,033
Investment earnings	27,093	21,764	-	-	27,093	21,764
Gain on sales of assets	3,169	1,000	-	-	3,169	1,000
Other revenue/(expense)	-	-	22,718	11,059	22,718	11,059
Total revenues	<u>5,784,881</u>	<u>3,038,219</u>	<u>2,098,139</u>	<u>2,332,718</u>	<u>7,883,020</u>	<u>5,370,937</u>
Expenses:						
General government	746,353	667,883	-	-	746,353	667,883
Public safety	918,046	851,633	-	-	918,046	851,633
Public works/streets	1,106,153	1,094,301	-	-	1,106,153	1,094,301
Parks and recreation	997,474	465,914	-	-	997,474	465,914
Health and welfare	50,851	42,235	-	-	50,851	42,235
Community support	41,380	14,841	-	-	41,380	14,841
Interest on long-term debt	18,664	35,057	-	-	18,664	35,057
Water	-	-	652,335	583,517	652,335	583,517
Sewer	-	-	916,454	895,224	916,454	895,224
Garbage	-	-	136,713	129,344	136,713	129,344
Total expenses	<u>3,878,921</u>	<u>3,171,864</u>	<u>1,705,502</u>	<u>1,608,085</u>	<u>5,584,423</u>	<u>4,779,949</u>
Increase (decrease) in net position before transfers	1,905,960	(133,645)	392,637	724,633	2,298,597	590,988
Transfers	30,253	30,253	(30,253)	(30,253)	-	-
Net position, beginning	18,964,699	19,068,091	11,846,181	11,151,801	30,810,880	30,219,892
Net position, ending	<u>\$ 20,900,912</u>	<u>\$ 18,964,699</u>	<u>\$ 12,208,565</u>	<u>\$ 11,846,181</u>	<u>\$ 33,109,477</u>	<u>\$ 30,810,880</u>

Total resources available during the year to finance governmental operations were \$24,749,580 consisting of net position at January 1, 2017 of \$18,964,699, program revenues of \$3,598,596, and General Revenues of \$2,186,285. Total Governmental Activities expenses during the year were \$3,878,921 and

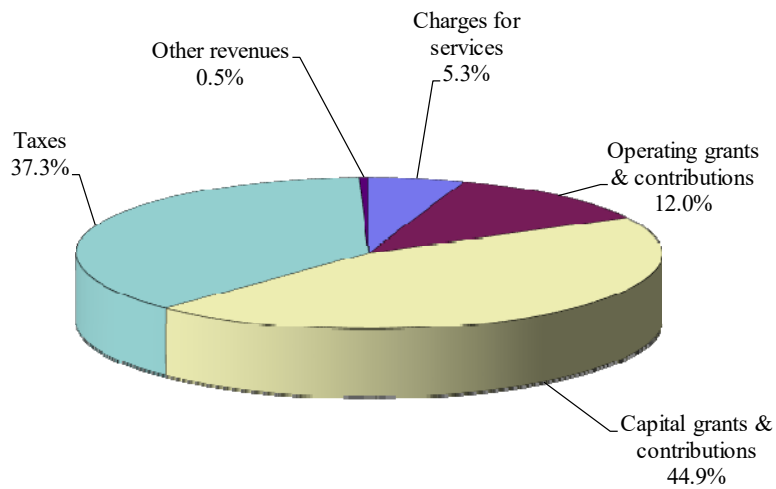
transfers from business-type funds were \$30,253; thus Governmental Net Position increased by \$1,936,213 to \$20,900,912.

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)



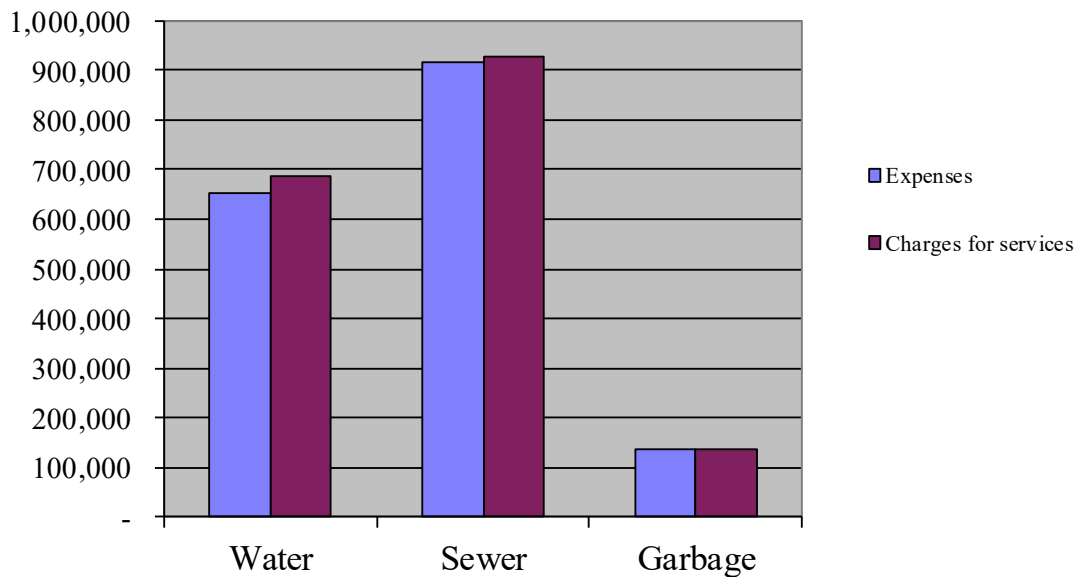
**Revenue By Source - Governmental Activities**



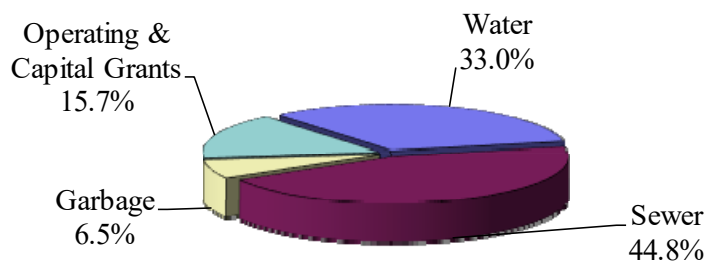
## Business Type Activities

Net position of the Business Type activities at December 31, 2017, as reflected in the Statement of Net Position was \$12.2 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,705,502. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1,750,391 and there was \$325,030 subsidized by capital grants and contributions. Investment earnings and other revenues were \$22,718. Transfers to governmental activities totaled \$30,253. The Net Position increased by \$362,384. 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 \$3,501,341, a decrease of \$2,202,153 in comparison with the prior year. Approximately 18.79%, \$657,758 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, 2017, unassigned fund balance in the General fund was \$657,758. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 35% of the total General fund expenditures. The fund balance of the Town's General fund increased by \$24,279 for the year ended December 31, 2017. The General fund revenues and expenses increased from the prior year.

The Street fund was a new fund in 2016 to account for a voter approved 1 percent sales tax to construct and maintain critical infrastructure needs. The Town expended \$407,913. The actual increase in fund balance was \$110,992.

The special assessments and interest earned in the debt service fund were more than total expenditures in the fund by \$1,887.

The Capital Improvement fund received higher intergovernmental revenue than budgeted. The actual decrease in fund balance was \$8,554.

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 \$4,822,482 for work on the Twin Bridges Replacement project during 2017.

**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, 2017 for the Town’s three enterprise funds (Water, Sewer, and Garbage) are as follows:

	Water	Sewer	Garbage	Total
Unrestricted net position	\$ 1,586,162	\$ 834,834	\$ 43,658	\$ 2,464,654
Total net position	6,030,362	6,095,767	82,436	12,208,565
Change in net position	185,677	178,481	(1,774)	362,384

**Budgetary Highlights**

General fund revenues of \$1,879,096 were higher than budgeted revenues of \$1,796,752 by \$82,344. The most significant factor contributing to this excess amount is related to sales tax which exceeded budget by \$74,360. Budgeted expenditures exceeded actual expenditures by \$44,128.

**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 2017, net capital assets of the government activities totaled \$18 million and the net capital assets of the business-type activities were \$13.3 million. The most significant governmental capital additions were for the Twin Bridge project. The most significant business-type capital addition during the year was the media filter replacement. 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 \$1,436,131 in governmental type debt, and \$4,358,268 in proprietary debt. During the current fiscal year, the Town’s total debt decreased by \$297,298. (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 2018, 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, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,831,394	\$ 3,207,839	\$ 6,039,233
Receivables (net of allowance)	1,063,064	61,716	1,124,780
Internal balances	373,443	(373,443)	-
Inventories	23,284	71,940	95,224
Temporarily restricted assets:			
Cash and cash equivalents	220,616	227,122	447,738
Special improvement district receivable	434,876	-	434,876
Capital assets (net of accumulated depreciation):			
Land	1,254,194	105,750	1,359,944
Construction in progress	5,480,980	170,976	5,651,956
Buildings	5,314,134	447,228	5,761,362
Machinery and equipment	210,094	186,283	396,377
Vehicles	467,613	-	467,613
Infrastructure and systems	5,242,995	12,385,741	17,628,736
Total assets	<u>22,916,687</u>	<u>16,491,152</u>	<u>39,407,839</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	<u>451,601</u>	<u>162,600</u>	<u>614,201</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	800,633	48,655	849,288
Interest payable	16,310	36,623	52,933
Noncurrent liabilities:			
Due within one year	191,277	303,822	495,099
Due in more than one year	<u>1,244,854</u>	<u>4,054,446</u>	<u>5,299,300</u>
Total liabilities	<u>2,253,074</u>	<u>4,443,546</u>	<u>6,696,620</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property taxes	209,827	-	209,827
Deferred inflows related to pensions	<u>4,475</u>	<u>1,641</u>	<u>6,116</u>
Total deferred inflows of resources	<u>214,302</u>	<u>1,641</u>	<u>215,943</u>
<b>Net Position</b>			
Net investment in capital assets	17,735,010	9,516,789	27,251,799
Restricted for:			
Emergency reserve	159,630	-	159,630
Parks and recreation	167,772	-	167,772
Public works	844,674	-	844,674
Debt service	495,862	227,122	722,984
Unrestricted	<u>1,497,964</u>	<u>2,464,654</u>	<u>3,962,618</u>
Total Net Position	<u>\$ 20,900,912</u>	<u>\$ 12,208,565</u>	<u>\$ 33,109,477</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, 2017**

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	\$ 746,353	\$ 65,113	\$ 68,525	\$ -	\$ (612,715)	\$ -	\$ (612,715)
Public safety	918,046	42,552	154,649	25,000	(695,845)	-	(695,845)
Public works/streets	1,106,153	107,889	23,323	2,571,166	1,596,225	-	1,596,225
Parks and recreation	997,474	85,472	443,628	2,328	(466,046)	-	(466,046)
Health and welfare	50,851	6,824	2,127	-	(41,900)	-	(41,900)
Community support	41,380	-	-	-	(41,380)	-	(41,380)
Interest on long-term debt	18,664	-	-	-	(18,664)	-	(18,664)
Total governmental activities	<u>3,878,921</u>	<u>307,850</u>	<u>692,252</u>	<u>2,598,494</u>	<u>(280,325)</u>	<u>-</u>	<u>(280,325)</u>
Business-type activities:							
Water	652,335	685,739	-	151,870	-	185,274	185,274
Sewer	916,454	929,748	-	173,160	-	186,454	186,454
Garbage	136,713	134,904	-	-	-	(1,809)	(1,809)
Total business-type activities	<u>1,705,502</u>	<u>1,750,391</u>	<u>-</u>	<u>325,030</u>	<u>-</u>	<u>369,919</u>	<u>369,919</u>
Total primary government	<u>\$ 5,584,423</u>	<u>\$ 2,058,241</u>	<u>\$ 692,252</u>	<u>\$ 2,923,524</u>	<u>(280,325)</u>	<u>369,919</u>	<u>89,594</u>
General Revenues:							
Taxes:							
Property tax					199,266	-	199,266
Sales tax					1,746,971	-	1,746,971
Other taxes					196,646	-	196,646
Franchise tax					13,140	-	13,140
Unrestricted investment earnings					27,093	22,718	49,811
Gain on sale of capital assets					3,169	-	3,169
Transfers					30,253	(30,253)	-
Total general revenues & transfers					<u>2,216,538</u>	<u>(7,535)</u>	<u>2,209,003</u>
Change in net position					1,936,213	362,384	2,298,597
Net position - beginning					<u>18,964,699</u>	<u>11,846,181</u>	<u>30,810,880</u>
Net position - ending					<u>\$ 20,900,912</u>	<u>\$ 12,208,565</u>	<u>\$ 33,109,477</u>

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

**TOWN OF BAYFIELD, COLORADO**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2017**

<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	\$ 465,820	\$ 375,454	\$ -	\$ 750,570	\$ 1,239,550	\$ -	\$ 2,831,394
Receivables, net of allowances	573	-	-	-	-	-	573
Restricted special assessment receivable	-	-	434,876	-	-	-	434,876
Property tax receivable	209,827	-	-	-	-	-	209,827
Due from other governments	260,567	62,166	-	44,150	248,232	237,549	852,664
Due from other funds	516,544	-	-	-	-	-	516,544
Inventories	7,542	15,742	-	-	-	-	23,284
Restricted cash and investments	159,630	-	60,986	-	-	-	220,616
<b>Total assets</b>	<b>\$ 1,620,503</b>	<b>\$ 453,362</b>	<b>\$ 495,862</b>	<b>\$ 794,720</b>	<b>\$ 1,487,782</b>	<b>\$ 237,549</b>	<b>\$ 5,089,778</b>
<b>Liabilities</b>							
Accounts payable	\$ 69,509	\$ 4,949	\$ -	\$ 468	\$ 643,108	\$ 20,001	\$ 738,035
Accrued liabilities	62,598	-	-	-	-	-	62,598
Due to other funds	-	-	-	-	-	143,101	143,101
<b>Total liabilities</b>	<b>132,107</b>	<b>4,949</b>	<b>-</b>	<b>468</b>	<b>643,108</b>	<b>163,102</b>	<b>943,734</b>
<b>Deferred Inflows of Resources</b>							
Deferred revenue - property taxes	209,827	-	-	-	-	-	209,827
Deferred revenue - special assessments	-	-	434,876	-	-	-	434,876
<b>Total deferred inflows of resources</b>	<b>209,827</b>	<b>-</b>	<b>434,876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>644,703</b>
<b>Fund Balances</b>							
<b>Nonspendable:</b>							
Inventories	7,542	15,742	-	-	-	-	23,284
Due from other funds	351,877	-	-	-	-	-	351,877
<b>Restricted for:</b>							
Emergency reserve	159,630	-	-	-	-	-	159,630
Debt service	-	-	60,986	-	-	-	60,986
Parks and recreation	-	-	-	93,325	-	74,447	167,772
Public works and streets	-	-	-	-	844,674	-	844,674
<b>Assigned to:</b>							
Equipment replacement	-	-	-	661,709	-	-	661,709
Public safety	5,231	-	-	-	-	-	5,231
Public works and streets	-	432,671	-	-	-	-	432,671
Health and welfare	11,779	-	-	-	-	-	11,779
Capital outlay	-	-	-	39,218	-	-	39,218
Subsequent years	84,752	-	-	-	-	-	84,752
Unassigned	657,758	-	-	-	-	-	657,758
<b>Total fund balances</b>	<b>1,278,569</b>	<b>448,413</b>	<b>60,986</b>	<b>794,252</b>	<b>844,674</b>	<b>74,447</b>	<b>3,501,341</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,620,503</b>	<b>\$ 453,362</b>	<b>\$ 495,862</b>	<b>\$ 794,720</b>	<b>\$ 1,487,782</b>	<b>\$ 237,549</b>	<b>\$ 5,089,778</b>

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

**TOWN OF BAYFIELD, COLORADO**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2017**

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Total fund balances - governmental funds		\$ 3,501,341
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.		434,876
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	26,818,552	
Accumulated depreciation	<u>(8,848,542)</u>	17,970,010
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(235,000)	
Interest payable	(16,310)	
Net pension liability	(1,134,854)	
Compensated absences	<u>(66,277)</u>	(1,452,441)
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	451,601	
Deferred inflows	<u>(4,475)</u>	447,126
Total net position - governmental activities		<u><u>\$ 20,900,912</u></u>

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

**TOWN OF BAYFIELD, COLORADO**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended December 31, 2017**

	General Fund	Street Fund	Debt Service Fund	Capital Improvement Fund	Transportation Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 1,409,067	\$ 410,406	\$ -	\$ 336,548	\$ -	\$ -	\$ 2,156,021
Licenses and permits	77,131	32,905	-	-	-	-	110,036
Intergovernmental	217,681	18,970	-	65,644	2,533,520	443,628	3,279,443
Fines and forfeitures	22,180	-	-	-	-	-	22,180
Charges for services	118,522	-	-	-	-	-	118,522
Interest revenue	9,054	162	98	16,394	1,350	35	27,093
Special assessments	-	-	142,842	-	-	-	142,842
Impact fees	-	-	-	5,712	-	-	5,712
In lieu of parks fee	-	-	-	2,328	-	-	2,328
Other revenues	25,461	-	-	-	-	-	25,461
Total revenues	<u>1,879,096</u>	<u>462,443</u>	<u>142,940</u>	<u>426,626</u>	<u>2,534,870</u>	<u>443,663</u>	<u>5,889,638</u>
<b>Expenditures</b>							
Current:							
General government	570,983	-	1,528	-	-	-	572,511
Public safety	846,630	-	-	-	-	-	846,630
Public works/streets	-	352,310	-	-	-	-	352,310
Non-departmental	11,420	-	-	-	-	-	11,420
Parks and recreation	384,404	-	-	-	-	-	384,404
Payments to sub recipients	41,380	-	-	-	-	-	41,380
Capital outlay	-	55,603	-	144,278	4,822,482	486,808	5,509,171
Debt service:							
Principal retirement	-	-	120,000	262,025	-	-	382,025
Interest on long-term debt	-	-	19,525	5,837	-	-	25,362
Total expenditures	<u>1,854,817</u>	<u>407,913</u>	<u>141,053</u>	<u>412,140</u>	<u>4,822,482</u>	<u>486,808</u>	<u>8,125,213</u>
Excess of revenues over (under) expenditures	24,279	54,530	1,887	14,486	(2,287,612)	(43,145)	(2,235,575)
<b>Other financing sources (uses):</b>							
Transfers in	-	56,462	-	30,253	-	-	86,715
Transfers out	-	-	-	(56,462)	-	-	(56,462)
Sale of capital assets	-	-	-	3,169	-	-	3,169
Total other financing sources (uses)	<u>-</u>	<u>56,462</u>	<u>-</u>	<u>(23,040)</u>	<u>-</u>	<u>-</u>	<u>33,422</u>
Net change in fund balances	24,279	110,992	1,887	(8,554)	(2,287,612)	(43,145)	(2,202,153)
Fund balance, beginning of year	<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>
Fund balance, end of year	<u>\$ 1,278,569</u>	<u>\$ 448,413</u>	<u>\$ 60,986</u>	<u>\$ 794,252</u>	<u>\$ 844,674</u>	<u>\$ 74,447</u>	<u>\$ 3,501,341</u>

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

**TOWN OF BAYFIELD, COLORADO**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended December 31, 2017**

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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 \$ (2,202,153)

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

Capital outlay	5,037,803	
Depreciation expense	<u>(1,006,363)</u>	4,031,440

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. 382,025

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. 6,698

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. (8,366)

Deferred revenues in the governmental funds were recognized as revenues in the statement of activities in previous years. (107,926)

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 to pension, is reported in the Statement of Activities.

Pension contributions	96,068	
Pension expense	<u>(261,573)</u>	(165,505)

Change in net position of governmental activities \$ 1,936,213

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

**TOWN OF BAYFIELD, COLORADO**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2017**

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,741,161	\$ 1,411,331	\$ 55,347	\$ 3,207,839
Receivables (net of allowance)	15,581	40,652	5,357	61,590
Due from other governments	126	-	-	126
Inventory	45,050	26,890	-	71,940
Restricted cash and investments	-	227,122	-	227,122
<b>Total current assets</b>	<u>1,801,918</u>	<u>1,705,995</u>	<u>60,704</u>	<u>3,568,617</u>
Noncurrent assets:				
Land	57,842	47,908	-	105,750
Construction in progress	170,976	-	-	170,976
Buildings	712,832	250,993	57,967	1,021,792
Improvements and system	6,055,738	11,967,332	-	18,023,070
Machinery and equipment	258,776	331,122	-	589,898
Accumulated depreciation	(2,731,018)	(3,865,301)	(19,189)	(6,615,508)
<b>Total noncurrent assets</b>	<u>4,525,146</u>	<u>8,732,054</u>	<u>38,778</u>	<u>13,295,978</u>
<b>Total assets</b>	<u>6,327,064</u>	<u>10,438,049</u>	<u>99,482</u>	<u>16,864,595</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pensions	72,813	87,291	2,496	162,600
<b>Total deferred outflows of resources</b>	<u>72,813</u>	<u>87,291</u>	<u>2,496</u>	<u>162,600</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	26,417	9,528	10,710	46,655
Accrued liabilities	2,000	-	-	2,000
Due to other funds - current	-	21,566	-	21,566
Interest payable	-	36,623	-	36,623
Loans payable - current	14,649	277,581	-	292,230
Compensated absences - current	5,113	6,227	252	11,592
<b>Total current liabilities</b>	<u>48,179</u>	<u>351,525</u>	<u>10,962</u>	<u>410,666</u>
Noncurrent liabilities:				
Due to other funds (net of current portion)	-	351,877	-	351,877
Loans payable (net of current portion)	66,297	3,420,662	-	3,486,959
Net pension liability	254,304	304,628	8,555	567,487
<b>Total noncurrent liabilities</b>	<u>320,601</u>	<u>4,077,167</u>	<u>8,555</u>	<u>4,406,323</u>
<b>Total liabilities</b>	<u>368,780</u>	<u>4,428,692</u>	<u>19,517</u>	<u>4,816,989</u>
<b>Deferred inflows of resources</b>				
Deferred inflows related to pensions	735	881	25	1,641
<b>Total deferred inflows of resources</b>	<u>735</u>	<u>881</u>	<u>25</u>	<u>1,641</u>
<b>Net position</b>				
Net investment in capital assets	4,444,200	5,033,811	38,778	9,516,789
Restricted	-	227,122	-	227,122
Unrestricted	1,586,162	834,834	43,658	2,464,654
<b>Total net position</b>	<u>\$ 6,030,362</u>	<u>\$ 6,095,767</u>	<u>\$ 82,436</u>	<u>\$ 12,208,565</u>

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

**TOWN OF BAYFIELD, COLORADO**  
**Statement Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2017**

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
<b>Operating revenues</b>				
Charges for services	\$ 685,739	\$ 929,748	\$ 134,904	\$ 1,750,391
Total operating revenues	<u>685,739</u>	<u>929,748</u>	<u>134,904</u>	<u>1,750,391</u>
<b>Operating expenses</b>				
Salaries and wages	202,796	239,834	7,088	449,718
Water storage	24,747	-	-	24,747
Pumping costs	3,249	-	-	3,249
Water treatment	109,991	-	-	109,991
Transmission and distribution	58,955	-	-	58,955
Collection and transmission	-	33,825	-	33,825
Sewer treatment	-	143,024	-	143,024
General operations	-	2,266	125,731	127,997
Administrative	37,249	42,328	1,179	80,756
Depreciation	210,603	338,652	2,715	551,970
Total operating expenses	<u>647,590</u>	<u>799,929</u>	<u>136,713</u>	<u>1,584,232</u>
Operating income (loss)	<u>38,149</u>	<u>129,819</u>	<u>(1,809)</u>	<u>166,159</u>
<b>Non-operating revenues (expenses)</b>				
Interest income	11,138	11,545	35	22,718
Interest expense and fiscal charges	(4,745)	(116,525)	-	(121,270)
Connection and tap fees	151,870	173,160	-	325,030
Total non-operating revenues (expenses)	<u>158,263</u>	<u>68,180</u>	<u>35</u>	<u>226,478</u>
<b>Income before transfers</b>	196,412	197,999	(1,774)	392,637
Transfers:				
Transfers out	<u>(10,735)</u>	<u>(19,518)</u>	<u>-</u>	<u>(30,253)</u>
<b>Change in net position</b>	185,677	178,481	(1,774)	362,384
Total net position, beginning of year	<u>5,844,685</u>	<u>5,917,286</u>	<u>84,210</u>	<u>11,846,181</u>
<b>Total net position, end of year</b>	<u>\$ 6,030,362</u>	<u>\$ 6,095,767</u>	<u>\$ 82,436</u>	<u>\$ 12,208,565</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, 2017**

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
<b>Cash flows from operating activities:</b>				
Cash received from customers, service fees	\$ 672,640	\$ 933,475	\$ 135,837	\$ 1,741,952
Cash paid to suppliers	(209,917)	(204,421)	(125,274)	(539,612)
Cash paid to employees	(212,650)	(252,312)	(7,017)	(471,979)
Net cash flows from operating activities	<u>250,073</u>	<u>476,742</u>	<u>3,546</u>	<u>730,361</u>
<b>Cash flows from noncapital financing activities:</b>				
Repayment of interfund loan	-	(34,447)	-	(34,447)
Transfers from/(to) other funds	(10,735)	(19,518)	-	(30,253)
Net cash flows from noncapital financing activities	<u>(10,735)</u>	<u>(53,965)</u>	<u>-</u>	<u>(64,700)</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(85,582)	(11,178)	-	(96,760)
Principal paid on long-term debt	(13,952)	(256,187)	-	(270,139)
Interest paid	(4,745)	(127,393)	-	(132,138)
Capital grants	121,444	-	-	121,444
Connection and tap fees	151,870	173,160	-	325,030
Net cash flows from capital and related financing activities	<u>169,035</u>	<u>(221,598)</u>	<u>-</u>	<u>(52,563)</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	11,138	11,545	35	22,718
Net change in cash and cash equivalents	419,511	212,724	3,581	635,816
Cash and cash equivalents, including restricted cash beginning of year	<u>1,321,650</u>	<u>1,425,729</u>	<u>51,766</u>	<u>2,799,145</u>
<b>Cash and cash equivalents, including restricted cash end of year</b>	<u>\$ 1,741,161</u>	<u>\$ 1,638,453</u>	<u>\$ 55,347</u>	<u>\$ 3,434,961</u>
Reconciliation of operating income to net cash provided by operating activities:				
Net operating income (loss)	\$ 38,149	\$ 129,819	\$ (1,809)	\$ 166,159
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation/amortization	210,603	338,652	2,715	551,970
Pension expense	42,808	51,887	1,873	96,568
Employer pension contributions	(15,413)	(18,463)	(518)	(34,394)
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	(13,099)	3,727	933	(8,439)
(Increase)/decrease in inventory	(1,171)	(4,778)	-	(5,949)
Increase/(decrease) in payables	(11,787)	(20,528)	457	(31,858)
Increase/(decrease) in accrued liabilities & deposits	(17)	(3,574)	(105)	(3,696)
Net cash flows from operating activities	<u>\$ 250,073</u>	<u>\$ 476,742</u>	<u>\$ 3,546</u>	<u>\$ 730,361</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, 2017**

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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, 2017**

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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, 2017**

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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, 2017**

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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 9 for more information.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

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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 9). 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, 2017**

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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, 2017**

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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, 2017**

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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, 2017**

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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, 2017.

**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	2,514,698
Colorado Trust	3,583,288
Certificates of deposit	<u>388,685</u>
Total cash and investments	<u><u>\$ 6,486,971</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, 2017**

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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, 2017 cash on hand was \$300 and the carrying amount of the Town's deposits was \$2,514,698. As of December 31, 2017 the bank balance of the Town's deposits was \$2,539,758 of which \$250,000 was insured by federal depository insurance and \$2,289,758 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, 2017 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, 2017 the Town had \$3,571,240 invested in the COLOTRUST and maturities of less than one year. The COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

**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, 2017**

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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**

Governmental Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Town does not hold any investments in 2017 that are measured at fair value.

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

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**Note 5. Restricted Assets**

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The Town reported restricted cash of \$159,630 in the General Fund, \$60,986 in the Debt Service Fund, and \$227,122 in the Sewer Fund as of December 31, 2017. This is made up of \$159,630 for the emergency reserve requirement, \$60,986 for the special improvement district, and \$227,122 as required by the Colorado Water Resources and Power Development Authority Loan Agreements.

The special improvement district receivable of \$434,876 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, 2017**

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**Note 6. Capital Assets**

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

<b>Governmental Activities:</b>	<b>Balance 12/31/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2017</b>
Capital assets, not being depreciated:				
Land	\$ 1,254,194	\$ -	\$ -	\$ 1,254,194
Construction in progress	590,755	4,890,225	-	5,480,980
Total capital assets, not being depreciated	<u>1,844,949</u>	<u>4,890,225</u>	<u>-</u>	<u>6,735,174</u>
Capital assets, being depreciated:				
Buildings & improvements	7,065,096	-	-	7,065,096
Machinery and equipment	624,113	32,535	-	656,648
Vehicles	1,004,644	115,043	(42,018)	1,077,669
Infrastructure	11,283,965	-	-	11,283,965
Total capital assets, being depreciated	<u>19,977,818</u>	<u>147,578</u>	<u>(42,018)</u>	<u>20,083,378</u>
Less accumulated depreciation for:				
Buildings & improvements	(1,531,766)	(219,196)	-	(1,750,962)
Machinery and equipment	(394,327)	(52,227)	-	(446,554)
Vehicles	(541,598)	(110,476)	42,018	(610,056)
Infrastructure	(5,416,506)	(624,464)	-	(6,040,970)
Total accumulated depreciation	<u>(7,884,197)</u>	<u>(1,006,363)</u>	<u>42,018</u>	<u>(8,848,542)</u>
Total capital assets, being depreciated, net	<u>12,093,621</u>	<u>(858,785)</u>	<u>-</u>	<u>11,234,836</u>
Governmental activities capital assets, net	<u>\$ 13,938,570</u>	<u>\$ 4,031,440</u>	<u>\$ -</u>	<u>\$ 17,970,010</u>

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

<b>Governmental Activities:</b>	
General government	\$ 135,915
Public safety	55,438
Public works/streets	698,130
Parks & recreation	77,928
Health & welfare	38,952
Total depreciation expense - governmental activities	<u>\$ 1,006,363</u>

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

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**Note 6. Capital Assets, Continued**

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

<b>Business Type Activities:</b>	<b>Balance 12/31/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2017</b>
Capital assets not being depreciated:				
Land and water rights	\$ 105,750	\$ -	\$ -	\$ 105,750
Construction in progress	162,108	30,170	(21,302)	170,976
Total capital assets, not being depreciated	<u>267,858</u>	<u>30,170</u>	<u>(21,302)</u>	<u>276,726</u>
Capital assets being depreciated:				
Buildings	1,021,792	-	-	1,021,792
Improvements and systems	17,946,356	76,714	-	18,023,070
Machinery and equipment	578,720	11,178	-	589,898
Total capital assets, being depreciated	<u>19,546,868</u>	<u>87,892</u>	<u>-</u>	<u>19,634,760</u>
Less accumulated depreciation for:				
Buildings	(548,590)	(25,974)	-	(574,564)
Improvements and systems	(5,164,410)	(472,919)	-	(5,637,329)
Machinery and equipment	(350,538)	(53,077)	-	(403,615)
Total accumulated depreciation	<u>(6,063,538)</u>	<u>(551,970)</u>	<u>-</u>	<u>(6,615,508)</u>
Total capital assets, being depreciated, net	<u>13,483,330</u>	<u>(464,078)</u>	<u>-</u>	<u>13,019,252</u>
Business-type activities capital assets, net	<u>\$ 13,751,188</u>	<u>\$ (433,908)</u>	<u>\$ (21,302)</u>	<u>\$ 13,295,978</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 210,603
Sewer	338,652
Garbage	2,715
Total depreciation expense - business-type activities	<u>\$ 551,970</u>

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Note 7. Long-Term Liabilities**

The following is a summary of changes in long-term obligations for the year ended December 31, 2017:

	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017	Current Portion
<b>Governmental Activities:</b>					
Town hall lease	\$ 262,025	\$ -	\$ (262,025)	\$ -	\$ -
Special assessment bond	355,000	-	(120,000)	235,000	125,000
Net pension liability	874,505	260,349	-	1,134,854	-
Compensated absences	57,911	65,659	(57,293)	66,277	66,277
Total Governmental activity					
Long-term liabilities	<u>\$ 1,549,441</u>	<u>\$ 326,008</u>	<u>\$ (439,318)</u>	<u>\$ 1,436,131</u>	<u>\$191,277</u>
<b>Business-Type Activities:</b>					
Energy/Mineral Impact Assistance Loan	\$ 94,898	\$ -	\$ (13,952)	\$ 80,946	\$ 14,649
Water Pollution Control Fund Loan	3,325,000	-	(230,000)	3,095,000	240,000
Water Pollution Control Revolving Fund Loan	524,494	-	(26,187)	498,307	26,713
Plus deferred amounts:					
For issuance premiums	115,804	-	(10,868)	104,936	10,868
Total loans payable	4,060,196	-	(281,007)	3,779,189	292,230
Net pension liability	469,648	97,839	-	567,487	-
Compensated absences	12,412	15,555	(16,375)	11,592	11,592
Total Business-type activity					
Long-term liabilities	<u>\$ 4,542,256</u>	<u>\$ 113,394</u>	<u>\$ (297,382)</u>	<u>\$ 4,358,268</u>	<u>\$ 303,822</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
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	316,733	105,145	-	-
2023-2027	1,633,593	370,984	-	-
2028-2032	514,662	30,488	-	-
2033	36,006	541	-	-
	<u>\$ 3,674,253</u>	<u>\$ 1,018,151</u>	<u>\$ 235,000</u>	<u>\$ 50,050</u>

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

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

Long-term liabilities for the primary government at December 31, 2017 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.	\$ 235,000
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Net pension liability	1,134,854
Accrued vacation and comp time payable	<u>66,277</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.	80,946
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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.	3,095,000
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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.	498,307
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Deferred amounts for issuance premiums.	<u>104,936</u>
	<u>3,779,189</u>

Net pension liability	567,487
Accrued vacation and comp time payable	<u>11,592</u>

Total Long-term liabilities	<u><u>\$ 5,794,399</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, 2017**

**Note 8. Interfund Receivables, Payables and Transfers**

As of December 31, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 516,544	\$ -
Conservation Trust Fund	-	143,101
Sewer Fund	-	373,443
	\$ 516,544	\$ 516,544

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

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

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. This loan was paid off in 2017.

Interfund transfers for the year ended December 31, 2017 were as follows:

Transfers In:	Transfers Out:			Total
	Capital Improvement	Water Fund	Sewer Fund	
Capital Improvement	\$ -	\$ 10,735	\$ 19,518	\$ 30,253
Street	56,462	-	-	56,462
	\$ 56,462	\$ 10,735	\$ 19,518	\$ 86,715

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, 2017**

**Note 9. Pension Plans**

The Town contributes to the Fire & Police Pension Association of Colorado and the Public Employees' Retirement Association plans described below. At December 31, 2017, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

	<b>Net Pension Asset (Liability)</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
FPPA	\$ (24,874)	\$ 132,824	\$ (1,265)
PERA	(1,677,467)	481,377	(4,851)
Total	<u>\$ (1,702,341)</u>	<u>\$ 614,201</u>	<u>\$ (6,116)</u>
Business-Type Activities	\$ (567,487)	\$ 162,600	\$ (1,641)
Governmental Activities	(1,134,854)	451,601	(4,475)
Total	<u>\$ (1,702,341)</u>	<u>\$ 614,201</u>	<u>\$ (6,116)</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, 2017**

**Note 9. Pension Plans, Continued**

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

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

Members of the SWDB plan and their employers are contributing at the rate of 9 percent and 8 percent, respectively, of base salary for a total contribution rate of 17 percent in 2016. 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
2015	\$ 27,452
2016	28,184
2017	28,796

**Pension liability** – At December 31, 2017, the Town reported a liability of \$24,874 for its proportionate share of the SWDB net pension asset/liability. The net pension asset/liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2017. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2016. The Town's proportion measured as of December 31, 2016, was 0.068838 percent, which was a decrease of 0.001948 percent from the proportions measured as of December 31, 2015.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Note 9. Pension Plans, Continued**

**Pension expense and deferred outflows/inflows of resources** – For the year ended December 31, 2017, the Town recognized pension expense for SWDB of \$38,393. At December 31, 2017, 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	\$ 22,209	\$ 1,265
Changes in assumptions	16,991	-
Net difference between projected and actual earnings on pension plan investments	67,140	-
Changes in proportion and differences between contributions and proportional share of contributions	(2,311)	-
Contributions subsequent to the measurement date	28,796	-
Total	\$ 132,824	\$ 1,265

The \$28,796 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, 2018. 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>
2018	\$ 25,392
2019	25,392
2020	23,861
2021	9,569
2022	4,269
Thereafter	14,280

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Note 9. Pension Plans, Continued**

**Actuarial Assumptions** – The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2016. The valuations used the following actuarial assumption and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Investment Rate of Return	7.5%
Projected Salary Increases	4.0-14.0%
Cost of Living Adjustments	0.0%
Includes Inflation at	2.5%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	36.0%	9.25%
Equity Long/Short	10.0%	7.35%
Illiquid Alternatives	23.0%	10.75%
Fixed Income	15.0%	4.10%
Absolute Return	10.0%	6.55%
Managed Futures	4.0%	5.5%
Cash	2.0%	0.0%*
Total	100.0%	

\* While the expected inflation exceeds the expected rate of return for cash, a 0.0 percent real rate of return is utilized.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Note 9. Pension Plans, Continued**

**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.

**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	\$ 211,636	\$ 24,874	\$ (130,241)

**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.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Note 9. Pension Plans, Continued**

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

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

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

Year Ending December 31,	Retirement Fund
2015	\$ 87,870
2016	95,476
2017	101,665

**Pension liability** – At December 31, 2017, the Town reported a liability of \$1,677,467 for its proportionate share of the LGDTF net pension asset/liability. The net pension liability/asset was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2017. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2016. The Town's proportion measured as of December 31, 2016, was 0.124225 percent, which was an increase of 0.002205 percent from the proportions measured as of December 31, 2015.

**Pension expense and deferred outflows/inflows of resources** – For the year ended December 31, 2017, the Town recognized pension expense for LGDTF of \$305,504. At December 31, 2017, 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	\$ 29,851	\$ -
Changes in assumptions	118,986	4,851
Net difference between projected and actual earnings on pension plan investments	201,456	-
Changes in proportion and differences between contributions and proportional share of contributions	29,418	-
Contributions subsequent to the measurement date	101,665	-
Total	\$ 481,377	\$ 4,851

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Note 9. Pension Plans, Continued**

The \$101,665 reported as deferred outflows of resources related to LGDTF pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. 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:

<u>Year Ending December 31</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 211,245
2018	103,326
2019	58,374
2020	1,916
2021	-
Thereafter	-

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

Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50-10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 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

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



**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Note 9. Pension Plans, Continued**

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<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 7.25 percent.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

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**Note 9. Pension Plans, Continued**

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

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor. When AIR cash flow timing is a factor in the SEIR determination process, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Note 9. Pension Plans, Continued**

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

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Net pension (asset) / liability	\$ 2,473,349	\$ 1,677,467	\$ 1,018,390

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

**Note 10. Risk Management**

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

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

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

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

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

**TOWN OF BAYFIELD, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2017**

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**Note 10. Risk Management, Continued**

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

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

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

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**Note 11. 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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**REQUIRED SUPPLEMENTARY INFORMATION**

**PENSION PLANS**

**TOWN OF BAYFIELD, COLORADO**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**December 31, 2017**

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

	Police Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.068838%	0.070786%	0.073929%
Proportionate share of the net pension liability (asset)	\$ 24,874	\$ (1,248)	\$ (83,435)
Covered employee payroll	\$ 359,946	\$ 352,306	\$ 343,148
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.91%	-0.35%	-24.31%
Plan fiduciary net position as a percentage of the total pension liability	98.21%	100.10%	106.80%

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

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

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.124225%	0.122020%	0.125483%
Proportionate share of the net pension liability (asset)	\$ 1,677,467	\$ 1,344,152	\$ 1,124,718
Covered employee payroll	\$ 801,778	\$ 782,061	\$ 694,257
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	209.22%	171.87%	162.00%
Plan fiduciary net position as a percentage of the total pension liability	73.60%	76.90%	80.70%

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

**TOWN OF BAYFIELD, COLORADO**  
**Required Supplementary Information**  
**Schedule of Pension Contributions**  
**December 31, 2017**

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

	Police Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 28,184	\$ 27,452	\$ 26,597
Contributions in relation to the contractually required contribution	\$ (28,184)	\$ (27,452)	\$ (26,597)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 359,946	\$ 352,306	\$ 343,148
Contributions as a percentage of covered-employee payroll	7.83%	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)**

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 95,476	\$ 87,870	\$ 87,187
Contributions in relation to the contractually required contribution	\$ (95,476)	\$ (87,870)	\$ (87,187)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 801,778	\$ 782,061	\$ 694,257
Contributions as a percentage of covered-employee payroll	11.91%	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, 2017**

<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	\$ 198,874	\$ 198,874	\$ 199,266	\$ 392
Sales tax	1,112,438	1,112,438	1,186,798	74,360
Other taxes	21,712	21,712	23,003	1,291
Total taxes	<u>1,333,024</u>	<u>1,333,024</u>	<u>1,409,067</u>	<u>76,043</u>
<b>Licenses, permits and fees:</b>				
Licenses, permits and fees	23,330	23,330	33,575	10,245
Building permits	36,000	36,000	43,556	7,556
Charges for services	112,230	112,230	118,522	6,292
Total licenses, permits and fees	<u>171,560</u>	<u>171,560</u>	<u>195,653</u>	<u>24,093</u>
<b>Intergovernmental:</b>				
Grant revenues	240,593	240,593	217,681	(22,912)
Total intergovernmental	<u>240,593</u>	<u>240,593</u>	<u>217,681</u>	<u>(22,912)</u>
<b>Fines and forfeitures:</b>				
Fines and forfeitures	23,800	23,800	22,180	(1,620)
Total fines and forfeitures	<u>23,800</u>	<u>23,800</u>	<u>22,180</u>	<u>(1,620)</u>
<b>Interest:</b>				
Interest revenue	9,175	9,175	9,054	(121)
Total interest	<u>9,175</u>	<u>9,175</u>	<u>9,054</u>	<u>(121)</u>
<b>Other revenues:</b>				
Miscellaneous	18,600	18,600	25,461	6,861
Total other revenues	<u>18,600</u>	<u>18,600</u>	<u>25,461</u>	<u>6,861</u>
Total revenues	<u>1,796,752</u>	<u>1,796,752</u>	<u>1,879,096</u>	<u>82,344</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, 2017**

<b>Expenditures</b>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>General Government:</b>				
Town board	20,650	20,650	19,189	1,461
Town manager's office	105,703	105,703	106,205	(502)
Planning and development	142,373	142,373	115,756	26,617
Town clerk and finance	95,252	95,252	93,037	2,215
Elections	1,000	1,000	28	972
Municipal	7,200	7,200	7,200	-
Administrative	102,176	102,176	103,457	(1,281)
Town hall	39,155	39,155	40,958	(1,803)
Information technology	36,380	36,380	43,594	(7,214)
Community development	42,081	42,081	41,559	522
Total General Government	591,970	591,970	570,983	20,987
<b>Public Safety:</b>				
Wages and benefits	669,176	669,176	659,558	9,618
Operations	148,473	148,473	144,778	3,695
Administrative	21,825	21,825	31,579	(9,754)
Miscellaneous	22,000	22,000	10,715	11,285
Total Public Safety	861,474	861,474	846,630	14,844
<b>Parks &amp; Recreation</b>				
Wages and benefits	215,881	215,881	239,653	(23,772)
Adult sports & athletics	5,655	5,655	4,639	1,016
Youth sports & athletics	12,500	12,500	11,336	1,164
Park expenses	73,155	73,155	43,412	29,743
Special events	17,800	17,800	18,509	(709)
Senior center	67,729	67,729	66,855	874
Total Parks & Recreation	392,720	392,720	384,404	8,316

(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, 2017**

<b>Expenditures</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Non-departmental:</b>	9,436	9,436	11,420	(1,984)
Total Non-departmental	<u>9,436</u>	<u>9,436</u>	<u>11,420</u>	<u>(1,984)</u>
<b>Payments to sub recipients</b>	43,345	43,345	41,380	1,965
Total payments to sub recipients	<u>43,345</u>	<u>43,345</u>	<u>41,380</u>	<u>1,965</u>
Total expenditures	<u>1,898,945</u>	<u>1,898,945</u>	<u>1,854,817</u>	<u>44,128</u>
Excess of revenues over (under) expenditures	<u>(102,193)</u>	<u>(102,193)</u>	<u>24,279</u>	<u>126,472</u>
Other financing sources (uses):				
Transfers in	34,447	34,447	-	(34,447)
Transfer out	<u>(388,568)</u>	<u>(388,568)</u>	<u>-</u>	<u>388,568</u>
Total other financing sources (uses)	<u>(354,121)</u>	<u>(354,121)</u>	<u>-</u>	<u>354,121</u>
Net change in fund balance	(456,314)	(456,314)	24,279	480,593
Fund balance, beginning of year	<u>1,254,290</u>	<u>1,254,290</u>	<u>1,254,290</u>	<u>-</u>
Fund balance, end of year	<u>\$ 797,976</u>	<u>\$ 797,976</u>	<u>\$ 1,278,569</u>	<u>\$ 480,593</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Sales tax	\$ 265,969	\$ 265,969	\$ 280,086	\$ 14,117
Highway users tax	86,909	86,909	84,534	(2,375)
Other taxes	28,863	28,863	32,646	3,783
Franchise tax	11,500	11,500	13,140	1,640
Licenses, permits and fees	300	300	32,905	32,605
Intergovernmental revenue	-	-	18,970	18,970
Interest income	-	-	162	162
Total revenue	<u>393,541</u>	<u>393,541</u>	<u>462,443</u>	<u>68,902</u>
<b>Expenditures</b>				
Public Works:				
Wages and benefits	241,930	241,930	205,271	36,659
Streets	96,300	96,300	90,366	5,934
Operations	17,500	17,500	12,523	4,977
Administrative	48,772	48,772	44,150	4,622
Total Public Works	<u>404,502</u>	<u>404,502</u>	<u>352,310</u>	<u>52,192</u>
Capital outlay	<u>7,000</u>	<u>60,498</u>	<u>55,603</u>	<u>4,895</u>
Total expenditures	<u>411,502</u>	<u>465,000</u>	<u>407,913</u>	<u>57,087</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(17,961)</u>	<u>(71,459)</u>	<u>54,530</u>	<u>125,989</u>
Other financing sources (uses):				
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>56,462</u>	<u>(3,538)</u>
Total other financing sources (uses):	<u>60,000</u>	<u>60,000</u>	<u>56,462</u>	<u>(3,538)</u>
Net change in fund balance	42,039	(11,459)	110,992	122,451
Fund balance, beginning of year	<u>337,421</u>	<u>337,421</u>	<u>337,421</u>	<u>-</u>
Fund balance, end of year	<u>\$ 379,460</u>	<u>\$ 325,962</u>	<u>\$ 448,413</u>	<u>\$ 122,451</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Sales taxes	\$ 265,969	\$ 265,969	\$ 280,086	\$ 14,117
Severance tax	30,000	30,000	29,410	(590)
Federal mineral leasing	30,000	30,000	27,052	(2,948)
Impact fees	4,080	4,080	5,712	1,632
Intergovernmental revenue	65,644	65,644	65,644	-
In lieu of parks fee	-	-	2,328	2,328
Interest income	7,261	7,261	16,394	9,133
Total revenue	<u>402,954</u>	<u>402,954</u>	<u>426,626</u>	<u>23,672</u>
<b>Expenditures</b>				
Debt service				
Principal	262,025	262,025	262,025	-
Interest	5,837	5,837	5,837	-
Capital outlay	<u>160,000</u>	<u>160,000</u>	<u>144,278</u>	<u>15,722</u>
Total expenditures	<u>427,862</u>	<u>427,862</u>	<u>412,140</u>	<u>15,722</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(24,908)</u>	<u>(24,908)</u>	<u>14,486</u>	<u>39,394</u>
Other financing sources (uses):				
Transfers in	30,253	30,253	30,253	-
Transfers out	(60,000)	(60,000)	(56,462)	3,538
Proceeds from the sale of capital assets	-	-	3,169	3,169
Total other financing sources (uses):	<u>(29,747)</u>	<u>(29,747)</u>	<u>(23,040)</u>	<u>6,707</u>
Net change in fund balance	(54,655)	(54,655)	(8,554)	46,101
Fund balance, beginning of year	<u>802,806</u>	<u>802,806</u>	<u>802,806</u>	<u>-</u>
Fund balance, end of year	<u>\$ 748,151</u>	<u>\$ 748,151</u>	<u>\$ 794,252</u>	<u>\$ 46,101</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenue	\$ 1,647,000	\$ 1,647,000	\$ 2,533,520	\$ 886,520
Interest income	1,000	1,000	1,350	350
Total revenue	<u>1,648,000</u>	<u>1,648,000</u>	<u>2,534,870</u>	<u>886,870</u>
<b>Expenditures</b>				
Capital outlay	5,170,867	5,170,867	4,822,482	348,385
Total expenditures	<u>5,170,867</u>	<u>5,170,867</u>	<u>4,822,482</u>	<u>348,385</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(3,522,867)</u>	<u>(3,522,867)</u>	<u>(2,287,612)</u>	<u>1,235,255</u>
Other financing sources (uses):				
Transfers in	388,568	388,568	-	(388,568)
Total other financing sources (uses):	<u>388,568</u>	<u>388,568</u>	<u>-</u>	<u>(388,568)</u>
Net change in fund balance	(3,134,299)	(3,134,299)	(2,287,612)	846,687
Fund balance, beginning of year	<u>3,132,286</u>	<u>3,132,286</u>	<u>3,132,286</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (2,013)</u></u>	<u><u>\$ (2,013)</u></u>	<u><u>\$ 844,674</u></u>	<u><u>\$ 846,687</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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 148,325	\$ 148,325	\$ 142,842	\$ (5,483)
Interest	100	100	98	(2)
Total revenues	<u>148,425</u>	<u>148,425</u>	<u>142,940</u>	<u>(5,485)</u>
<b>Expenditures</b>				
General government	1,700	1,700	1,528	172
Debt service:				
Principal	125,000	125,000	120,000	5,000
Interest	20,900	20,900	19,525	1,375
Total expenditures	<u>147,600</u>	<u>147,600</u>	<u>141,053</u>	<u>6,547</u>
Excess of revenues over (under) expenditures	825	825	1,887	1,062
Fund balance, beginning of year	<u>59,099</u>	<u>59,099</u>	<u>59,099</u>	<u>-</u>
Fund balance, end of year	<u>\$ 59,924</u>	<u>\$ 59,924</u>	<u>\$ 60,986</u>	<u>\$ 1,062</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenue	\$ 90,000	\$ 90,000	\$ 443,628	\$ 353,628
Investment earnings	70	70	35	35
Total revenues	<u>90,070</u>	<u>90,070</u>	<u>443,663</u>	<u>353,663</u>
<b>Expenditures</b>				
Capital outlay	145,000	585,000	486,808	98,192
Total expenditures	<u>145,000</u>	<u>585,000</u>	<u>486,808</u>	<u>98,192</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(54,930)</u>	<u>(494,930)</u>	<u>(43,145)</u>	<u>451,785</u>
Fund balance, beginning of year	<u>117,592</u>	<u>117,592</u>	<u>117,592</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 62,662</u></u>	<u><u>\$ (377,338)</u></u>	<u><u>\$ 74,447</u></u>	<u><u>\$ 451,785</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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 578,420	\$ 578,420	\$ 685,739	\$ 107,319
Interest income	5,958	5,958	11,138	5,180
Connection and tap fees	66,000	66,000	151,870	85,870
Total revenues	<u>650,378</u>	<u>650,378</u>	<u>848,747</u>	<u>198,369</u>
<b>Expenses</b>				
Salaries and wages	185,692	185,692	202,796	(17,104)
Water storage	78,500	78,500	24,747	53,753
Pumping costs	3,500	3,500	3,249	251
Water treatment	128,660	128,660	109,991	18,669
Transmission and distribution	47,125	47,125	58,955	(11,830)
Administrative	37,119	37,119	37,249	(130)
Capital outlay	317,500	317,500	-	317,500
Debt service	18,697	18,697	4,745	13,952
Transfers out	10,735	10,735	10,735	-
Total expenses	<u>827,528</u>	<u>827,528</u>	<u>452,467</u>	<u>375,061</u>
Change in net position - budget basis	<u>\$ (177,150)</u>	<u>\$ (177,150)</u>	396,280	<u>\$ 573,430</u>
GAAP Basis Adjustments				
Depreciation			<u>(210,603)</u>	
Change in net position - GAAP basis			185,677	
Net position, beginning of year			<u>5,844,685</u>	
<b>Net position, end of year</b>			<u><u>\$ 6,030,362</u></u>	

**TOWN OF BAYFIELD, COLORADO**  
**Sewer Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual with Reconciliation to US GAAP Basis**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 916,513	\$ 916,513	\$ 929,748	\$ 13,235
Interest income	5,280	5,280	11,545	6,265
Connection and tap fees	60,500	60,500	173,160	112,660
Total revenues	<u>982,293</u>	<u>982,293</u>	<u>1,114,453</u>	<u>132,160</u>
<b>Expenses</b>				
Salaries and wages	220,115	220,115	239,834	(19,719)
Collection and transmission	25,210	25,210	33,825	(8,615)
Sewer treatment	122,075	122,075	143,024	(20,949)
General operations	9,500	9,500	2,266	7,234
Administrative	47,661	47,661	42,328	5,333
Capital outlay	20,000	20,000	-	20,000
Debt service	379,712	379,712	116,525	263,187
Transfers out	61,475	61,475	19,518	41,957
Total expenses	<u>885,748</u>	<u>885,748</u>	<u>597,320</u>	<u>288,428</u>
Change in net position - budget basis	<u>\$ 96,545</u>	<u>\$ 96,545</u>	517,133	<u>\$ 420,588</u>
GAAP Basis Adjustments				
Depreciation			(338,652)	
Change in net position - GAAP basis			178,481	
Net position, beginning of year			<u>5,917,286</u>	
<b>Net position, end of year</b>			<u><u>\$ 6,095,767</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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 131,500	\$ 131,500	\$ 134,904	\$ 3,404
Interest income	40	40	35	(5)
Total revenues	<u>131,540</u>	<u>131,540</u>	<u>134,939</u>	<u>3,399</u>
<b>Expenses</b>				
Salaries and wages	6,071	6,071	7,088	(1,017)
General operations	124,060	126,854	125,731	1,123
Administrative	1,075	1,075	1,179	(104)
Total expenses	<u>131,206</u>	<u>134,000</u>	<u>133,998</u>	<u>2</u>
Change in net position - budget basis	<u>\$ 334</u>	<u>\$ (2,460)</u>	941	<u>\$ 3,401</u>
GAAP Basis Adjustments				
Depreciation			<u>(2,715)</u>	
Change in net position - GAAP basis			(1,774)	
Net position, beginning of year			<u>84,210</u>	
<b>Net position, end of year</b>			<u><u>\$ 82,436</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, 2017, 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, 2017 calculation for the rate covenant is as follows:

	Total Revenues	1,114,453
	Total Operating Exp (-) Depreciation	<u>(461,277)</u>
		653,176
	Annual Debt Service	36,547
	Coverage Ratio	<u>17.87</u>
	Coverage Ratio Requirement	1.10
	Over/(Under)	<u><u>16.77</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, 2017 reserve calculation is as follows:

	Current Assets	1,705,995
	Current Liabilities	<u>351,525</u>
	CA-CL Calculation	1,354,470
	Operating Expense	799,929
	Depreciation	<u>(338,652)</u>
	Total Operating Exp Used	461,277
	25% of Operating Exp (-) Depreciation Exp	115,319
	Restricted Reserve	<u>113,561</u>
	Over/(Short)	<u><u>1,758</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	1,114,453
	Total Operating Exp (-) Depreciation	<u>(461,277)</u>
		653,176
	Annual Debt Service	36,547
	Coverage Ratio	<u>17.87</u>
	Coverage Ratio Requirement	1.10
	Over/(Under)	<u><u>16.77</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	1,705,995
	Current Liabilities	<u>351,525</u>
	CA-CL Calculation	1,354,470
	Operating Expense	799,929
	Depreciation	<u>(338,652)</u>
	Total Operating Exp Used	461,277
	25% of Operating Exp (-) Depreciation Exp	115,319
	Restricted Reserve	<u>113,561</u>
	Over/(Short)	<u><u>1,758</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 2017
	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	5,282
3. Other local imposts (from page 2)	300,935
4. Miscellaneous local receipts (from page 2)	44,702
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)	350,920
<b>B. Private Contributions</b>	
<b>C. Receipts from State government</b> (from page 2)	95,334
<b>D. Receipts from Federal Government</b> (from page 2)	2,533,520
<b>E. Total receipts (A.7 + B + C + D)</b>	2,979,774

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

ITEM	AMOUNT
<b>A. Local highway disbursements:</b>	
1. Capital outlay (from page 2)	4,822,482
2. Maintenance:	308,159
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	7,046
c. Other	18,707
d. Total (a. through c.)	25,753
4. General administration & miscellaneous	0
5. Highway law enforcement and safety	
6. Total (1 through 5)	5,156,394
<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>	5,156,394

**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
	3,469,707	2,979,774	5,156,394	1,293,087	(0)

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2017

**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	280,086	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	20,849	g. Other Misc. Receipts	32,905
6. Total (1. through 5.)	300,935	h. Other - Road and Bridge	11,797
c. Total (a. + b.)	300,935	i. Total (a. through h.)	44,702
	(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	84,534	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	10,800	d. Federal Transit Admin	
d. Other -		e. U.S. Corps of Engineers	
e. Other - Road and bridge		f. Other Federal	2,533,520
f. Total (a. through e.)	10,800	g. Total (a. through f.)	2,533,520
4. Total (1. + 2. + 3.f)	95,334	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		4,822,482	4,822,482
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	4,822,482	4,822,482
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	4,822,482	4,822,482
			(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, 2017, 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 18, 2018.

**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 18, 2018