

TOWN OF BAYFIELD, COLORADO



FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF BAYFIELD, COLORADO

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Independent Auditors' Report

The Honorable Mayor and Board
Town of Bayfield, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, on our consideration of the Town of Bayfield, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bayfield, Colorado's internal control over financial reporting and compliance



HintonBurdick, PLLC
St. George, Utah
May 10, 2013

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

As management of the Town of Bayfield (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2012. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities (net position) by \$30.2 million at the close of the fiscal year.
- Total governmental and business-type net position decreased by a combined total of \$537,386.
- The total cost of all Town programs for 2012 was \$4,498,698.
- The general fund unassigned fund balance at the end of 2012 was \$680,320 which is 43% of total General fund expenditures.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

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

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

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

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$30.2 million as of December 31, 2012 as shown in the following condensed statement of net position. Of this amount, \$3,281,673 is unrestricted and available to meet the Town's ongoing financial obligations.

By far the largest portion of net position is the net investment in capital assets of \$20,337,496 (67.38% of total net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

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

The following table summarizes the Town's governmental and business-type net position as of December 31, 2012 and 2011:

TOWN OF BAYFIELD, COLORADO Statement of Net Position

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

An additional portion of net position, \$6,565,748 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,281,673 (10% of total net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

The cost of all Governmental activities this year was \$2,461,774 as shown in the Changes in Net Position statement below. \$211,359 of this cost was paid for by those who directly benefited from the programs. \$411,329 was subsidized by grants or contributions received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$622,688. General taxes and investment earnings totaled \$1,753,194.

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

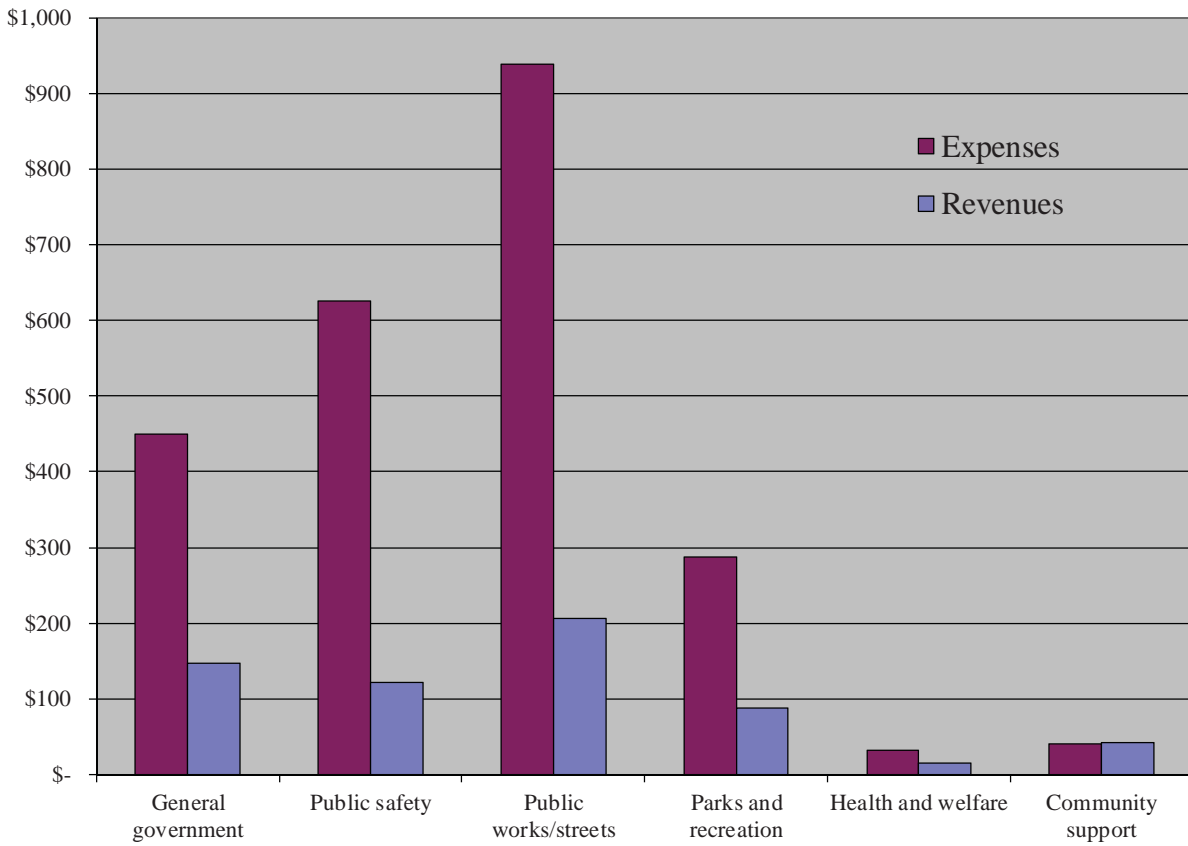
TOWN OF BAYFIELD, COLORADO Changes in Net Position

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

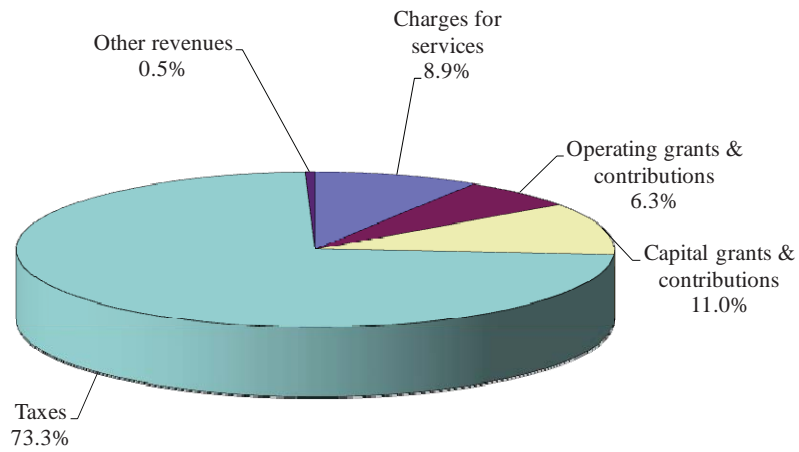
Total resources available during the year to finance governmental operations were \$22,695,779 consisting of net position at January 1, 2012 of \$20,319,897, program revenues of \$622,688, and General Revenues of \$1,753,194. Total Governmental Activities expenses during the year were \$2,461,774 and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

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



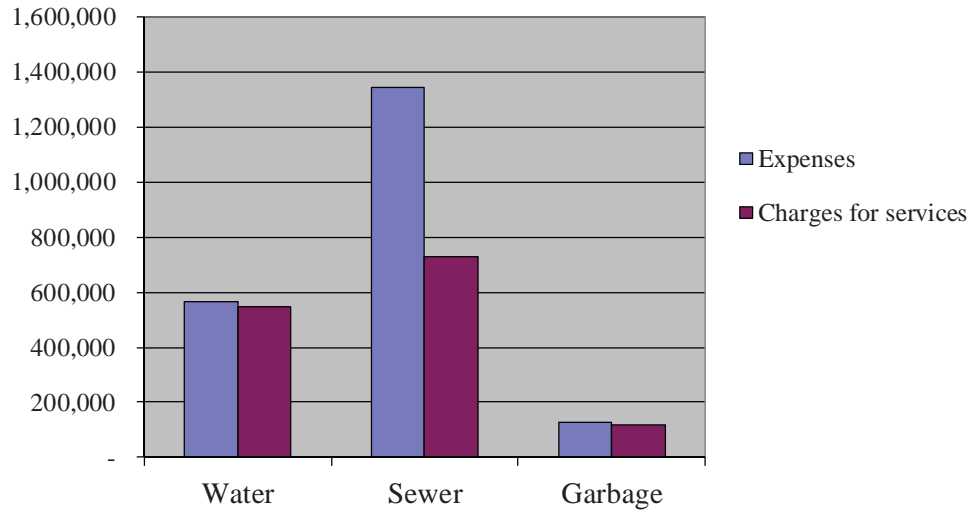
Revenue By Source - Governmental Activities



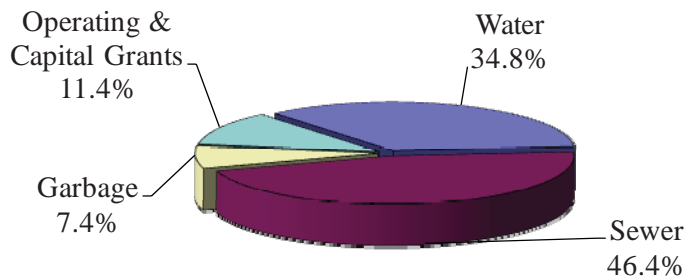
Business Type Activities

Net position of the Business Type activities at December 31, 2012, as reflected in the Statement of Net Position was \$9.94 million. The cost of providing all Proprietary (Business Type) activities this year was \$2,036,924. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1,392,035 and there was \$179,458 subsidized by capital grants and contributions. Investment earnings and other revenues were \$13,937. Transfers to governmental activities totaled \$8,121. The Net Position decreased by \$459,615. The following graphs compare the total business-type activity expenses by service to the charges for those services and the graph at the bottom of the page provides a breakdown of the total revenues for business-type activities.

Expenses and Charges for Services - Business-type Activities



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,810,383, a decrease of \$69,151 in comparison with the prior year. Approximately 8.71% (\$680,320) constitutes unassigned fund balance, which is available for spending at the government's discretion.

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

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

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

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

The Transportation fund was a new fund created in 2011 to account for maintenance incentive revenues received from the Colorado Department of Transportation in connection with the transfer of US Highway 160B, now called the Bayfield Parkway, to the Town of Bayfield. The Town expended \$198,728 for street related equipment for Bayfield Parkway during 2012.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and changes in net position for the year-ended December 31, 2012 for the Town's three enterprise funds (Water, Sewer, and Garbage) are as follows:

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

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

Budgetary Highlights

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of 2012, net capital assets of the government activities totaled \$13.62 million and the net capital assets of the business-type activities were \$13.35 million. The most significant governmental capital additions were for a plow truck, and the SCAN project. There were no significant business-type capital additions during the year. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the Town had \$2,082,889 in governmental type debt, and \$4,595,539 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$242,257. (See note 7 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

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

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

TOWN OF BAYFIELD, COLORADO
Statement of Activities
For the Year Ended December 31, 2012

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

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

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

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

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

TOWN OF BAYFIELD, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2012

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

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

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

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

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

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

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

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

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

TOWN OF BAYFIELD, COLORADO
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2012

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

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

TOWN OF BAYFIELD, COLORADO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2012

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

Net change in fund balances - total governmental funds		\$ (69,151)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay		505,183
Depreciation expense		<u>(746,012)</u>
		(240,829)
<p>Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		310,126
<p>Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
<p>Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		
		5,067
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		2,002
<p>Deferred revenues in the governmental funds were recognized as revenues in the statement of activities in previous years.</p>		
		(84,986)
		<hr/>
Change in net position of governmental activities		<u><u>\$ (77,771)</u></u>

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

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

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

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

TOWN OF BAYFIELD, COLORADO
Statement Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

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

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

TOWN OF BAYFIELD, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
Cash flows from operating activities:				
Cash received from customers, service fees	\$ 550,140	\$ 727,907	\$ 116,880	\$ 1,394,927
Cash paid to suppliers	(222,317)	(122,838)	(101,293)	(446,448)
Cash paid to employees	(147,436)	(248,537)	(15,622)	(411,595)
Net cash flows from operating activities	<u>180,387</u>	<u>356,532</u>	<u>(35)</u>	<u>536,884</u>
Cash flows from noncapital financing activities:				
Repayment of interfund loan	(20,000)	-	-	(20,000)
Interfund loan	-	475,038	-	475,038
Transfers from/(to) other funds	(11,085)	2,964	-	(8,121)
Net cash flows from noncapital financing activities	<u>(31,085)</u>	<u>478,002</u>	<u>-</u>	<u>446,917</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(23,108)	-	-	(23,108)
Principal paid on long-term debt	(33,359)	(200,000)	-	(233,359)
Interest paid	(12,613)	(165,958)	-	(178,571)
Decommissioning costs	-	(482,413)	-	(482,413)
Connection and tap fees	143,303	98,190	-	241,493
Net cash flows from capital and related financing activities	<u>74,223</u>	<u>(750,181)</u>	<u>-</u>	<u>(675,958)</u>
Cash flows from investing activities:				
Interest on investments	2,127	905	37	3,069
Net change in cash and cash equivalents	225,652	85,258	2	310,912
Cash and cash equivalents, including restricted cash beginning of year	<u>769,782</u>	<u>575,208</u>	<u>34,592</u>	<u>1,379,582</u>
Cash and cash equivalents, including restricted cash end of year	<u>\$ 995,434</u>	<u>\$ 660,466</u>	<u>\$ 34,594</u>	<u>\$ 1,690,494</u>
Reconciliation of operating income to net cash provided by operating activities:				
Net operating income (loss)	\$ (7,035)	\$ 34,865	\$ (11,735)	\$ 16,095
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation/amortization	160,020	307,273	2,715	470,008
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	3,733	(659)	(182)	2,892
(Increase)/decrease in inventory	12,415	2,242	-	14,657
Increase/(decrease) in payables	8,317	11,896	9,048	29,261
Increase/(decrease) in accrued liabilities & deposits	2,937	915	119	3,971
Net cash flows from operating activities	<u>\$ 180,387</u>	<u>\$ 356,532</u>	<u>\$ (35)</u>	<u>\$ 536,884</u>
Supplemental schedule of non-cash financing and investing activities:				
Bond premium amortization	\$ -	\$ 10,868	\$ -	\$ 10,868

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

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

Note 1. Summary of Significant Accounting Policies

General

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

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

Note 1. Summary of Significant Accounting Policies, Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies, Continued

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

The Town reports the following major proprietary funds:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services.

Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

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

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

Note 1. Summary of Significant Accounting Policies, Continued

Receivables and Payables

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

Property Taxes – Deferred Revenue

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

Inventories

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

Capital Assets

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

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

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

Note 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

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

Long-term Obligations

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

Net Position and Fund Equity

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies, Continued

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

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

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

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

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

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

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

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

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

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

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

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

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

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

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

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

Note 3. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Town Board. The Board by Resolution has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports as listed in the table of contents report those funds that exceeded approved budget appropriations. There were no individual funds that exceeded approved budget appropriations for the year ended December 31, 2012.

Tax, Spending and Debt Limitations

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

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

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

Debt Covenants

See the supplementary information listed on page 53 for compliance with debt covenants.

Note 4. Deposits and Investments

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

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

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

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk; however, the Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2012 cash on hand was \$1,109 and the carrying amount of the Town's deposits was \$6,316,489. As of December 31, 2012 the bank balance of the Town's deposits was \$6,314,021 of which \$250,000 was insured by federal depository insurance and \$6,064,021 was collateralized by the PDPA as noted above.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The Town's investment policy follows Colorado statutes. At December 31, 2012 the Town's investments included certificates of deposit and funds held in the Colorado Government Liquid Asset Trust (COLOTRUST).

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

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

As of December 31, 2012 the Town had \$1,406,472 invested in the COLOTRUST with a fair market value of \$1,406,472 and maturities of less than one year. The COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

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

Note 4. Deposits and Investments, Continued

Interest rate risk

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

Credit risk

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

Note 5. Restricted Assets

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

The special improvement district receivable of \$943,721 is reported as a restricted asset in the government-wide statement of net position. This receivable is associated with the special assessment bonds described in the long-term debt footnote.

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

Note 6. Capital Assets

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

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

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

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

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

Note 6. Capital Assets, Continued

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

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

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

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

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

Note 7. Long-Term Debt

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

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

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

Governmental Activities:

Special assessment debt:

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

\$ 820,000

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

Note 7. Long-Term Debt, Continued

Business-Type Activities:

Loans payable:

Loan payable to Colorado Water Resources and Power Development Authority Drinking Water Revolving Fund, secured by net system revenue, bearing interest at 4.5%, due in quarterly principal and interest installments of \$6,819, maturing September 1, 2016.	\$ 93,772
Energy and Mineral Impact Assistance loan payable to the Colorado Department of Local Affairs, bearing interest at 5%, due in annual principal and interest payments of \$18,697, maturing September 1, 2022.	144,370
Loan payable to Colorado Water Resources and Power Development Authority, secured by system property and net revenue, bearing interest from 2 to 3%, due in semi-annual principal, interest and fee installments ranging from \$23,367 to \$183,806, maturing August 1, 2028. The loan proceeds and obligations under the loan agreement were transferred to the Town on January 1, 2008 under the dissolution agreement of the Bayfield Sanitation District.	4,185,000
	\$ 4,423,142
Total Loans Payable	\$ 5,243,142

Debt service requirements to maturity are as follows:

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

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

Note 8. Capital Leases Payable

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

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

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

A summary of assets acquired through capital leases follows:

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

Note 9. Interfund Receivables, Payables and Transfers

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

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

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

Note 9. Interfund Receivables, Payables and Transfers, Continued

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

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

During the year ended December 31, 2012, the General Fund loaned the Sewer Fund \$475,038 to finance decommissioning costs. The loan has a 2% interest rate payable in 20 annual installments of \$28,838.

Interfund transfers for the year ended December 31, 2012 were as follows:

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

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

Note 10. Pension Plans

Public Employees' Retirement Association

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

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

Note 10. Pension Plans, Continued

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

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

PERA's funding policy also requires contributions by the Town of 13.7% of the participants' salaries. These contributions are credited to the participant's division for the purpose of creating actuarial reserves so each employee's benefits will be fully provided for upon retirement. The contribution for the year ended December 31, 2012 was \$130,608 which consisted of \$82,458 from the Town and \$48,150 from employees. PERA issues publicly available report which includes financial statements and required supplementary information. This report can be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA.

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

Fire and Police Pension Association of Colorado

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

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

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

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

Note 10. Pension Plans, Continued

The funding policy also requires contributions by the Town of 8% of the participants' salaries. These contributions are credited to the participant's division for the purpose of creating actuarial reserves so each employee's benefits will be fully provided for upon retirement. Contributions to the plan for the year ended December 31, 2012 and the preceding two years were as follows:

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

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

Note 11. Risk Management

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

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

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

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

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

Note 11. Risk Management, Continued

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

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

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

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

Note 12. Garbage Disposal Contract

The Town has a 5 year contract, which was renewed in 2007 for garbage disposal with a third party contractor. Under terms of the agreement the Town remits 95% of billed refuse collections fees to the contracting party, with the Garbage Fund retaining 5% of the fees as service revenue. The activity under this contract is reflected in the Garbage Fund.

Note 13. Related Parties

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

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TOWN OF BAYFIELD, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

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

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

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

(continued)

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

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

(continued)

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

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

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

Major Capital Project Funds

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

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

Major Debt Service Fund

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

Nonmajor Special Revenue Fund

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

Major and Nonmajor Enterprise Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2012, the Town appears to be in compliance with all covenants and restrictions as set forth in Exhibit F, Additional Covenants and Requirements. See note 7 for details on the loan. The following are additional disclosures required by the loan agreement.

- **Rate Covenant:** The Town is required to maintain rates and fees at levels that will generate enough revenue to cover operating expenses and annual debt service at 1.10 times. The December 31, 2012 calculation for the rate covenant is as follows:

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

- **Operations and Maintenance Reserve Fund Covenant:** The Town is required to maintain reserves equal to three months of operation and maintenance expenses of the system. The reserve fund is reported as restricted on the Statement of Net Position – Proprietary Funds. The December 31, 2012 reserve calculation is as follows:

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

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SUPPLEMENTARY INFORMATION
LOCAL HIGHWAY FINANCE REPORT

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

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Bayfield, CO
	YEAR ENDING : December 2012
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

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	62,634
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	339,939
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	87,920	b. Snow and ice removal	11,662
3. Other local imposts (from page 2)	0	c. Other	17,911
4. Miscellaneous local receipts (from page 2)	12,433	d. Total (a. through c.)	29,573
5. Transfers from toll facilities		4. General administration & miscellaneous	0
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	432,146
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	100,353	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	86,122	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	186,475	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	432,146

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

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

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2012

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	0	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	0	h. Other - Road and Bridge	12,433
c. Total (a. + b.)	0	i. Total (a. through h.)	12,433
	(Carry forward to page 1)		(Carry forward to page 1)

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

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

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

Notes and Comments:

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MEMBERS:

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

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

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

The Honorable Mayor and Board
Town of Bayfield, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town of Bayfield, Colorado's basic financial statements and have issued our report thereon dated May 10, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the findings and recommendations letter dated May 10, 2013 to be a significant deficiency:

10-1 Accounting Adjustments

Compliance and Other Matters

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

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

Purpose of this Report

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



HintonBurdick, PLLC
St. George, Utah
May 10, 2013