

TOWN OF BAYFIELD, COLORADO

REPORT OF EXAMINATION AND
FINANCIAL STATEMENTS

DECEMBER 31, 2008

TOWN OF BAYFIELD, COLORADO
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INDEPENDENT AUDITORS' REPORT

The Mayor and Board of Trustees
Town of Bayfield
Bayfield, Colorado 81122

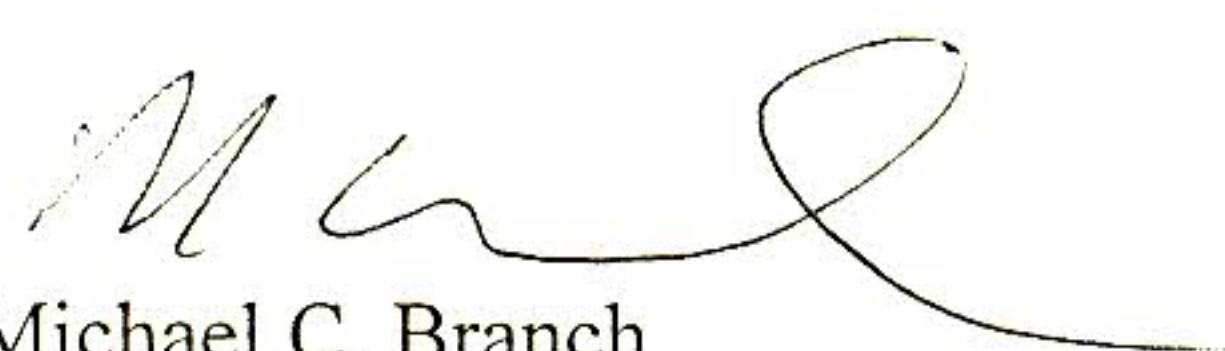
I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado as of and for the year ended December 31, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit a reasonable basis for our opinions.

In my 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis beginning on page 2 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Local Highway Finance Report, the combining nonmajor fund financial statements, and the budgetary comparison schedules for the Building Fund, Conservation Trust Fund, Debt Service Fund, Water Fund and Garbage Fund are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Michael C. Branch
Certified Public Accountant
February 12, 2009

Management's Discussion and Analysis

TOWN OF BAYFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Town of Bayfield's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year, which ended December 31, 2008. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

2008 was a very active year for Bayfield Town Government. In 2008, expenditures reflect a capital program that saw the completion of 250,000 water storage tank, a \$3.6 million Town Hall, a \$1.5 million senior center and the start of a \$7.6 million wastewater facility.

Staff levels remained the same in 2008 compared to 2007 with the exception of some additional seasonal help in the Parks and Recreation Department.

2008 marked the first year of ownership and operation of the now defunct Bayfield Sanitation District. The sanitation system includes the Bayfield Wastewater Treatment Facility and the Gem Village Wastewater Treatment Facility.

Services offered to residents were similar in 2008 to those offered in 2007 with the exception of the additional sanitation services. Standard services include public safety, public works, parks and recreation, water, sewer and general government.

2009 will conclude a three to four year program of aggressive capital campaigns. In 2009 the Town will see the completion of a new Wastewater Treatment Facility, a new recycling drop off facility (deferred from 2008) and additional improvements to Joe Stephenson Park. Anticipating the conclusion of the capital campaign, the Town Board has adopted a new Capital Investment Plan. Currently this plan includes a vehicle replacement and investment schedule that insures funds are available for all vehicle replacement. The Capital Investment Plan will also be used for other multi-year investment needs.

The Town has been very successful acquiring grants and other financial participation for the many capital projects completed in 2008. Overall the Town has acquired more than \$5 million in grants and local contributions toward the major capital projects referenced above. The Town has also taken on significant debt included \$2.2 million over 10 years for the town hall and \$5 million over 20 years for the wastewater treatment facility. Financial strategies have been put in place to manage debt load and ensure that funds are available to pursue other important projects.

2008 marked a continued slow down in growth for Bayfield. This slow down was observed in the number of building permits issued as well as impact fee revenue and general sales tax collection. Sales tax did increase 9% compared to 2007. In 2009 we are anticipating flat sales tax collection and moderate building activity.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts — *management's discussion and analysis* (this section), and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the Town's:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's overall financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Town's operations in more detail than the government-wide statements.

The governmental funds statements tell how *general government* services were financed in the *short term* as well as what remains for future spending. Governmental funds include the General and Conservation Trust Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Town-wide Statements

The Town-wide statements report information about the Town as a whole using accounting methods similar to those used by private companies. The statement of net assets includes all of the Town's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Town-wide statements report the Town's net assets and how they have changed. Net assets, the difference between the Town's assets and liabilities are one way to measure the Town's financial health or *position*.

Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the Town, one needs to consider additional non-financial factors such as changes in the Town's tax base, and the condition of the Town buildings along with major capital improvements.

The Town-wide financial statements of the Town include all of the *Governmental activities*. Most of the Town's basic services are included here. Sales taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant *fund* — not the Town as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law and by bond covenants.

The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Town has the following funds:

Governmental funds — All of the Town's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Total net assets increased by \$2,750,966. Cash decreased \$4,279,784 because of the three major construction projects

The Town's total governmental revenues were \$3,757,860. Over 36% the Town's revenues came from sales taxes.

Governmental Activities

Property tax revenues increased about 14% from the previous year due to increased assessed valuation.

General Fund Budgetary Highlights

Actual expenditures (including reserves) were \$127,368 below budget amounts. Actual revenues received exceeded budgeted amounts.

CAPITAL ASSETS

At the end of 2008, the Town had invested in a broad range of capital assets, including land, equipment and buildings.

(See table on following page)

Town's Capital Assets

Land	\$ 746,600
Buildings	5,962,659
Infra structure	4,858,624
Equipment	390,070
Water System	5,192,268
Sewer System	<u>6,337,619</u>
Total	23,487,840
Less Accumulated Depreciation	(2,821,910)
Net Capital Assets	\$20,665,930

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's Management.

Basic Financial Statements

TOWN OF BAYFIELD
Statement of Net Assets
December 31, 2008

	Governmental Activities	Primary Government Business-Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 2,675,121	\$ 3,813,159	\$ 6,488,280
Cash held by treasurer	948		948
Receivables	482,042	56,306	538,348
Due from other funds	173,000		173,000
Total current assets	3,331,111	3,869,465	7,200,576
Capital Assets (net of depreciation)	11,317,165	9,348,136	20,665,301
Total Assets	\$ 14,648,276	\$ 13,217,601	\$ 27,865,877
LIABILITIES			
Accounts and other payables	\$ 966,240	\$ 231,216	\$ 1,197,456
Due other funds		152,000	152,000
Deferred revenue	240,482		240,482
Current portion of debt	186,744	34,053	220,797
Total Current Liabilities	1,393,466	417,269	1,810,735
Bond Premium		202,745	202,745
Long term debt	1,834,639	5,103,781	6,938,420
Total Liabilities	3,228,105	5,723,795	8,951,900
NET ASSETS			
Investment in capital assets, net of related debt	9,295,782	6,784,617	16,080,399
Restricted for emergencies	39,868		39,868
Reserved for debt service	52,283		52,283
Designated for capital projects	1,195,534		1,195,534
Unrestricted	836,704	709,189	1,545,893
Total Net Assets	\$ 11,420,171	\$ 7,493,806	\$ 18,913,977

See accompanying notes

TOWN OF BAYFIELD
Statement of Activities
For the Year Ended December 31, 2008

Functions/Programs	Program Revenues		Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Governmental Activities	Business- Type Activities	Total
Governmental Activities:					
General Government	\$ 850,183	\$ 104,919	\$ (745,264)	\$	\$ (745,264)
Public safety	472,567		(472,567)		(472,567)
Public works	151,562		(151,562)		(151,562)
Parks and Recreation	262,245	57,363	(204,882)		(204,882)
Total	1,736,557	162,282	(1,574,275)		(1,574,275)
Business-type Activities:					
Enterprise funds	987,480	1,064,928		77,448	77,448
Total	987,480	1,064,928		77,448	77,448
Governmental and Business- Type Activities Totals	\$ 2,724,037	\$ 1,227,210	\$ (1,574,275)	\$ 77,448	\$ (1,496,827)
General revenues:					
Taxes			1,830,214		1,830,214
Intergovernmental			136,595	631,926	768,521
Grants			1,310,952		1,310,952
Interest expense			(170,925)	(136,102)	(307,027)
Tap fees				322,541	322,541
Interest and Other			317,818	4,775	322,593
Total General Revenues			3,424,654	823,140	4,247,794
Changes in net assets			1,850,378	900,588	2,750,966
Net assets, Jan. 1, 2008			9,569,793	6,593,218	16,163,011
Net assets, Dec. 31, 2008	\$	\$	\$ 11,420,171	\$ 7,493,806	\$ 18,913,977

See accompanying notes

TOWN OF BAYFIELD, COLORADO

Balance Sheet

Governmental Funds

December 31, 2008

ASSETS:	General	Capital Projects	Other	Totals 2007
Cash deposits	\$ 1,645,259	\$ 965,807	\$ 64,055	\$ 2,675,121
Cash with treasurer	948			948
Property taxes receivable	240,482			240,482
Receivables	123,940	80,620	37,000	241,560
Due from other funds		173,000		173,000
TOTAL ASSETS	\$ 2,010,629	\$ 1,219,427	\$ 101,055	\$ 3,331,111
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable	\$ 887,533	\$ 23,893		\$ 911,426
Accrued expenses	51,118		3,696	54,814
Deferred revenue	240,482			240,482
TOTAL LIABILITIES	1,179,133	23,893	3,696	1,206,722
FUND BALANCE:				
Designated reserve for capital projects		1,195,534		1,195,534
Reserved for debt service			52,283	52,283
Reserved for emergencies	39,868			39,868
Undesignated for future expenditures	791,628		45,076	836,704
TOTAL FUND EQUITY	831,496	1,195,534	97,359	2,124,389
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,010,629	\$ 1,219,427	\$ 101,055	\$ 3,331,111

See accompanying notes

TOWN OF BAYFIELD
Reconciliation of The Governmental Funds Balance Sheet to
The Statement of Net Assets
For the Year Ended December 31, 2008

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

Total fund balance - governmental funds	\$ 2,124,389
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is	\$ 11,957,953	
Accumulated depreciation is	<u>(640,788)</u>	
		11,317,165

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consists of:

Bonds	<u>(2,021,383)</u>
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Total net assets - governmental activities	\$ <u>11,420,171</u>
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See accompanying notes

TOWN OF BAYFIELD, COLORADO
Statement of Revenues, Expenditures and
Change in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	Governmental Funds			Total Governmental Funds
	General	Capital Projects	Other	
REVENUES:				
Taxes	\$ 1,085,236	\$ 549,389	\$ 195,589	\$ 1,830,214
Licenses and Permits	94,215			94,215
Intergovernmental	136,595	1,243,952	67,000	1,447,547
Charges for Services	10,704		57,363	68,067
Fines and Forfeits				
Miscellaneous and Interest	215,442	100,630	1,745	317,817
 TOTAL REVENUE	 1,542,192	 1,893,971	 321,697	 3,757,860
EXPENDITURES:				
Current				
General Government	686,248	8,374	1,575	696,197
Public Safety	472,567			472,567
Public Works	151,562			151,562
Culture, Recreation and Conservation	18,563		243,682	262,245
Debt Service		278,717	170,825	449,542
Capital Outlay		4,405,320	132,748	4,538,068
 TOTAL EXPENDITURES	 1,328,940	 4,692,411	 548,830	 6,570,181
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	 213,252	 (2,798,440)	 (227,133)	 (2,812,321)
OTHER FINANCING SOURCES (USES):				
Transfers from Other Funds		21,000	145,000	166,000
Transfers to Other Funds	(90,000)	(55,000)		(145,000)
TOTAL OTHER FINANCING SOURCES (USES)	(90,000)	(34,000)	145,000	21,000
 EXCESS (DEFICIT) OF REVENUE AND OTHER SOURCES	 123,252	 (2,832,440)	 (82,133)	 (2,791,321)
 FUND BALANCE, JANUARY 1	 708,244	 4,027,974	 179,492	 4,915,710
 FUND BALANCE, DECEMBER 31	 \$ 831,496	 \$ 1,195,534	 97,359	 \$ 2,124,389

See accompanying notes

TOWN OF BAYFIELD
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, 2008

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

Net change in fund balances – total government funds	\$ (2,791,321)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	4,384,082
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	<u>257,617</u>
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Change in net assets of governmental activities	<u>\$ 1,850,378</u>
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TOWN OF BAYFIELD, COLORADO
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
REVENUES:	Original	Final	Actual	
Taxes	\$ 962,822	\$ 962,822	\$ 1,085,236	\$ 122,414
Licenses and Permits	68,800	68,800	94,215	25,415
Intergovernmental	97,300	97,300	136,595	39,295
Charges for Services	11,100	11,100	10,704	(396)
Fines and Forfeits				
Miscellaneous	147,650	147,650	215,442	67,792
Total Revenues	1,287,672	1,287,672	1,542,192	254,520
EXPENDITURES:				
Current				
General Government	658,149	658,149	686,248	(28,099)
Public Safety	487,103	487,103	472,567	14,536
Public Works	403,393	403,393	151,562	251,831
Culture, Recreation and Conservation	23,063	23,063	18,563	4,500
Total Expenditures	1,571,708	1,571,708	1,328,940	242,768
Excess of revenues over (under) expenditures	(284,036)	(284,036)	213,252	497,288
Other Financing Sources (Uses):				
Transfers to Other Funds	(90,000)	(90,000)	(90,000)	
Total Other Financing Sources (Uses)	(90,000)	(90,000)	(90,000)	
Excess (Deficit) of Revenue and Other Sources Over Expenditures and Other Uses	(374,036)	(374,036)	123,252	497,288
Fund Balance, January 1	708,244	708,244	708,244	
Fund Balance, December 31	\$ 334,208	\$ 334,208	\$ 831,496	\$ 497,288

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
REVENUES:	Original	Final	Actual	
Taxes	\$ 476,615	\$ 476,615	\$ 549,389	\$ 72,774
Grants	1,500,000	1,500,000	1,243,952	(256,048)
Miscellaneous	65,000	65,000	100,630	35,630
Total Revenues	2,041,615	2,041,615	1,893,971	(147,644)
EXPENDITURES:				
Current				
Capital Outlay	4,806,000	4,806,000	4,405,320	400,680
Administration	-	-	8,374	(8,374)
Debt Service	279,000	279,000	278,717	283
Total Expenditures	5,085,000	5,085,000	4,692,411	392,589
Excess of revenues over (under) expenditures	(3,043,385)	(3,043,385)	(2,798,440)	244,945
Other Financing Sources (Uses):				
Loan Proceeds	41,000	41,000	21,000	(20,000)
Transfers to Other Funds	(125,000)	(125,000)	(55,000)	70,000
Total Other Financing Sources (Uses)	(84,000)	(84,000)	(34,000)	50,000
Excess (Deficit) of Revenue and Other Sources Over Expenditures and Other Uses	(3,127,385)	(3,127,385)	(2,832,440)	294,945
Fund Balance, January 1	4,027,974	4,027,974	4,027,974	
Fund Balance, December 31	\$ 900,589	\$ 900,589	\$ 1,195,534	\$ 294,945

See accompanying notes

TOWN OF BAYFIELD, COLORADO

Proprietary Funds

Statement of Net Assets

December 31, 2008

	Business-Type Activities Enterprise Funds			Totals
	Water Fund	Sewer Fund	Garbage Fund	
ASSETS:				
Cash	\$ 313,777	\$ 3,468,539	\$ 30,843	\$ 3,813,159
Accounts Receivable	39,678	6,444	10,184	56,306
Property and Equipment (Net)	4,138,073	5,210,063		9,348,136
 TOTAL ASSETS	 \$ 4,491,528	 \$ 8,685,046	 \$ 41,027	 \$ 13,217,601
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Payables and Accrued Expenses	\$ 64,042	\$ 167,174		\$ 231,216
Due to Other Funds	152,000			152,000
Bonds Payable	362,834	4,775,000		5,137,834
Bond Premium		202,745		202,745
 TOTAL LIABILITIES	 578,876	 5,144,919		 5,723,795
NET ASSETS				
Invested in Net Assets, Net of related costs	3,775,239	3,009,378		6,784,617
Unrestricted	137,413	530,749	41,027	709,189
 TOTAL NET ASSETS	 \$ 3,912,652	 \$ 3,540,127	 \$ 41,027	 \$ 7,493,806

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Proprietary Funds
Statement of Revenue
Expenses and Changes in Net Assets
December 31, 2008

	Business-Type Activities Enterprise Fund			
	Water Fund	Sewer Fund	Garbage Fund	Totals
OPERATING REVENUE:				
Sales	\$ 443,326	\$ 493,870	\$ 103,194	\$ 1,040,390
Other	501	21,954	2,083	24,538
TOTAL OPERATING REVENUE	443,827	515,824	105,277	1,064,928
OPERATING EXPENSES:				
Water Production	404,522			404,522
Garbage			87,923	87,923
Sewer Treatment		306,356		306,356
Depreciation	110,540	73,401		183,941
Administrative and Wages			4,738	4,738
TOTAL OPERATING EXPENSES	515,062	379,757	92,661	987,480
OPERATING INCOME (LOSS)	(71,235)	136,067	12,616	77,448
NON-OPERATING REVENUE (EXPENSES):				
Interest Income	2,244	2,531		4,775
Interest Expense	(18,227)	(117,875)		(136,102)
Tap Fees	122,241	200,300		322,541
Grants	320,223	311,703		631,926
Total Non-Operating Revenue and Expenses	426,481	396,659		823,140
Change in Net Assets	355,246	532,726	12,616	900,588
Net Assets - Beginning of Year	3,557,406	3,007,401	28,411	6,593,218
Net Assets - End of Year	\$ 3,912,652	\$ 3,540,127	\$ 41,027	\$ 7,493,806

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2008

	Business-type Activities Enterprise Fund			
	Water Fund	Sewer Fund	Garbage Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 443,625	\$ 509,380	\$ 104,316	\$ 1,057,321
Cash Paid for Expenses	(409,671)	(306,356)	(92,661)	(808,688)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	33,954	203,024	11,655	248,633
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payment of Interest on Revenue Bonds	(18,227)	(117,875)		(136,102)
Net Change in Loans	(48,746)	(5,000)		(53,746)
Tap Fees	122,241	200,300		322,541
Grants	320,223	311,703		631,926
Purchase of Fixed Assets	(610,028)	(2,698,308)		(3,308,336)
CASH FLOWS FROM (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(234,537)	(2,309,180)		(2,543,717)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received on Cash Deposits	2,244	2,531		4,775
CASH FLOWS FROM INVESTING ACTIVITIES	2,244	2,531		4,775
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(198,339)	(2,103,625)	11,655	(2,290,309)
CASH AND CASH EQUIVALENTS:				
Beginning of Year	512,116	5,572,164	19,188	6,103,468
End of Year	\$ 313,777	\$ 3,468,539	\$ 30,843	\$ 3,813,159

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2008

(continued)

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Totals</u>
Operating Income (Loss)	\$ (71,235)	\$ 136,067	\$ 12,616	\$ 77,448
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	110,540	73,401		183,941
Increase in Accounts Payable	(5,149)			(5,149)
(Increase) Decrease in Accounts Receivable	<u>(202)</u>	<u>(6,444)</u>	<u>(961)</u>	<u>(7,607)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>33,954</u>	\$ <u>203,024</u>	\$ <u>11,655</u>	\$ <u>248,633</u>

See accompanying notes

Notes to Financial Statement

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Bayfield, Colorado operates under the statutes governing municipalities of the State of Colorado. The Town operates under a Board form of government and provides the following services as authorized by State statutes: highway and streets, culture-recreation, public improvements, public safety (police), planning and zoning and general administrative services.

The accounting policies of the Town of Bayfield, Colorado conform to generally accepted accounting principles. The following is a summary of such significant policies:

Principles Determining Scope of Reporting Entity

The Town's combined financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

the organization is legally separate; the Town holds the corporate powers of the organization; the Town appoints a voting majority of the organization's board; the Town is able to impose its will on the organization; the organization has the potential to impose a financial benefit/burden on the Town; there is fiscal dependency by the organization on the Town. Based on the aforementioned criteria, the Town of Bayfield has no component units.

Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The report the following major funds:

General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town except those required legally or by sound financial management to be accounted for in another fund.

Capital Projects Fund is used to account for acquisition or construction of major capital facilities (other than those belonging to enterprise funds).

The Town reports the following major proprietary funds.

Water Fund accounts for all financial activities associated with the Town's water system.

Fiduciary Funds – There were no fiduciary funds.

Garbage Fund accounts for garbage collection.

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentations

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurements focus and the accrual basis of accounting, as are the proprietary fund 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of Interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 District has elected not to follow subsequent private-sector guidance.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

All governmental fund types used the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property and specific ownership taxes are reported as receivables and deferred revenue when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain sick and retirement pay which are accounted for as expenditures when expected to be liquidated with expendable financial resources.

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentations
(continued)

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

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.

Budgets and Budgetary Accounting

The Town Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) In accordance with the State statutes, prior to September 1, the Town Clerk 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 department head function level.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Prior to December 31, the budget is legally adopted through passage of a resolution.
- (4) The Town Clerk is required to present a monthly report to the Town Board explaining any variance from the approved budget.
- (5) Formal budgetary integration is employed as a management control device during the year for all funds of the Town of Bayfield.
- (6) Budgets for the General, Debt Service, Capital Projects, Special Revenue Funds and Fiduciary Funds are adopted on a basis consistent with generally accepted accounting principles (GAPP).
- (7) Colorado state statutes require the adoption of a budget for proprietary funds. The budgets for Water Enterprise Fund and Garbage Enterprise Fund are prepared essentially on the modified accrual basis of accounting. This basis of accounting is at variance with generally accepted accounting principles for proprietary fund types.
- (8) Appropriations lapse at the end of each calendar year.
- (9) The Town Board may authorize supplemental appropriations during the year.

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Ventures

The Town of Bayfield participates in special purpose joint ventures, which are not part of the Town's reporting entity.

Colorado Intergovernmental Risk-Sharing Agency

The Town of Bayfield is one of 98 local governments, which are members of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is an organization created in 1982 by an intergovernmental agreement solely to provide property and casualty coverage to its members. Coverage is provided through pooling of self-insured losses and the purchase of stop-loss insurance coverage. In 1987, CIRSA/WC was formed as a separate pool by intergovernmental agreement to provide coverage to its members under the Colorado Workmen's Compensation Act. Both CIRSA and CIRSA/WC are governed by a seven-member board elected by and from its members. The governing board is autonomous as to budgeting and fiscal matters.

Restricted Assets

These assets consist of cash and short-term investments restricted for Sales Tax Revenue Bond Debt Service, Water Plant Investment Reserves and the Tabor Reserve.

Reserves

The Town records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use.

Following is a list of all reserve accounts used by the Town and a description of each:

Reserved for Bond Debt Service - An account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of long-term debt principal and interest amounts maturing in future years.

Reserved for Emergencies - In compliance with the Tabor Amendment to the Constitution of the State of Colorado, General Fund equity is reserved for future emergencies.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and are due and payable February 28 and July 31. All unpaid taxes levied January become delinquent on August 1. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Property taxes levied on December 31 are shown as receivable with an offsetting deferred revenue at December 31. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

Cash Deposits and Cash Equivalents

Cash deposits at December 31, 2008, consisted of certificates of deposit with banks and savings and loans and cash in demand deposit accounts. For purposes of the statements of cash flows, the Water and Garbage Funds consider all such highly liquid deposits with an original maturity of less than three months to be cash equivalents.

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between fund balances – total governmental funds and net assets – governmental activities as reported in government-wide statement of net assets. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the governmental fund statements during the consolidation of governmental activities.

NOTE (3) CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

The Town's property, plant equipment and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component unit's financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalized assets with cost of one thousand or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets including those of component units are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives in years, for depreciable assets are as follows:

Buildings	50
Improvements, other than buildings	2 - 50
Mobile equipment	5 - 30
Furniture, machinery, and equipment	5 - 30

TOWN OF BAYFIELD, COLORADO

Notes to Financial Statements

December 31, 2008

NOTE (3) CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

Governmental Activities

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Non-depreciable Assets				
Land	\$ 746,600	\$	\$	\$ 746,600
Total Non-depreciable Assets				
Depreciable Assets				
Buildings	1,541,312	4,421,347		5,962,659
Equipment and vehicles	280,585	109,485		390,070
Infrastructure	4,851,388	7,236		4,858,624
Total Depreciable Assets	6,673,285	4,538,068		11,211,353
Less Accumulated Depreciation				
Buildings	(28,902)	(37,611)		(66,513)
Equipment and vehicles	(94,974)	(21,760)		(116,734)
Infrastructure	(362,926)	(94,615)		(457,541)
Total Accumulated Depreciation	(486,802)	(153,986)		(640,788)
Total Net Assets	\$ 6,933,083	\$ 4,384,082	\$	\$ 10,570,565

Business-type Activities

A summary of changes in enterprise fund, capitals assets is as follows:

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Water Fund				
Land	\$ 55,858	\$	\$	\$ 55,858
Building	9,250			9,250
Water System	4,472,995	610,028		5,083,023
Vehicles and Equipment	44,410			44,410
Total	4,582,513	610,028	0	5,192,541
Less Accumulated Depreciation	(943,626)	(110,540)		(1,054,166)
	\$ 3,638,887	\$ 499,488	\$	\$ 4,138,375

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (3) Capital Assets, Depreciation and Amortization (continued)

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Sewer Fund				
Land	\$ 47,908	\$	\$	\$ 47,908
Buildings and Equipment	224,643			224,643
Sewer System	3,258,868	2,805,600		6,064,468
Total Assets	\$ 3,531,419	\$ 2,805,600	\$	\$ 6,337,019
Accumulated Depreciation	(1,053,555)	(73,401)		(1,126,956)
Net Assets	\$ 2,477,864	\$ 2,732,199	\$	\$ 5,210,063

NOTE (4) CHANGES IN LONG - TERM DEBT

Loans consisted of the following at January 1, 2008

Enterprise Fund Debt

Loans

Changes in Long Term Debt:

	Beginning of Year	Additions	Deletions	End of Year
Water Resource Loan	\$ 196,416	\$ -	\$ 18,787	\$ 177,629
Energy Impact	194,064		8,994	185,070
	\$ 390,480	\$	\$ 27,781	\$ 362,699

On September 1, 1997, \$350,000 was borrowed from the Colorado Water Resources and Power Development Authority Drinking Water Revolving Fund. The note is payable over 20 years, \$6,819 quarterly, including interest at 4.5%. Balance at December 31, 2008 was \$196,416.

The annual requirements to amortize this debt as of December 31, 2008 is as follows:

	Principal	Interest	Remaining Balance
2009	\$ 19,610	\$ 7,665	\$ 158,019
2010	20,508	6,767	137,511
2011	21,446	5,829	116,065
2012	22,428	4,847	93,637
2013	23,454	3,821	70,183
2014-2016	70,183	11,642	
Total	\$ 177,629	\$ 40,571	\$

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (4) CHANGES IN LONG - TERM DEBT (continued)

The Water Fund owes the Capital Projects Fund \$84,000 payable up to \$21,000 annually with no interest.

On September 1, 2003, the town received an Energy Mineral Impact Assistance loan in the amount of \$233,000 payable at \$18,697 a year including interest at 5%.

The annual requirements to amortize this debt as of December 31, 2008 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Remaining Balance</u>
2009	\$ 9,443	\$ 9,254	\$ \$175,627
2010	9,915	8,781	\$165,712
2011	10,411	8,286	\$155,301
2012	10,931	7,765	\$144,370
2013	11,478	7,218	\$132,892
2014-2018	66,594	26,888	\$ 66,298
2019-2022	<u>66,298</u>	<u>8,489</u>	<u></u>
Total	\$ 185,070	\$ 76,681	\$

Payment Schedule

October 22	<u>Principal</u>	<u>Interest</u>	<u>Remaining Balance</u>
2009	\$ 186,744	\$ 91,973	\$ \$ 1,834,638
2010	195,241	83,476	\$ 1,639,397
2011	204,125	74,593	\$ 1,435,272
2012	213,413	65,305	\$ 1,221,860
2013	223,123	55,595	\$ 998,737
2014-2017	<u>998,737</u>	<u>116,132</u>	<u></u>
Total	\$ 2,021,383	\$ 487,074	\$

Loan from Colorado Water and Power Development Authority

On May 1, 2007, the Sanitation District received a \$4,780,000 loan from the Colorado Water Resources and Power Development Authority for the construction of a new wastewater treatment system. The loan proceeds and obligations under the loan agreement were transferred to the Town of Bayfield on January 1, 2008 under the dissolution agreement. The following schedule summarizes the principal, administrative and interest portions of payments due. the final payment is due August 1, 2028.

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (4) CHANGES IN LONG - TERM DEBT (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2009	\$ 5,000	\$ 139,474	\$ 38,240	\$ 182,714
2010	190,000	139,372	38,240	367,612
2011	195,000	133,621	38,240	366,861
2012	200,000	127,718	38,240	365,958
2013	205,000	121,663	38,240	364,903
2014-2018	1,125,000	511,295	191,200	1,827,495
2019-2023	1,305,000	330,268	191,200	1,826,468
2024-2028	1,550,000	122,618	148,180	1,820,798
	<u>\$ 4,775,000</u>	<u>\$ 1,626,029</u>	<u>\$ 721,780</u>	<u>\$ 7,122,809</u>

The loan was issued at a premium, which is to be amortized over the life of the debt. The premium amortization results in a decrease in interest expense reported by the District with each interest payment. The following schedule reflects the amortization schedule for the premium on the loan.

<u>Year</u>	<u>Beginning Balance</u>	<u>Amortization</u>	<u>Ending Balance</u>
2009	\$ 202,745	\$ 10,353	\$ 192,393
2010	192,392	10,353	182,039
2011	182,039	10,353	171,686
2012	171,686	10,353	161,333
2013-2017	161,333	51,765	109,568
2018-2022	150,980	51,765	57,805
2023-2027	57,805	54,765	6,039
2028	6,039	6,039	-

Amortization of the loan premium reduced interest capitalized by \$6,902 for 2007 and \$10,353 in 2008

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Sewer	\$ 0	\$ 4,780,000	\$ 5,000	\$ 4,775,000

General Fund Debt

Loan

Changes in Long-term Debt

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Special Reserve Bonds	\$ 1,285,000	\$ -	\$ 100,000	\$ 1,185,000

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

On April 1, 2001, the town of Bayfield issued \$1,700,000 in special revenue bonds payable solely from the assessments levied on the property within the District. These bonds are at an interest rate of 6.5% and are payable as follows:

<u>July 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Remaining Balance</u>
2009	\$ 75,000	\$ 69,025	\$ 1,110,000
2010	80,000	64,900	1,030,000
2011	85,000	60,500	945,000
2012	90,000	55,825	855,000
2013	95,000	50,875	760,000
2014-2018	560,000	170,235	200,000
2019-2020	<u>200,000</u>	<u>22,550</u>	
Total	\$ 1,185,000	\$ 493,910	

Capital Improvement Fund Capital Lease:

On October 22, 2007, the Town entered into a Capital lease with Wells Fargo for the construction of a new town hall. The principal was \$2,200,000. The term of lease is ten years, payable at \$278,717 a year including interest at 4.55%.

Changes in Capital Leases

<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
\$	\$ 2,200,000	\$ -	\$ 2,200,000

Payment Schedule

<u>October 22</u>	<u>Principal</u>	<u>Interest</u>	<u>Remaining Balance</u>
2009	\$ 186,744	\$ 91,973	\$ \$ 1,834,638
2010	195,241	83,476	\$ 1,639,397
2011	204,125	74,593	\$ 1,435,272
2012	213,413	65,305	\$ 1,221,860
2013	223,123	55,595	\$ 998,737
2014-2017	<u>998,737</u>	<u>116,132</u>	
Total	\$ 2,021,383	\$ 487,074	\$

NOTE (5) GARBAGE DISPOSAL CONTRACT

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

Notes to Financial Statements
December 31, 2008

NOTE (6) INTERFUND TRANSACTIONS

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary type fund's financial statements reflect such transactions as transfers, if they are budgeted for the purpose of shifting resources. Transactions resulting from services are recorded as revenue and expense (expenditures) between funds.

NOTE (7) PENSIONS PLANS

PERA - Defined Benefit Pension Plan

All of the Town of Bayfield's full-time and part-time employees, except for policemen, participate in the Public Employees Retirement Association of Colorado (the "Association"), a multiple-employer public employee retirement system. The payroll for employees covered by the Association for the year ended December 31, 2008 was \$633,626.

All Town full-time employees except for policemen are eligible to participate in the Association. 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 at 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 eight percent of their annual salary to the Association. 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.

The Association's funding policy also required contributions by the Town of ten percent 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, 2008 was \$126,092, which consisted of \$75,401 from the Town and \$50,690 from employees. PERA issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, 1300 Logan Street, Denver, Colorado 80203, or by calling 800-759-PERA.

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

Policemen Pension - Defined Benefit Pension Plan

All, Town of Bayfield's full-time policemen are eligible to participate in the Fire and Police Pension Association New Hire 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, 2008, was \$228,210.

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (7) PENSIONS PLANS (continued)

All Town full-time policemen are eligible to participate in the plan. 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 two 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 25 years. Benefits are established by State statute.

The Town and participant contributions are defined by State statute. Participants are required to contribute eight percent of their annual salary to the fund. Participants' contributions are fully refundable, with five percent interest, upon request at termination of employment from the Town. If participants have at least ten 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.

The Fund's funding policy also requires contributions by the Town of eight percent of the participants' salaries. These contributions are credited to the participants' division for the purpose of creating actuarial reserves so each employee's benefits will be fully provided for upon retirement. The contribution requirement for the year ended December 31, 2008 was \$31,181, which consisted of \$12,925 from the Town and \$18,257 from employees.

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

NOTE (8) CONTINGENCIES

The Town of Bayfield is self-insured for property and liability insurance. As discussed, the Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund, and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so.

The ultimate liability to the Town resulting from claims not covered by CIRSA is not presently determinable. Management and the Town's attorney are of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the Town's financial statements.

NOTE (9) DEPOSITS WITH FINANCIAL INSTITUTIONS

At December 31, 2008, the town had the following cash and investments:

Deposits	<u>\$6,488,280</u>
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Deposits

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 regulations. At December 31, 2008, the State regulatory commissioners had indicated that all financial institutions holding deposits for the Town are eligible public depositories.

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (9) DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 102% of the uninsured deposits. At December 31, 2008 the District had bank deposits of \$6,151,137 collateralized with securities held by the financial institutions' agents but not in the Town's name.

Cash and Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

NOTE (10) JOINT VENTURE

Condensed financial information for the joint venture in which the Town has an interest, is as follows:

Colorado Intergovernmental Risk Sharing Agency (CIRSA)

At December 31, 2007, CIRSA had assets of \$66,291,264, liabilities of \$32,691,419 and member's equity of \$33,599,845. The liability amount includes no long-term debt. Total revenue for 2008 amounted to \$26,490,950 and total expenses were \$18,997,029 resulting in an excess of revenues over expenses of \$7,493,921. The Town of Bayfield's share of these amounts is immaterial.

NOTE (11) COMPENSATED ABSENCES

Employees of the Town of Bayfield may accrue up to 40 hours of comp time, 192 hours of vacation and 720 hours of sick leave. Comp time and vacation are reimbursable upon termination or retirement. Sick leave is not reimbursable. At December 31, 2008, the Town had recorded current liabilities of \$54,814 representing such reimbursable amounts.

NOTE (12) COMPLIANCE WITH TABOR ACT

In May 1994, the Town held an election to exempt fees, sales tax, franchise and selective sales and use taxes and state grants and shared revenue from the Tabor Act of the State of Colorado. This initiative was passed by the electorate, effective January 1, 1993. Accordingly, such revenues were excluded from compliance tests with this statute. At December 31, 2008, management of the Town felt that the Town of Bayfield was in compliance with the Tabor Act.

NOTE (13) BUDGET LAW

The Town overspent their budget in the Garbage Fund.

TOWN OF BAYFIELD, COLORADO
Notes to Financial Statements
December 31, 2008

NOTE (14) TRANSFER OF ASSETS FROM SANITATION DISTRICT

The Town of Bayfield ("the Town") and the Bayfield Sanitation District (the District") agreed during 2007 that the District would effectively dissolve as of January 1, 2008. The effective dissolution of the District would be by the transfer of ownership rights of all of its assets and obligations to the Town. The transfer of assets began in December 2007. Liquid assets including cash in checking accounts or monies from bond proceeds and in temporary investments were liquidated in December 2007 and transferred by wire transfer to the Town.

In accordance with the dissolution agreement, the Town has continued to provide services to the residents of Bayfield, Gem Village and the final part of the District's service area known as Area B. The Town will continue to provide those services that the District has provided in the past.

SUPPLEMENTAL INFORMATION

TOWN OF BAYFIELD, COLORADO
Combining Balance Sheet - Other Governmental Funds
December 31, 2008

	<u>Building</u>	<u>Conservation Trust</u>	<u>Debt Service</u>	<u>Total</u>
Assets				
Cash deposits	\$ 20	\$ 11,752	\$ 52,283	\$ 64,055
Grants receivable		37,000		37,000
Total Assets	<u>\$ 20</u>	<u>\$ 48,752</u>	<u>52,283</u>	<u>\$ 101,055</u>
Liabilities and Fund Equity				
Liabilities				
Accrued expenses	\$	\$ 3,696	\$	\$ 3,696
Total Liabilities		<u>3,696</u>		<u>3,696</u>
Fund Balance				
Designated reserve for construction				
Reserved for debt service			52,283	52,283
Designated for future expenditures	20	45,056		45,076
Total Fund Equity	<u>20</u>	<u>45,056</u>	<u>52,283</u>	<u>97,359</u>
Total Liabilities and Fund Equity	<u>\$ 20</u>	<u>\$ 48,752</u>	<u>\$ 52,283</u>	<u>\$ 101,055</u>

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Other Governmental Funds
December 31, 2008

	Building	Conservation Trust	Debt Service	Total
Revenues				
Taxes and Lottery	\$	\$ 18,820	176,769	\$ 195,589
Grants		67,000		67,000
Charges for services		57,363		57,363
Miscellaneous		188	1,557	1,745
Total Revenue	0	143,371	178,326	321,697
Expenditures				
General government			1,575	1,575
Culture and recreation		243,682		243,682
Debt Service			170,825	170,825
Capital outlay		132,748		132,748
Total Expenditures		376,430	172,400	548,830
Excess (Deficit) of Revenues Over Expenditures	0	(233,059)	5,926	(227,133)
Other Financing Sources (Uses) Transfers in		145,000		145,000
Excess (Deficit) of Revenue and Other Sources		(88,059)	5,926	(82,133)
Fund Balance, January 1	20	133,115	46,357	179,492
Fund Balance December 31	\$ 20	\$ 45,056	\$ 52,283	\$ 97,359

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Building Fund
For Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
REVENUES:	Original	Final	Actual	
Miscellaneous	\$	\$	\$	\$
Total Revenues				
EXPENDITURES:				
Current				
Public Works				
Total Expenditures				
Excess of revenues over (under) expenditures				
Excess (Deficit) of Revenue and Other Sources Over Expenditures and Other Uses				
Fund Balance, January 1	20	20	20	-
Fund Balance, December 31	\$ 20	\$ 20	\$ 20	\$ 0

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Conservation Trust Fund
For Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
REVENUES:	Original	Final	Actual	
Lottery	\$ 16,500	\$ 16,500	\$ 18,820	\$ 2,320
Charges for Services	65,335	65,335	57,551	(7,784)
Grants	70,000	70,000	67,000	(3,000)
Total Revenues	151,835	151,835	143,371	(8,464)
EXPENDITURES:				
Capital Outlay	225,000	225,000	132,748	92,252
Culture, Recreation and Conservation	249,601	249,601	243,682	5,919
Total Expenditures	474,601	474,601	376,430	98,171
Excess of revenues over (under) expenditures	(322,766)	(322,766)	(233,059)	89,707
Other Financing Sources (Uses):				
Transfers from Other Funds	215,000	215,000	145,000	(70,000)
Total Other Financing Sources (Uses)	215,000	215,000	145,000	(70,000)
Excess (Deficit) of Revenue and Other Sources Over Expenditures and Other Uses	(107,766)	(107,766)	(88,059)	19,707
Fund Balance, January 1	133,115	133,115	133,115	-
Fund Balance, December 31	\$ 25,349	\$ 25,349	\$ 45,056	\$ 19,707

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Debt Service Fund
For Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
REVENUES:	Original	Final	Actual	
Taxes	\$ 160,000	\$ 160,000	\$ 176,769	\$ 16,769
Interest	5,000	5,000	1,557	(3,443)
Total Revenues	165,000	165,000	178,326	13,326
EXPENDITURES:				
General Government				
Principal payment	100,000	100,000	100,000	
Interest	76,175	76,175	70,825	5,350
Fees	1,700	1,700	1,575	125
Total Expenditures	177,875	177,875	172,400	5,475
Excess of revenues over (under) expenditures	(12,875)	(12,875)	5,926	18,801
Fund Balance, January 1	46,357	46,357	46,357	-
Fund Balance, December 31	\$ 33,482	\$ 33,482	\$ 52,283	\$ 18,801

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Statement of Revenue, Expenses and
Changes in Net Assets Budget and Actual (NON-GAAP)
Water Enterprise Fund
Year Ended December 31, 2008

	Sewer Enterprise			Variance- Favorable (Unfavorable)
	Budgeted Amounts			
	Original	Final	Actual	
Operating Revenue				
Sales	\$ 348,000	\$ 348,000	\$ 443,326	\$ 95,326
Other	1,000	1,000	501	(499)
Total Operating Revenue	349,000	349,000	443,827	94,827
Operating Expenditures				
Water Production	433,680	433,680	404,522	29,158
Administrative Expense and Salaries	433,680	433,680		
Capital Outlay	880,092	880,092	610,028	270,064
Total Operating Expenses	1,313,772	1,313,772	1,014,550	299,222
Excess (Deficiency) of Operating Revenue Over Operating Expenditures	(964,722)	(964,772)	(570,723)	(394,049)
Non-Operating Revenue (Expenses)				
Interest income	3,000	3,000	2,244	(756)
Tap Fees	145,000	145,000	122,241	(22,759)
Interest Expense	(30,696)	(30,696)	(18,227)	12,469
Grants	570,574	570,574	320,223	(250,351)
Total Non-Operating Revenue	687,878	687,878	426,481	(261,397)
Net Income	\$ (276,844)	\$ (276,894)	\$ (144,242)	\$ 132,652
ADJUSTMENTS				
Adjust to GAAP				
Capital Outlay			610,028	
Depreciation			(110,540)	
Excess of Revenue over Expenditures			\$ 355,246	

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Statement of Revenue, Expenses and
Changes in Net Assets Budget and Actual (NON-GAAP)
Garbage Enterprise Fund
Year Ended December 31, 2008

	Garbage Enterprise				
	Budgeted Amounts			Variance- Favorable (Unfavorable)	
	Original	Final	Actual		
Operating Revenue	\$ 96,000	\$ 96,000	\$ 105,219	\$	9,219
Operating Expenditures					
Contractual	86,520	86,520	87,923		(1,403)
Administrative Service	4,738	4,738	4,738		
Total Operating Expenses	91,258	91,258	92,661		(1,403)
Excess (Deficit) of Operating Revenues					
(Under) Operating Expenditures	\$ 4,742	\$ 4,742	\$ 12,558	\$	7,816

See accompanying notes

TOWN OF BAYFIELD, COLORADO
Statement of Revenue, Expenses and
Changes in Net Assets Budget and Actual (NON-GAAP)
Sewer Enterprise Fund
Year Ended December 31, 2008

	Sewer Enterprise			Variance-
	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Operating Revenue				
Sales	\$ 500,400	\$ 500,400	\$ 493,870	\$ (6,530)
Other	-	-	21,954	21,954
Total Operating Revenue	500,400	500,400	515,824	15,424
Operating Expenditures				
Sewer Production	341,300	341,300	306,356	34,944
Administrative Expense and Salaries				
Capital Outlay	6,000,000	6,000,000	2,805,600	3,194,400
Total Operating Expenses	6,341,300	6,341,300	3,111,956	3,229,344
Excess (Deficiency) of Operating Revenue Over Operating Expenditures	(5,840,900)	(5,840,900)	(2,596,132)	(3,244,768)
Non-Operating Revenue (Expenses)				
Interest income	48,500	48,500	2,531	(45,969)
Interest Expense	(280,000)	(280,000)	(117,875)	162,125
Tap Fees	180,000	180,000	200,300	20,300
Grants	1,000,000	1,000,000	311,703	(688,297)
Total Non-Operating Revenue	948,500	948,500	396,659	(551,841)
Net Income	\$ (4,892,400)	\$ (4,892,400)	\$ (2,199,473)	\$ 2,692,927
ADJUSTMENTS				
Adjust to GAAP				
Capital Outlay			2,805,600	
Depreciation			(73,401)	
Excess of Revenue over Expenditures			\$ 532,726	

See accompanying notes

Other Information

LOCAL HIGHWAY FINANCE REPORTCity or County:
Bayfield, CO
YEAR ENDING :
December 2008This Information From The Records Of (example - City of _ or County of _)
Prepared By: Michal C. Branch
Phone: 970-264-2135**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)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	111,844
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		b. Snow and ice removal	39,718
3. Other local imposts (from page 2)	87,867	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	39,718
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	151,562
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)	87,867	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	63,695	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	151,562	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)	151,562

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		151,562	151,562		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2008	
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	73,797	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		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	14,070	g. Other Misc. Receipts	
6. Total (1. through 5.)	14,070	h. Other	
c. Total (a. + b.)	87,867	i. Total (a. through h.)	0
(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	54,755	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	8,940	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	8,940	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	63,695	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			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
		(Carry forward to page 1)	
Notes and Comments:			