



TOWN OF BAYFIELD, COLORADO

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2021, 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

HintonBurdick, PLLC
St. George, Utah
July 12, 2021



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TOWN OF BAYFIELD, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

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, 2020. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows exceeded total liabilities and deferred inflows (net position) by \$33.7 million at the close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of \$816,290.
- The total cost of all Town programs for 2020 was \$5,450,337.
- The general fund unassigned fund balance at the end of 2020 was \$1,003,218 which is 48% of total General fund expenditures.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

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

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

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

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets plus deferred outflows exceeded liabilities plus deferred inflows by \$33.7 million as of December 31, 2020 as shown in the following condensed statement of net position. Of this amount, \$6,993,489 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 \$25,555,623 (76% 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, 2020 and 2019:

TOWN OF BAYFIELD, COLORADO Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Current and other assets	\$ 5,391,459	\$ 4,943,442	\$ 4,483,682	\$ 4,010,935	\$ 9,875,141	\$ 8,954,377
Capital assets	15,417,332	16,253,756	13,480,022	12,523,308	28,897,354	28,777,064
Total assets	20,808,791	21,197,198	17,963,704	16,534,243	38,772,495	37,731,441
Deferred outflows of resources	242,796	386,882	20,431	81,627	263,227	468,509
Long-term liabilities outstanding	553,094	970,689	3,708,743	3,705,156	4,261,837	4,675,845
Other liabilities	234,930	293,211	199,020	83,456	433,950	376,667
Total liabilities	788,024	1,263,900	3,907,763	3,788,612	4,695,787	5,052,512
Deferred inflows of resources	483,110	243,377	142,885	6,411	625,995	249,788
Net position:						
Net investment						
in capital assets	15,417,332	16,253,756	10,138,291	9,388,054	25,555,623	25,641,810
Restricted	803,989	1,175,768	360,839	237,946	1,164,828	1,413,714
Unrestricted	3,559,132	2,647,279	3,434,357	3,194,847	6,993,489	5,842,126
Total net position	\$ 19,780,453	\$ 20,076,803	\$ 13,933,487	\$ 12,820,847	\$ 33,713,940	\$ 32,897,650

An additional portion of net position, \$1,164,828 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6,993,489 (21% of total net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

The cost of all Governmental activities this year was \$3,646,609 as shown in the Changes in Net Position statement below. \$114,614 of this cost was paid for by those who directly benefited from the programs. \$455,163 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 \$569,777. General taxes and investment earnings totaled \$3,039,000.

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

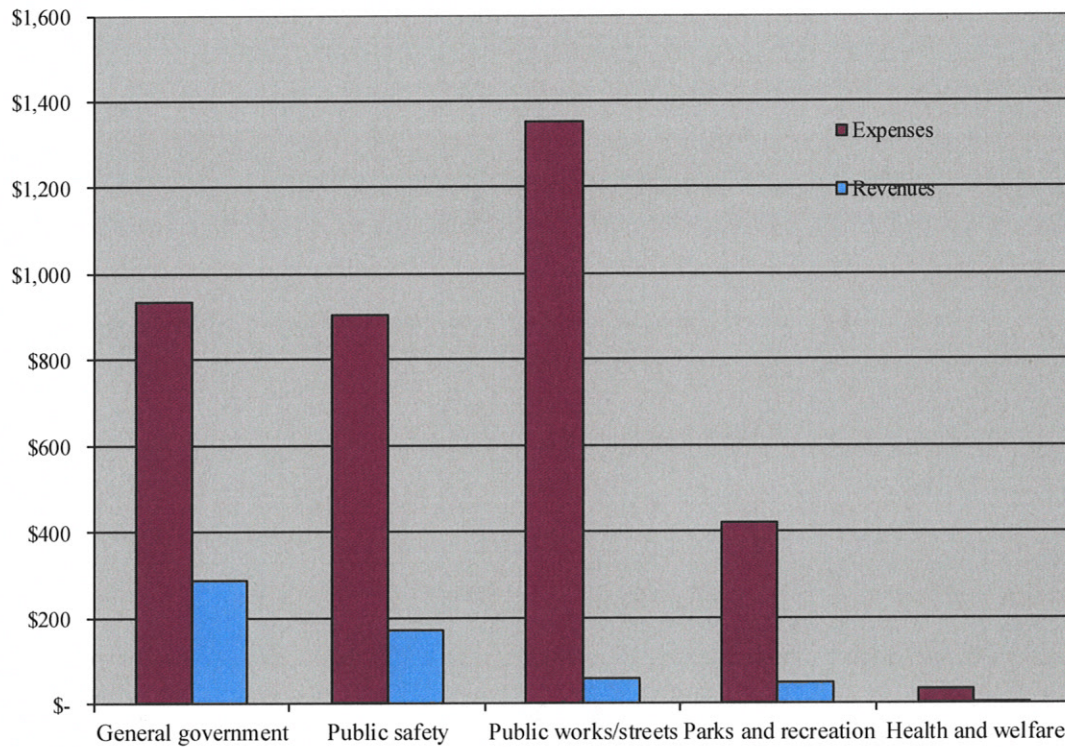
	Governmental activities		Business-type activities		Combined Total	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Revenues:						
Program revenues:						
Charges for services	\$ 114,614	\$ 169,567	\$ 2,072,600	\$ 1,905,723	\$ 2,187,214	\$ 2,075,290
Operating grants and contributions	447,255	289,965	-	-	447,255	289,965
Capital grants and contributions	7,908	26,256	853,086	182,832	860,994	209,088
General revenues:						
Taxes	3,012,952	2,551,783	-	-	3,012,952	2,551,783
Investment earnings	26,048	59,531	-	-	26,048	59,531
Other revenue/(expense)	-	-	20,935	62,084	20,935	62,084
Total revenues	<u>3,608,777</u>	<u>3,097,102</u>	<u>2,946,621</u>	<u>2,150,639</u>	<u>6,555,398</u>	<u>5,247,741</u>
Expenses:						
General government	936,402	518,444	-	-	936,402	518,444
Public safety	904,403	914,126	-	-	904,403	914,126
Public works/streets	1,350,545	1,607,727	-	-	1,350,545	1,607,727
Parks and recreation	420,740	365,163	-	-	420,740	365,163
Health and welfare	34,519	17,587	-	-	34,519	17,587
Community support	-	58,024	-	-	-	58,024
Interest on long-term debt	-	(7,298)	-	-	-	(7,298)
Water	-	-	739,990	671,831	739,990	671,831
Sewer	-	-	885,189	909,666	885,189	909,666
Garbage	-	-	178,549	151,472	178,549	151,472
Total expenses	<u>3,646,609</u>	<u>3,473,773</u>	<u>1,803,728</u>	<u>1,732,969</u>	<u>5,450,337</u>	<u>5,206,742</u>
Increase (decrease) in net position before transfers	(37,832)	(376,671)	1,142,893	417,670	1,105,061	40,999
Transfers	30,253	30,253	(30,253)	(30,253)	-	-
Net position, beginning	20,076,803	20,500,708	12,820,847	12,473,419	32,897,650	32,974,127
Restatement adjustment	-	(77,487)	-	(39,989)	-	(117,476)
Prior period adjustment	(288,771)	-	-	-	(288,771)	-
Net position, ending	<u>\$ 19,780,453</u>	<u>\$ 20,076,803</u>	<u>\$ 13,933,487</u>	<u>\$ 12,820,847</u>	<u>\$ 33,713,940</u>	<u>\$ 32,897,650</u>

Total resources available during the year to finance governmental operations were \$23,685,580 consisting of net position at January 1, 2020 of \$20,076,803, program revenues of \$569,777, and General Revenues of \$3,039,000. Total Governmental Activities expenses during the year were \$3,646,609 and transfers

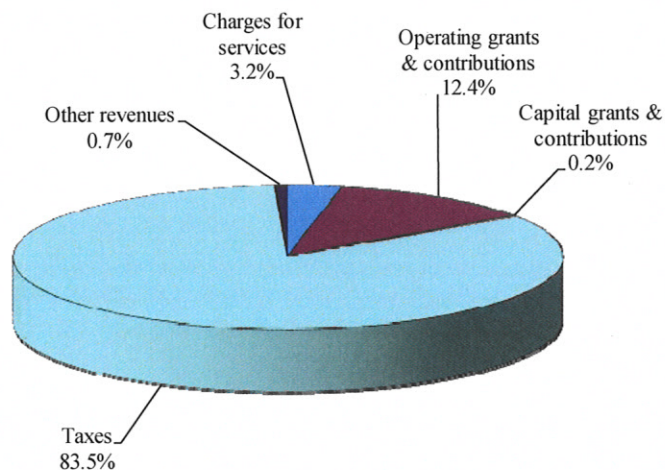
from business-type funds were \$30,253. In addition, there was a prior period adjustment decreasing net position by \$288,771. Governmental Net Position decreased by \$296,350 to \$19,780,453.

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)



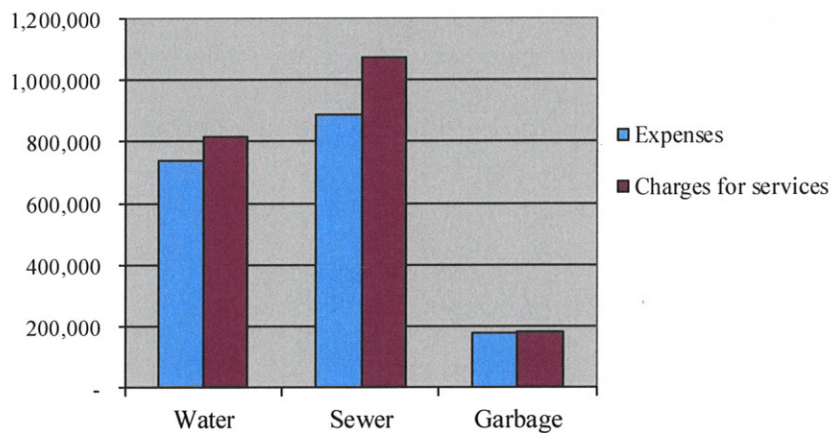
Revenue By Source - Governmental Activities



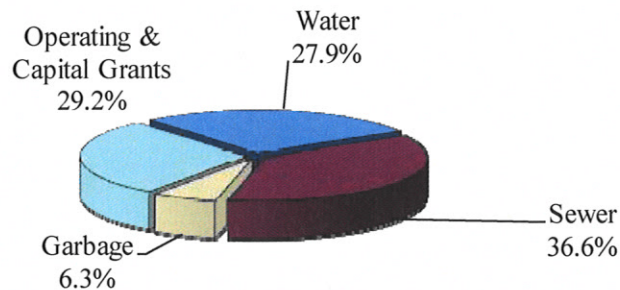
Business Type Activities

Net position of the Business Type activities at December 31, 2020, as reflected in the Statement of Net Position was \$13.9 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,803,728. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$2,072,600 and there was \$853,086 subsidized by capital grants and contributions. Investment earnings and other revenues were \$20,935. Transfers to governmental activities totaled \$30,253. The Net Position increased by \$1,112,640. 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 \$4,893,585, an increase of \$765,064 in comparison with the prior year. Approximately 20.5%, \$1,003,218 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The Town has three major governmental funds, the general fund, the street fund, and the capital improvement fund.

The General fund is the primary operating fund for the Town. At December 31, 2020, unassigned fund balance in the General fund was \$1,003,218. 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 48% of the total General fund expenditures. The fund balance of the Town's General fund increased by \$263,827 for the year ended December 31, 2020.

The Street fund was a new fund in 2016 to account for a voter approved 1 percent sales tax to construct and maintain critical infrastructure needs. The Town expended \$685,855. The actual increase in fund balance was \$144,306.

The Capital Improvement fund received more revenues than budgeted. The actual increase in fund balance was \$331,608.

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, 2020 for the Town's three enterprise funds (Water, Sewer, and Garbage) are as follows:

	Water	Sewer	Garbage	Total
Unrestricted net position	\$ 1,856,753	\$ 1,522,476	\$ 55,128	\$ 3,434,357
Total net position	7,015,745	6,831,982	85,760	13,933,487
Change in net position	826,445	280,863	5,332	1,112,640

Budgetary Highlights

General fund revenues of \$2,367,038 were higher than budgeted revenues of \$1,981,621 by \$385,417. The most significant factor contributing to this excess amount is related to sales tax which exceeded budget by \$331,858. Budgeted expenditures exceeded actual expenditures by \$162,341.

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 2020, net capital assets of the government activities totaled \$15.4 million and the net capital assets of the business-type activities were \$13.5 million. The most significant governmental capital additions were for the Mountain View culvert and City Hall lobby improvements. The most significant business-type capital additions during the year were for the waterline replacement project. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the Town had \$553,094 in governmental type debt, and \$3,708,743 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$414,008. (See note 7 to the financial statements for detailed descriptions.) Included in these amounts are pension and OPEB related liabilities. (See note 7 to the financial statements.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for the year 2021, the Town Board of Trustees and management were cautious as to the growth of revenues and expenditures.

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, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,931,971	\$ 4,172,735	\$ 8,104,706
Receivables (net of allowance)	995,262	143,955	1,139,217
Net pension asset	30,005	-	30,005
Internal balances	307,431	(307,431)	-
Inventories	23,453	113,584	137,037
Temporarily restricted assets:			
Cash and cash equivalents	103,337	360,839	464,176
Capital assets (net of accumulated depreciation):			
Land	1,513,169	105,750	1,618,919
Construction in progress	115,172	1,701,391	1,816,563
Buildings	4,777,340	417,587	5,194,927
Machinery and equipment	121,471	148,654	270,125
Vehicles	192,811	-	192,811
Infrastructure and systems	8,697,369	11,106,640	19,804,009
Total assets	<u>20,808,791</u>	<u>17,963,704</u>	<u>38,772,495</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	238,112	17,125	255,237
Deferred outflows related to OPEB	4,684	3,306	7,990
Total deferred outflows of resources	<u>242,796</u>	<u>20,431</u>	<u>263,227</u>
Liabilities			
Accounts payable and other current liabilities	234,930	171,649	406,579
Interest payable	-	27,371	27,371
Noncurrent liabilities:			
Due within one year	52,618	333,039	385,657
Due in more than one year	-	3,022,417	3,022,417
Net pension liability	447,969	316,222	764,191
Net OPEB liability	52,507	37,065	89,572
Total liabilities	<u>788,024</u>	<u>3,907,763</u>	<u>4,695,787</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	232,939	-	232,939
Deferred inflows related to pensions	231,027	129,371	360,398
Deferred inflows related to OPEB	19,144	13,514	32,658
Total deferred inflows of resources	<u>483,110</u>	<u>142,885</u>	<u>625,995</u>
Net Position			
Net investment in capital assets	15,417,332	10,138,291	25,555,623
Restricted for:			
Emergency reserve	103,337	-	103,337
Parks and recreation	238,448	-	238,448
Public works	462,204	-	462,204
Debt service	-	360,839	360,839
Unrestricted	3,559,132	3,434,357	6,993,489
Total Net Position	<u>\$ 19,780,453</u>	<u>\$ 13,933,487</u>	<u>\$ 33,713,940</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, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 936,402	\$ 35,548	\$ 253,807	\$ -	\$ (647,047)	\$ -
Public safety	904,403	16,671	154,542	-	(733,190)	-
Public works/streets	1,350,545	50,212	10,043	-	(1,290,290)	-
Parks and recreation	420,740	11,715	28,172	7,908	(372,945)	-
Health and welfare	34,519	468	691	-	(33,360)	-
Total governmental activities	3,646,609	114,614	447,255	7,908	(3,076,832)	-
Business-type activities:						
Water	739,990	817,014	-	749,268	-	826,292
Sewer	885,189	1,071,705	-	103,818	-	290,334
Garbage	178,549	183,881	-	-	-	5,332
Total business-type activities	1,803,728	2,072,600	-	853,086	-	1,121,958
Total primary government	\$ 5,450,337	\$ 2,187,214	\$ 447,255	\$ 860,994	(3,076,832)	(1,954,874)
General Revenues:						
Taxes:						
Property tax					232,132	232,132
Sales tax					2,568,779	2,568,779
Other taxes					196,163	196,163
Franchise tax					15,878	15,878
Unrestricted investment earnings					26,048	20,935
Transfers					30,253	(30,253)
Total general revenues & transfers					3,069,253	(9,318)
Change in net position					(7,579)	1,112,640
Net position - beginning					20,076,803	12,820,847
Prior period adjustment					(288,771)	-
Net position - ending					\$ 19,780,453	\$ 13,933,487
					\$ 33,713,940	\$ 33,713,940

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

TOWN OF BAYFIELD, COLORADO
Balance Sheet
Governmental Funds
December 31, 2020

	General Fund	Street Fund	Capital Improvement Fund	Nonmajor Debt Service Fund	Nonmajor Transportation Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 690,518	\$ 1,503,846	\$ 1,610,839	\$ -	\$ -	\$ 126,768	\$ 3,931,971
Receivables, net of allowances	12,371	-	-	-	-	-	12,371
Property tax receivable	232,939	-	-	-	-	-	232,939
Due from other governments	543,851	121,986	84,115	-	-	-	749,952
Due from other funds	307,431	-	-	-	-	-	307,431
Inventories	7,542	15,911	-	-	-	-	23,453
Restricted cash and investments	103,337	-	-	-	-	-	103,337
Total assets	<u>\$ 1,897,989</u>	<u>\$ 1,641,743</u>	<u>\$ 1,694,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,768</u>	<u>\$ 5,361,454</u>
Liabilities							
Accounts payable	\$ 30,871	\$ 7,284	\$ -	\$ -	\$ -	\$ -	\$ 38,155
Accrued liabilities	196,775	-	-	-	-	-	196,775
Total liabilities	<u>227,646</u>	<u>7,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,930</u>
Deferred Inflows of Resources							
Deferred revenue - property taxes	<u>232,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,939</u>
Total deferred inflows of resources	<u>232,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,939</u>
Fund Balances							
Nonspendable:							
Inventories	7,542	15,911	-	-	-	-	23,453
Due from other funds	284,532	-	-	-	-	-	284,532
Restricted for:							
Emergency reserve	103,337	-	-	-	-	-	103,337
Parks and recreation	-	-	111,680	-	-	126,768	238,448
Public works and streets	-	462,204	-	-	-	-	462,204
Committed to:							
Public works and streets	-	600,000	-	-	-	-	600,000
Capital outlay	-	-	457,069	-	-	-	457,069
Assigned to:							
Equipment replacement	-	-	1,056,257	-	-	-	1,056,257
Public safety	4,360	-	-	-	-	-	4,360
Public works and streets	-	556,344	-	-	-	-	556,344
Capital outlay	-	-	69,948	-	-	-	69,948
Subsequent years	34,415	-	-	-	-	-	34,415
Unassigned	<u>1,003,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,003,218</u>
Total fund balances	<u>1,437,404</u>	<u>1,634,459</u>	<u>1,694,954</u>	<u>-</u>	<u>-</u>	<u>126,768</u>	<u>4,893,585</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,897,989</u>	<u>\$ 1,641,743</u>	<u>\$ 1,694,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,768</u>	<u>\$ 5,361,454</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, 2020

Total fund balances - governmental funds	\$	4,893,585
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental capital assets	27,454,608	
Accumulated depreciation	<u>(12,037,276)</u>	15,417,332

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

Net pension liability	(447,969)	
Net OPEB liability	(52,507)	
Compensated absences	<u>(52,618)</u>	(553,094)

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

Deferred outflows	242,796	
Deferred inflows	(250,171)	
Net pension asset	<u>30,005</u>	22,630

Total net position - governmental activities	\$	<u><u>19,780,453</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF BAYFIELD, COLORADO
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2020

	General Fund	Street Fund	Capital Improvement Fund	Nonmajor Debt Service Fund	Nonmajor Transportation Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Revenues							
Taxes	\$ 1,859,780	\$ 614,565	\$ 544,292	\$ -	\$ -	\$ -	\$ 3,018,637
Licenses and permits	43,227	3,961	-	-	-	-	47,188
Intergovernmental	407,626	4,732	13,213	-	-	28,172	453,743
Fines and forfeitures	5,851	-	-	-	-	-	5,851
Charges for services	30,483	-	-	-	-	-	30,483
Interest revenue	10,134	6,903	14,320	1	-	-	31,358
Impact fees	-	-	3,672	-	-	-	3,672
In lieu of parks fee	-	-	7,908	-	-	-	7,908
Other revenues	9,937	-	-	-	-	-	9,937
Total revenues	<u>2,367,038</u>	<u>630,161</u>	<u>583,405</u>	<u>1</u>	<u>-</u>	<u>28,172</u>	<u>3,608,777</u>
Expenditures							
Current:							
General government	800,192	-	-	2,851	-	-	803,043
Public safety	873,729	-	-	-	-	-	873,729
Public works/streets	-	560,939	-	-	-	-	560,939
Parks and recreation	337,511	-	-	-	-	-	337,511
Capital outlay	91,779	124,916	82,049	-	-	-	298,744
Total expenditures	<u>2,103,211</u>	<u>685,855</u>	<u>82,049</u>	<u>2,851</u>	<u>-</u>	<u>-</u>	<u>2,873,966</u>
Excess of revenues over (under) expenditures	263,827	(55,694)	501,356	(2,850)	-	28,172	734,811
Other financing sources (uses):							
Transfers in	-	200,000	30,253	-	-	-	230,253
Transfers out	-	-	(200,000)	-	-	-	(200,000)
Total other financing sources (uses)	<u>-</u>	<u>200,000</u>	<u>(169,747)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,253</u>
Net change in fund balances	263,827	144,306	331,609	(2,850)	-	28,172	765,064
Fund balance, beginning of year	<u>1,173,577</u>	<u>1,490,153</u>	<u>1,363,345</u>	<u>2,850</u>	<u>-</u>	<u>98,596</u>	<u>4,128,521</u>
Fund balance, end of year	<u>\$ 1,437,404</u>	<u>\$ 1,634,459</u>	<u>\$ 1,694,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,768</u>	<u>\$ 4,893,585</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, 2020

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

Net change in fund balances - total governmental funds	\$	765,064
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	226,974		
Depreciation expense	<u>(1,063,057)</u>		(836,083)

The net effect of various transactions involving capital assets (i.e. sales and donations) is to decrease net position.			(341)
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Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			3,044
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Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pension, is reported in the Statement of Activities.

Pension contributions	89,289		
Pension expense	(31,157)		
OPEB contributions	4,074		
OPEB expense	<u>(1,469)</u>		60,737

Change in net position of governmental activities	\$	<u>(7,579)</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF BAYFIELD, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2020

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,100,766	\$ 2,008,185	\$ 63,784	\$ 4,172,735
Receivables (net of allowance)	17,237	53,976	9,354	80,567
Due from other governments	63,388	-	-	63,388
Inventory	47,905	65,679	-	113,584
Restricted cash and investments	129,059	231,780	-	360,839
Total current assets	<u>2,358,355</u>	<u>2,359,620</u>	<u>73,138</u>	<u>4,791,113</u>
Noncurrent assets:				
Land	57,842	47,908	-	105,750
Construction in progress	1,701,391	-	-	1,701,391
Buildings	749,160	250,993	57,967	1,058,120
Improvements and system	6,090,691	12,086,689	-	18,177,380
Machinery and equipment	309,217	399,525	-	708,742
Accumulated depreciation	(3,378,368)	(4,865,658)	(27,335)	(8,271,361)
Total noncurrent assets	<u>5,529,933</u>	<u>7,919,457</u>	<u>30,632</u>	<u>13,480,022</u>
Total assets	<u>7,888,288</u>	<u>10,279,077</u>	<u>103,770</u>	<u>18,271,135</u>
Deferred outflows of resources				
Deferred outflows related to pensions	7,913	9,030	182	17,125
Deferred outflows related to OPEB	1,528	1,743	35	3,306
Total deferred outflows of resources	<u>9,441</u>	<u>10,773</u>	<u>217</u>	<u>20,431</u>
Liabilities				
Current liabilities:				
Accounts payable	143,785	12,913	12,951	169,649
Accrued liabilities	2,000	-	-	2,000
Due to other funds - current	-	22,899	-	22,899
Interest payable	-	27,371	-	27,371
Loans payable - current	20,089	299,225	-	319,314
Compensated absences - current	6,939	6,786	-	13,725
Total current liabilities	<u>172,813</u>	<u>369,194</u>	<u>12,951</u>	<u>554,958</u>
Noncurrent liabilities:				
Due to other funds (net of current portion)	-	284,532	-	284,532
Loans payable (net of current portion)	479,911	2,542,506	-	3,022,417
Net pension liability	146,113	166,747	3,362	316,222
Net OPEB liability	17,126	19,545	394	37,065
Total noncurrent liabilities	<u>643,150</u>	<u>3,013,330</u>	<u>3,756</u>	<u>3,660,236</u>
Total liabilities	<u>815,963</u>	<u>3,382,524</u>	<u>16,707</u>	<u>4,215,194</u>
Deferred inflows of resources				
Deferred inflows related to pensions	59,777	68,218	1,376	129,371
Deferred inflows related to OPEB	6,244	7,126	144	13,514
Total deferred inflows of resources	<u>66,021</u>	<u>75,344</u>	<u>1,520</u>	<u>142,885</u>
Net position				
Net investment in capital assets	5,029,933	5,077,726	30,632	10,138,291
Restricted	129,059	231,780	-	360,839
Unrestricted	1,856,753	1,522,476	55,128	3,434,357
Total net position	<u>\$ 7,015,745</u>	<u>\$ 6,831,982</u>	<u>\$ 85,760</u>	<u>\$ 13,933,487</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, 2020

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
Operating revenues				
Charges for services	\$ 817,014	\$ 1,070,338	\$ 183,881	\$ 2,071,233
Other revenues	-	1,367	-	1,367
Total operating revenues	817,014	1,071,705	183,881	2,072,600
Operating expenses				
Salaries and wages	214,704	245,426	4,588	464,718
Water storage	29,223	-	-	29,223
Pumping costs	6,172	-	-	6,172
Water treatment	132,428	-	-	132,428
Transmission and distribution	60,112	-	-	60,112
Collection and transmission	-	61,954	-	61,954
Sewer treatment	-	103,309	-	103,309
General operations	-	702	168,780	169,482
Administrative	82,090	52,170	2,466	136,726
Depreciation	215,261	328,148	2,715	546,124
Total operating expenses	739,990	791,709	178,549	1,710,248
Operating income (loss)	77,024	279,996	5,332	362,352
Non-operating revenues (expenses)				
Interest income	10,888	10,047	-	20,935
Interest expense and fiscal charges	-	(93,480)	-	(93,480)
Grant revenue	664,005	-	-	664,005
Connection and tap fees	85,263	103,818	-	189,081
Total non-operating revenues (expenses)	760,156	20,385	-	780,541
Income before transfers	837,180	300,381	5,332	1,142,893
Transfers:				
Transfers out	(10,735)	(19,518)	-	(30,253)
Change in net position	826,445	280,863	5,332	1,112,640
Total net position, beginning of year	6,189,300	6,551,119	80,428	12,820,847
Total net position, end of year	<u>\$ 7,015,745</u>	<u>\$ 6,831,982</u>	<u>\$ 85,760</u>	<u>\$ 13,933,487</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, 2020

	Water Fund	Sewer Fund	Garbage Fund	Combined Total
Cash flows from operating activities:				
Cash received from customers, service fees	\$ 813,258	\$ 1,054,976	\$ 180,409	\$ 2,048,643
Cash received from customers, other	-	1,367	-	1,367
Cash paid to suppliers	(105,509)	(187,142)	(166,811)	(459,462)
Cash paid to employees	(301,096)	(300,104)	(7,648)	(608,848)
Net cash flows from operating activities	406,653	569,097	5,950	981,700
Cash flows from noncapital financing activities:				
Repayment of interfund loan	-	(22,445)	-	(22,445)
Transfers from/(to) other funds	(10,735)	(19,518)	-	(30,253)
Net cash flows from noncapital financing activities	(10,735)	(41,963)	-	(52,698)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,440,414)	(62,424)	-	(1,502,838)
Principal paid on long-term debt	-	(282,655)	-	(282,655)
Interest paid	-	(107,536)	-	(107,536)
Capital grants	600,617	-	-	600,617
Proceeds from loan	500,000	-	-	500,000
Connection and tap fees	85,263	103,818	-	189,081
Net cash flows from capital and related financing activities	(254,534)	(348,797)	-	(603,331)
Cash flows from investing activities:				
Interest on investments	10,888	10,047	-	20,935
Net change in cash and cash equivalents	152,272	188,384	5,950	346,606
Cash and cash equivalents, including restricted cash beginning of year	2,077,553	2,051,581	57,834	4,186,968
Cash and cash equivalents, including restricted cash end of year	\$ 2,229,825	\$ 2,239,965	\$ 63,784	\$ 4,533,574
Reconciliation of operating income to net cash provided by operating activities:				
Net operating income (loss)	\$ 77,024	\$ 279,996	\$ 5,332	\$ 362,352
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation/amortization	215,261	328,148	2,715	546,124
Pension and OPEB expense	16,313	20,124	64	36,501
Employer pension and OPEB contributions	(20,615)	(23,524)	(474)	(44,613)
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	(3,756)	(15,362)	(3,472)	(22,590)
(Increase)/decrease in inventory	2,878	(20,596)	-	(17,718)
Increase/(decrease) in payables	117,364	(581)	1,969	118,752
Increase/(decrease) in accrued liabilities & deposits	2,184	892	(184)	2,892
Net cash flows from operating activities	\$ 406,653	\$ 569,097	\$ 5,950	\$ 981,700
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, 2020

Note 1. Summary of Significant Accounting Policies

Description of Government-Wide Financial Statements

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

Reporting Entity

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

Basis of Presentation – Government-Wide Financial Statements

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

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

Basis of Presentation – Fund Financial Statements

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 1. Summary of Significant Accounting Policies, Continued

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise funds:

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

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

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

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Deposits and Investments

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

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 and business-type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories

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

Capital Assets

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has two types of items that qualifies for reporting in this category. It is pension and OPEB related items reported on the proprietary funds statement of net position and the government-wide financial statement. See Note 9 and 10 for more information.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 1. Summary of Significant Accounting Policies, Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four types of items that qualify for reporting in this category. Accordingly, the item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. The item, *deferred revenue – special assessments*, is reported only in the governmental funds balance sheet. The item, *deferred inflows related to pensions* and *deferred inflows related to OPEB*, are reported in the government-wide financial statements and on the proprietary funds statement of net position (see Note 9 and 10). These amounts are deferred and recognized as an inflow of resources in the period that the amounts were levied for or become available.

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's OPEB plan and additions to/deductions from the Plans' fiduciary net position have been determined based on annual actuarial reports. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Flow Assumption

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

Fund Balance Flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 1. Summary of Significant Accounting Policies, Continued

considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 1. Summary of Significant Accounting Policies, Continued

the County and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The County also levies various personal property taxes during the year.

Compensated Absences

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

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

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

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

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

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.

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.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 3. Stewardship, Compliance, and Accountability, Continued

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

Expenditures over Appropriations

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Town Board. The Board by Resolution has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The 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.

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 79 for compliance with debt covenants.

Compliance with Colorado Revised Statutes

The Town conformed to all significant statutory constraints on its financial administration during the year.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 4. Deposits and Investments

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

Cash on hand	\$ 300
Cash in bank	2,058,290
Colorado Trust	<u>6,510,292</u>
Total cash and investments	<u><u>\$ 8,568,882</u></u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk; however, the Colorado 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, 2020 cash on hand was \$300 and the carrying amount of the Town's deposits was \$2,058,290. As of December 31, 2020 the bank balance of the Town's deposits was \$2,309,489 of which \$250,000 was insured by federal depository insurance and \$2,059,489 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, 2020 the Town's investments included 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.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 4. Deposits and Investments, Continued

As of December 31, 2020 the Town had \$6,510,292 invested in the COLOTRUST and maturities of less than one year. The COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

Interest rate risk

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

Credit risk

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

Fair value measurements

Governmental Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Town does not hold any investments in 2020 that are measured at fair value.

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

Note 5. Restricted Assets

The Town reported restricted cash of \$103,337 in the General Fund, \$129,059 in the Water Fund, and \$231,780 in the Sewer Fund as of December 31, 2020. This is made up of \$103,337 for the emergency reserve requirement and \$360,839 as required by the Colorado Water Resources and Power Development Authority Loan Agreements.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 6. Capital Assets

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

Governmental Activities:	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Capital assets, not being depreciated:				
Land	\$ 1,513,169	\$ -	\$ -	\$ 1,513,169
Construction in progress	104,431	24,339	(13,598)	115,172
Total capital assets, not being depreciated	<u>1,617,600</u>	<u>24,339</u>	<u>(13,598)</u>	<u>1,628,341</u>
Capital assets, being depreciated:				
Buildings & improvements	7,065,096	122,976	(687)	7,187,385
Machinery and equipment	680,553	10,856	-	691,409
Vehicles	1,077,669	-	-	1,077,669
Infrastructure	16,787,403	82,401	-	16,869,804
Total capital assets, being depreciated	<u>25,610,721</u>	<u>216,233</u>	<u>(687)</u>	<u>25,826,267</u>
Less accumulated depreciation for:				
Buildings & improvements	(2,189,354)	(221,037)	346	(2,410,045)
Machinery and equipment	(533,150)	(36,788)	-	(569,938)
Vehicles	(809,624)	(75,234)	-	(884,858)
Infrastructure	(7,442,437)	(729,998)	-	(8,172,435)
Total accumulated depreciation	<u>(10,974,565)</u>	<u>(1,063,057)</u>	<u>346</u>	<u>(12,037,276)</u>
Total capital assets, being depreciated, net	<u>14,636,156</u>	<u>(846,824)</u>	<u>(341)</u>	<u>13,788,991</u>
Governmental activities capital assets, net	<u>\$ 16,253,756</u>	<u>\$ (822,485)</u>	<u>\$ (13,939)</u>	<u>\$ 15,417,332</u>

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

Governmental Activities:

General government	\$ 139,176
Public safety	39,628
Public works/streets	768,025
Parks & recreation	77,357
Health & welfare	38,871
Total depreciation expense - governmental activities	<u>\$ 1,063,057</u>

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

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 12/31/2019	Additions	Deletions	Balance 12/31/2020
Capital assets not being depreciated:				
Land and water rights	\$ 105,750	\$ -	\$ -	\$ 105,750
Construction in progress	345,557	1,395,526	(39,692)	1,701,391
Total capital assets, not being depreciated	451,307	1,395,526	(39,692)	1,807,141
Capital assets being depreciated:				
Buildings	1,021,792	36,328	-	1,058,120
Improvements and systems	18,142,427	34,953	-	18,177,380
Machinery and equipment	633,019	75,723	-	708,742
Total capital assets, being depreciated	19,797,238	147,004	-	19,944,242
Less accumulated depreciation for:				
Buildings	(618,544)	(21,989)	-	(640,533)
Improvements and systems	(6,591,143)	(479,597)	-	(7,070,740)
Machinery and equipment	(515,550)	(44,538)	-	(560,088)
Total accumulated depreciation	(7,725,237)	(546,124)	-	(8,271,361)
Total capital assets, being depreciated, net	12,072,001	(399,120)	-	11,672,881
Business-type activities capital assets, net	<u>\$ 12,523,308</u>	<u>\$ 996,406</u>	<u>\$ (39,692)</u>	<u>\$ 13,480,022</u>

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

Business-Type Activities:

Water	\$ 215,261
Sewer	328,148
Garbage	2,715
Total depreciation expense - business-type activities	<u>\$ 546,124</u>

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 7. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the year ended December 31, 2020:

	Balance 12/31/2019	Additions	Retirements	Balance 12/31/2020	Current Portion
Governmental Activities:					
<i>Direct Borrowings and Direct Placements:</i>					
Net pension liability	\$ 849,657	\$ -	\$ (401,688)	\$ 447,969	\$ -
Net OPEB liability	65,370	-	(12,863)	52,507	-
Compensated absences	55,662	54,994	(58,038)	52,618	52,618
Total Governmental activity					
Long-term liabilities	<u>\$ 970,689</u>	<u>\$ 54,994</u>	<u>\$ (472,589)</u>	<u>\$ 553,094</u>	<u>\$ 52,618</u>
Business-Type Activities:					
<i>Direct Borrowings and Direct Placements:</i>					
Drinking Water Revolving Fund Loan	\$ -	\$ 500,000	\$ -	\$ 500,000	\$ 20,089
Water Pollution Control Fund Loan	2,610,000	-	(255,000)	2,355,000	260,000
Water Pollution Control Revolving Fund Loan	442,053	-	(27,655)	414,398	28,357
Plus deferred amounts:					
For issuance premiums	83,201	-	(10,868)	72,333	10,868
Total loans payable	<u>3,135,254</u>	<u>500,000</u>	<u>(293,523)</u>	<u>3,341,731</u>	<u>319,314</u>
Net pension liability	515,832	-	(199,610)	316,222	-
Net OPEB liability	43,237	-	(6,172)	37,065	-
Compensated absences	10,833	13,481	(10,589)	13,725	13,725
Total Business-type activity					
Long-term liabilities	<u>\$ 3,705,156</u>	<u>\$ 513,481</u>	<u>\$ (509,894)</u>	<u>\$ 3,708,743</u>	<u>\$ 333,039</u>

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

Years ending December 31:	Business-Type Activities	
	Direct Borrowings / Direct Placements	
	Principal	Interest
2021	\$ 302,339	\$ 118,945
2022	472,139	177,833
2023	482,077	164,721
2024	450,481	134,500
2025	325,706	77,349
2026-2030	1,133,042	138,844
2031-2035	103,614	3,737
	<u>\$ 3,269,398</u>	<u>\$ 815,929</u>

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 7. Long-Term Liabilities, Continued

Long-term liabilities for the primary government at December 31, 2020 are comprised of the following:

Governmental Activities:

Net pension liability	\$ 447,969
Net OPEB liability	52,507
Accrued vacation and comp time payable	<u>52,618</u>

Business-Type Activities:

Direct Borrowings and Direct Placements:

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.

2,355,000

Loan payable to Colorado Water Resources and Power Development Authority, secured by system property and net revenue, bearing interest at 2%, due in semi-annual principal and interest installments of \$18,273, maturing November 1, 2033.

414,398

Loan payable to Colorado Water Resources and Power Development Authority, secured by system property and net revenue, bearing interest at 2.5% due in semi-annual principal and interest installments ranging from \$20,089 to \$123,394.98, maturing February 1, 2036.

500,000

Deferred amounts for issuance premiums.

72,333

3,341,731

Net pension liability	316,222
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Net OPEB liability	37,065
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Accrued vacation and comp time payable	<u>13,725</u>
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Total Long-term liabilities	<u><u>\$ 4,261,837</u></u>
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The Town's outstanding loans with Colorado Water Resources and Power Development Authority of \$3,269,398 are secured with pledged revenues. The loans contain provisions that in the event of default, the Authority has the right to take any action permitted or required that may appear necessary or desirable to collect the amounts then due and any related attorney fees and other expenses.

The Town has no unused lines of credit at December 31, 2020.

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 8. Interfund Receivables, Payables and Transfers

As of December 31, 2020, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 307,431	\$ -
Sewer Fund	-	307,431
	<u>\$ 307,431</u>	<u>\$ 307,431</u>

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

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

Interfund transfers for the year ended December 31, 2020 were as follows:

Transfers In:	Transfers Out:			
	Capital Improvement	Water Fund	Sewer Fund	Total
Capital Improvement	\$ -	\$ 10,735	\$ 19,518	\$ 30,253
Street Fund	200,000	-	-	200,000
	<u>\$ 200,000</u>	<u>\$ 10,735</u>	<u>\$ 19,518</u>	<u>\$ 230,253</u>

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 9. Pension Plans

The Town contributes to the Fire & Police Pension Association of Colorado and the Public Employees' Retirement Association plans described below. At December 31, 2020, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

	Net Pension Asset (Liability)	Deferred Outflows of Resources	Deferred Inflows of Resources
FPPA	\$ 30,005	\$ 213,851	\$ (47,757)
PERA	(764,191)	41,386	(312,641)
Total	<u>\$ (734,186)</u>	<u>\$ 255,237</u>	<u>\$ (360,398)</u>
Business-Type Activities	\$ (316,222)	\$ 17,125	\$ (129,371)
Governmental Activities	(417,964)	238,112	(231,027)
Total	<u>\$ (734,186)</u>	<u>\$ 255,237</u>	<u>\$ (360,398)</u>

Fire & Police Pension Association of Colorado

Plan description – The Town participates in the Statewide Defined Benefit Plan (SWDB) which is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978.. The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on the FPPA's website at www.fppaco.org.

Benefits provided – A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80 years, with a minimum age of 50.

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 9. Pension Plans, Continued

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

Contributions – Through December 31, 2020, contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of pensionable earnings. Employer contributions are 8 percent in 2019 and 2020. Employer contributions will increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13 percent of pensionable earnings. In 2019, members of the SWDB plan and their employers are contributing at the rate of 10.5 percent and 8 percent, respectively, of pensionable earnings for a total contribution rate of 18.5 percent.

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

Year Ended December 31,	Retirement Fund
2018	\$ 29,567
2019	31,282
2020	30,164

Pension liability – At December 31, 2020, the Town reported an asset of \$30,005 for its proportionate share of the SWDB net pension asset/liability. The net pension asset/liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset/liability was determined using an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension asset/liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2019. The Town's proportion measured as of December 31, 2019, was 0.053054 percent, which was a decrease of 0.002120 percent from the proportions measured as of December 31, 2018.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 9. Pension Plans, Continued

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2020, the Town recognized pension expense for SWDB of (\$3,132). At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,544	\$ 587
Changes in assumptions	56,974	-
Net difference between projected and actual earnings on pension plan investments	-	47,169
Changes in proportion and differences between contributions and proportional share of contributions	25,169	-
Contributions subsequent to the measurement date	30,164	-
Total	<u>\$ 213,851</u>	<u>\$ 47,757</u>

The \$30,164 reported as deferred outflows of resources related to SWDB pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SWDB pensions will be recognized in pension expense as follows:

Year Ending December 31	Deferred Outflows (Inflows) of Resources Police
2020	\$ 13,158
2021	9,074
2022	24,419
2023	4,515
2024	24,642
Thereafter	60,122

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 9. Pension Plans, Continued

Actuarial Assumptions – The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension asset/liability and actuarially determined contributions for the fiscal year ending December 31, 2019. The valuations used the following actuarial assumption and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Investment Rate of Return *	7.0%
Projected Salary Increases	4.25-11.25%
Cost of Living Adjustments	0.0%
* Includes Inflation at	2.5%

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	38%	7.00%
Equity Long/Short	8%	6.00%
Private Markets	25%	9.20%
Fixed Income	15%	5.20%
Absolute Return	8%	5.50%
Managed Futures	4%	5.00%
Cash	2%	2.52%
Total	100%	

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 9. Pension Plans, Continued

Discount Rate – The discount rate used to measure the SWDB total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the SWDB Board's funding policy, which establishes the contractually required rate under Colorado statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Police			
Net pension (asset) / liability	\$ 181,929	\$ (30,005)	\$ (205,777)

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

Public Employees' Retirement Association

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

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 9. Pension Plans, Continued

Contributions - The Town and participant contributions are defined by State Statute. For 2020 and 2019, participants are required to contribute 8.5% and 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 13.18% in 2020 and 12.68% in 2019 of the participants' salaries. These contributions are credited to the participant's division for the purpose of creating actuarial reserves so each employee's benefits will be fully provided for upon retirement.

The Town's contributions for the current and 3 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ending December 31,	Retirement Fund
2018	\$ 85,716
2019	91,237
2020	100,862

Pension liability – At December 31, 2020, the Town reported a liability of \$764,191 for its proportionate share of the LGDTF net pension asset/liability. The net pension asset/liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of December 31, 2018. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2019. The Town's proportion measured as of December 31, 2019, was 0.104485 percent, which was an increase of 0.001421 percent from the proportions measured as of December 31, 2018.

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2020, the Town recognized pension expense for LGDTF of (\$64,369). At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,007	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	312,641
Changes in proportion and differences between contributions and proportional share of contributions	(109,484)	-
Contributions subsequent to the measurement date	100,862	-
Total	<u>\$ 41,386</u>	<u>\$ 312,641</u>

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 9. Pension Plans, Continued

The \$100,862 reported as deferred outflows of resources related to LGDTF pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LGDTF pensions will be recognized in pension expense as follows:

Year Ending December 31	Deferred Outflows (Inflows) of Resources
2020	\$ (101,753)
2021	(138,667)
2022	(25,024)
2023	(106,674)
2024	-
Thereafter	-

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

Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50-10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25 %
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	1.25%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 9. Pension Plans, Continued

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100%	

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 9. Pension Plans, Continued

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5 percent.
- Employee contributions were assumed to be made at the member contribution rate in effect for each year, including the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 9. Pension Plans, Continued

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension (asset) / liability	\$ 1,403,763	\$ 764,191	\$ 226,318

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

Note 10. Other Post Employment Benefit (OPEB) Plan

The Town participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA).

Plan description - Eligible employees of the Town are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided - The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure - The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure - The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

Contributions - Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. The Town's contributions for the current and 3 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ending December 31,	Health Care Fund
2018	\$ 6,886
2019	7,309
2020	6,950

OPEB liability - At December 31, 2020, the Town reported a liability of \$89,572 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The Town's proportion of the net OPEB liability was based on the Town's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF. At December 31, 2019, the Town's proportion was .0079690 percent, which was a decrease from its proportion of .0079826 percent measured as of December 31, 2018.

OPEB expense and deferred outflows/inflows of resources - For the year ended December 31, 2020, the Town recognized OPEB expense (benefit) of \$(1,348). At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 297	\$ 15,051
Changes in assumptions	743	-
Net difference between projected and actual earnings on pension plan investments	-	1,495
Changes in proportion and differences between contributions and proportional share of contributions	-	16,112
Contributions subsequent to the measurement date	6,950	-
Total	<u>\$ 7,990</u>	<u>\$ 32,658</u>

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

The \$6,950 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31	Deferred Outflows (Inflows) of Resources
2019	\$ (5,837)
2020	(5,836)
2021	(13,539)
2022	(3,313)
2023	(2,917)
Thereafter	(175)

Actuarial assumptions - The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.60% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2019, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

The actuarial assumptions used in the December 31, 2018 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA Board's actuary, as needed.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

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

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care cost assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates - The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net pension (asset) / liability	\$ 87,444	\$ 89,572	\$ 92,031

Discount rate - The discount rate used to measure the total OPEB liability was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2018 and the financial status of the Trust Fund as of the prior measurement date (December 31, 2018). In addition, the following methods and assumptions were used in the projection of cash flows:

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 10. Other Post Employment Benefit (OPEB) Plan, Continued

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension (asset) / liability	\$ 101,279	\$ 89,572	\$ 79,560

OPEB plan fiduciary net position - Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/perafinancial-reports.

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

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.

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

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

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

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

TOWN OF BAYFIELD, COLORADO
Notes to the Financial Statements
December 31, 2020

Note 12. Garbage Disposal Contract

The Town has a 5-year contract, which was renewed in 2019 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. Prior Period Adjustment

A prior period adjustment for \$288,771 was made on the government-wide statement of activities related to the special improvement district receivable balance from the prior year. Management has determined that this receivable balance and related revenues may have been overstated in prior years. These special assessments relate to the SID bond that was paid off in 2019 and the assessments have been closed. With the payoff of the bond in 2019, no additional receipts are anticipated and the receivable balance is being adjusted to zero through a prior period adjustment.

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REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS

TOWN OF BAYFIELD, COLORADO
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
December 31, 2020

Fire and Police Pension Association of Colorado (FPPA)

	Police					
	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.053054%	0.055174%	0.061537%	0.068838%	0.070786%	0.073929%
Proportionate share of the net pension liability (asset)	\$ (30,005)	\$ 69,755	\$ (88,531)	\$ 24,874	\$ (1,248)	\$ (83,435)
Covered payroll	\$ 391,017	\$ 369,592	\$ 359,946	\$ 352,306	\$ 343,148	\$ 332,458
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-7.67%	18.87%	-24.60%	7.06%	-0.36%	-25.10%
Plan fiduciary net position as a percentage of the total pension liability	101.90%	95.20%	106.30%	98.21%	100.10%	106.80%

Public Employees' Retirement Association of Colorado (PERA)

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.104485%	0.103064%	0.123200%	0.124225%	0.122020%	0.125483%
Proportionate share of the net pension liability (asset)	\$ 764,191	\$ 1,295,734	\$ 1,371,747	\$ 1,677,467	\$ 1,344,152	\$ 1,124,718
Covered payroll	\$ 719,924	\$ 699,030	\$ 801,778	\$ 782,061	\$ 694,257	\$ 688,681
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	106.15%	185.36%	171.09%	214.49%	193.61%	163.31%
Plan fiduciary net position as a percentage of the total pension liability	86.26%	75.96%	79.37%	73.60%	76.90%	80.70%

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

Fire and Police Pension Association of Colorado (FPPA)

Public Employees' Retirement Association of Colorado (PERA)

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

TOWN OF BAYFIELD, COLORADO
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability
December 31, 2020

Public Employees' Retirement Association of Colorado (PERA)

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB liability (asset)	0.0079690437%	0.0079826060%	0.0095692633%	0.0095315612%
Proportionate share of the net OPEB liability (asset)	\$ 89,572	\$ 108,607	\$ 124,362	\$ 123,580
Covered payroll	\$ 719,924	\$ 699,030	\$ 801,778	\$ 782,061
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	12.44%	15.54%	15.51%	15.80%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%

Note: The Town implemented GASB 75 in 2018. 10 years of prior year information is not available.

TOWN OF BAYFIELD, COLORADO
Required Supplementary Information
Schedule of OPEB Contributions

Public Employees' Retirement Association of Colorado (PERA)

	Reporting Fiscal Year			
	2020	2019	2018	2017
Contractually required contribution	\$ 6,950	\$ 7,309	\$ 6,886	\$ 7,924
Contributions in relation to the contractually required contribution	\$ (6,950)	\$ (7,309)	\$ (6,886)	\$ (7,924)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 681,329	\$ 719,924	\$ 699,030	\$ 801,778
Contributions as a percentage of covered payroll	1.02%	1.02%	0.99%	0.98%

Note: The Town implemented GASB 75 in 2018. 10 years of prior year information is not available.

Note 1. Actuarially Determined Contribution Rates

- Actuarial cost method
- Amortization method
- Remaining amortization period
- Asset valuation method
- Actuarial assumptions:
 - Investment rate of return:
 - Projected salary increase:
 - Inflation:
 - COLA:

	Entry age normal
	Level % of payroll, open
	12 years
	5-year smoothed fair value
	7.0%
	4.25% - 11.25%
	2.5%
	0.0%

Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50-10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	1.25%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	
	Financed by the Annual Increase Reserve (AIR)

TOWN OF BAYFIELD, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

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

Major Special Revenue Fund

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

TOWN OF BAYFIELD, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2020

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes:				
Property tax	\$ 233,039	\$ 233,039	\$ 232,132	\$ (907)
Sales tax	1,273,338	1,273,338	1,605,196	331,858
Other taxes	29,800	29,800	22,452	(7,348)
Total taxes	1,536,177	1,536,177	1,859,780	323,603
Licenses, permits and fees:				
Licenses, permits and fees	46,150	46,150	21,319	(24,831)
Building permits	21,587	21,587	21,908	321
Charges for services	103,334	103,334	30,483	(72,851)
Total licenses, permits and fees	171,071	171,071	73,710	(97,361)
Intergovernmental:				
Grant revenues	237,906	237,906	407,626	169,720
Total intergovernmental	237,906	237,906	407,626	169,720
Fines and forfeitures:				
Fines and forfeitures	18,000	18,000	5,851	(12,149)
Total fines and forfeitures	18,000	18,000	5,851	(12,149)
Interest:				
Interest revenue	6,267	6,267	10,134	3,867
Total interest	6,267	6,267	10,134	3,867
Other revenues:				
Miscellaneous	12,200	12,200	9,937	(2,263)
Total other revenues	12,200	12,200	9,937	(2,263)
Total revenues	1,981,621	1,981,621	2,367,038	385,417

(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, 2020

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government:				
Town board	29,846	29,846	26,464	3,382
Town manager's office	89,682	89,682	97,152	(7,470)
Planning and development	86,510	86,510	57,403	29,107
Town clerk and finance	98,473	98,473	111,303	(12,830)
Elections	2,000	2,000	1,304	696
Municipal	7,610	7,610	6,600	1,010
Administrative	134,207	134,207	119,690	14,517
Town hall	46,922	46,922	46,046	876
Information technology	47,340	47,340	46,201	1,139
Non-departmental	13,805	13,805	235,655	(221,850)
Community development	44,719	44,719	52,374	(7,655)
Total General Government	601,114	601,114	800,192	(199,078)
Public Safety:				
Wages and benefits	833,740	833,740	709,920	123,820
Operations	137,284	137,284	135,613	1,671
Administrative	21,600	21,600	26,716	(5,116)
Miscellaneous	6,500	6,500	1,480	5,020
Total Public Safety	999,124	999,124	873,729	125,395
Parks & Recreation				
Wages and benefits	231,102	231,102	209,859	21,243
Adult sports & athletics	6,850	6,850	1,936	4,914
Youth sports & athletics	14,550	14,550	317	14,233
Park expenses	67,784	67,784	52,134	15,650
Special events	23,100	23,100	1,150	21,950
Senior center	82,142	82,142	72,115	10,027
Total Parks & Recreation	425,528	425,528	337,511	88,017
				(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, 2020

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Payments to sub recipients	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total payments to sub recipients	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Capital outlay:				
Capital outlay	<u>232,786</u>	<u>232,786</u>	<u>91,779</u>	<u>141,007</u>
Total capital outlay	<u>232,786</u>	<u>232,786</u>	<u>91,779</u>	<u>141,007</u>
Total expenditures	<u>2,265,552</u>	<u>2,265,552</u>	<u>2,103,211</u>	<u>162,341</u>
Excess of revenues over (under) expenditures	<u>(283,931)</u>	<u>(283,931)</u>	<u>263,827</u>	<u>547,758</u>
Other financing sources (uses):				
Transfers in	<u>28,838</u>	<u>28,838</u>	<u>-</u>	<u>(28,838)</u>
Total other financing sources (uses)	<u>28,838</u>	<u>28,838</u>	<u>-</u>	<u>(28,838)</u>
Net change in fund balance	<u>(255,093)</u>	<u>(255,093)</u>	<u>263,827</u>	<u>518,920</u>
Fund balance, beginning of year	<u>1,173,577</u>	<u>1,173,577</u>	<u>1,173,577</u>	<u>-</u>
Fund balance, end of year	<u>\$ 918,484</u>	<u>\$ 918,484</u>	<u>\$ 1,437,404</u>	<u>\$ 518,920</u>

TOWN OF BAYFIELD, COLORADO
Street Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2020

	Original	Final	Actual	Final Budget
Revenues				
Sales tax	\$ 320,307	\$ 320,307	\$ 481,792	\$ 161,485
Highway users tax	82,164	82,164	73,581	(8,583)
Other taxes	40,079	40,079	43,314	3,235
Franchise tax	12,000	12,000	15,878	3,878
Licenses, permits and fees	500	500	3,961	3,461
Intergovernmental revenue	10,000	10,000	4,732	(5,268)
Interest income	13,072	13,072	6,903	(6,169)
Total revenue	478,122	478,122	630,161	152,039
Expenditures				
Public Works:				
Wages and benefits	207,001	207,001	227,926	(20,925)
Streets	479,200	479,200	240,765	238,435
Operations	21,800	21,800	22,064	(264)
Administrative	99,109	99,109	70,184	28,925
Total public works	807,110	807,110	560,939	246,171
Capital outlay	110,000	180,000	124,916	55,084
Total expenditures	917,110	987,110	685,855	301,255
Excess of revenue and other sources over (under) expenditures and other uses	(438,988)	(508,988)	(55,694)	453,294
Other financing sources (uses):				
Transfers in	514,871	514,871	200,000	(314,871)
Total other financing sources (uses):	514,871	514,871	200,000	(314,871)
Net change in fund balance	75,883	5,883	144,306	138,423
Fund balance, beginning of year	1,490,153	1,490,153	1,490,153	-
Fund balance, end of year	\$ 1,566,036	\$ 1,496,036	\$ 1,634,459	\$ 138,423

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

Major Capital Project Funds

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

Nonmajor 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.

Nonmajor Capital Project 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 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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Sales taxes	\$ 331,792	\$ 331,792	\$ 481,792	\$ 150,000
Severance tax	30,000	30,000	44,403	14,403
Federal mineral leasing	30,000	30,000	18,097	(11,903)
Impact fees	2,448	2,448	3,672	1,224
Intergovernmental revenue	25,000	25,000	13,213	(11,787)
In lieu of parks fee	-	-	7,908	7,908
Interest income	37,824	37,824	14,320	(23,504)
Total revenue	457,064	457,064	583,405	126,341
Expenditures				
Capital outlay	330,000	330,000	82,049	247,951
Total expenditures	330,000	330,000	82,049	247,951
Excess of revenue and other sources over (under) expenditures and other uses	127,064	127,064	501,356	374,292
Other financing sources (uses):				
Transfers in	30,253	30,253	30,253	-
Transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing sources (uses):	(169,747)	(169,747)	(169,747)	-
Net change in fund balance	(42,683)	(42,683)	331,609	374,292
Fund balance, beginning of year	1,363,345	1,363,345	1,363,345	-
Fund balance, end of year	\$ 1,320,662	\$ 1,320,662	\$ 1,694,954	\$ 374,292

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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	1	1
Total revenues	-	-	1	1
Expenditures				
General government	-	2,875	2,851	24
Total expenditures	-	2,875	2,851	24
Excess of revenues over (under) expenditures	-	(2,875)	(2,850)	25
Fund balance, beginning of year	2,850	2,850	2,850	-
Fund balance, end of year	\$ 2,850	\$ (25)	\$ -	\$ 25

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental revenue	\$ 30,000	\$ 30,000	\$ 28,172	\$ (1,828)
Interest income	35	35	-	(35)
Total revenues	30,035	30,035	28,172	(1,863)
Expenditures				
Total expenditures	-	-	-	-
Excess of revenue and other sources over (under) expenditures and other uses	30,035	30,035	28,172	(1,863)
Fund balance, beginning of year	98,596	98,596	98,596	-
Fund balance, end of year	\$ 128,631	\$ 128,631	\$ 126,768	\$ (1,863)

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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Interest income	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenue and other sources over (under) expenditures and other uses	-	-	-	-
Other financing sources (uses):				
Transfers out	(314,871)	(314,871)	-	314,871
Total other financing sources (uses):	(314,871)	(314,871)	-	314,871
Net change in fund balance	(314,871)	(314,871)	-	314,871
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (314,871)</u>	<u>\$ (314,871)</u>	<u>\$ -</u>	<u>\$ 314,871</u>

TOWN OF BAYFIELD, COLORADO
Water Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual with Reconciliation to US GAAP Basis
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Charges for services	\$ 657,000	\$ 657,000	\$ 817,014	\$ 160,014
Intergovernmental revenue	3,200,000	3,200,000	664,005	(2,535,995)
Interest income	29,082	29,082	10,888	(18,194)
Connection and tap fees	39,600	39,600	85,263	45,663
Total revenues	<u>3,925,682</u>	<u>3,925,682</u>	<u>1,577,170</u>	<u>(2,348,512)</u>
Expenses				
Salaries and wages	231,474	231,474	214,704	16,770
Water storage	49,152	49,152	29,223	19,929
Pumping costs	8,000	8,000	6,172	1,828
Water treatment	137,700	137,700	132,428	5,272
Transmission and distribution	48,900	48,900	60,112	(11,212)
Administrative	69,389	69,389	82,090	(12,701)
Capital outlay	3,270,000	3,270,000	-	3,270,000
Debt service	180,000	180,000	-	180,000
Transfers out	10,735	10,735	10,735	-
Total expenses	<u>4,005,350</u>	<u>4,005,350</u>	<u>535,464</u>	<u>3,469,886</u>
Change in net position - budget basis	<u>\$ (79,668)</u>	<u>\$ (79,668)</u>	1,041,706	<u>\$ 1,121,374</u>
GAAP Basis Adjustments				
Depreciation			(215,261)	
Change in net position - GAAP basis			826,445	
Net position, beginning of year			<u>6,189,300</u>	
Net position, end of year			<u>\$ 7,015,745</u>	

TOWN OF BAYFIELD, COLORADO
Sewer Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual with Reconciliation to US GAAP Basis
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Charges for services	\$ 1,006,414	\$ 1,006,414	\$ 1,070,338	\$ 63,924
Interest income	32,010	32,010	10,047	(21,963)
Connection and tap fees	36,000	36,000	103,818	67,818
Other revenues	-	-	1,367	1,367
Total revenues	1,074,424	1,074,424	1,185,570	111,146
Expenses				
Salaries and wages	271,849	271,849	245,426	26,423
Collection and transmission	56,850	56,850	61,954	(5,104)
Sewer treatment	161,250	251,250	103,309	147,941
General operations	29,500	29,500	702	28,798
Administrative	70,287	70,287	52,170	18,117
Debt service	383,798	383,798	93,480	290,318
Transfers out	48,356	48,356	19,518	28,838
Total expenses	1,021,890	1,111,890	576,559	535,331
Change in net position - budget basis	\$ 52,534	\$ (37,466)	609,011	\$ 646,477
GAAP Basis Adjustments				
Depreciation			(328,148)	
Change in net position - GAAP basis			280,863	
Net position, beginning of year			6,551,119	
Net position, end of year			\$ 6,831,982	

TOWN OF BAYFIELD, COLORADO
Garbage Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual with Reconciliation to US GAAP Basis
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Charges for services	\$ 178,942	\$ 178,942	\$ 183,881	\$ 4,939
Interest income	25	25	-	(25)
Total revenues	178,967	178,967	183,881	4,914
Expenses				
Salaries and wages	6,005	6,006	4,588	1,418
General operations	170,596	177,596	168,780	8,816
Administrative	2,366	2,365	2,466	(101)
Total expenses	178,967	185,967	175,834	10,133
Change in net position - budget basis	\$ -	\$ (7,000)	8,047	\$ 15,047
GAAP Basis Adjustments				
Depreciation			(2,715)	
Change in net position - GAAP basis			5,332	
Net position, beginning of year			80,428	
Net position, end of year			\$ 85,760	

TOWN OF BAYFIELD, COLORADO

SUPPLEMENTARY INFORMATION

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY LOAN COVENANTS AND REQUIREMENTS LOAN 2007A

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2020, 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, 2020 calculation for the rate covenant is as follows:

Total Revenues	1,185,570
Total Operating Exp (-) Depreciation	<u>(463,561)</u>
	722,009
Annual Debt Service	364,506
Coverage Ratio	<u>1.98</u>
Coverage Ratio Requirement	1.10
Over/(Under)	<u><u>0.88</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, 2020 reserve calculation is as follows:

Current Assets	2,359,620
Current Liabilities	<u>369,194</u>
CA-CL Calculation	1,990,426
Operating Expense	791,709
Depreciation	<u>(328,148)</u>
Total Operating Exp Used	463,561
25% of Operating Exp (-) Depreciation Exp	115,890
Restricted Reserve	<u>115,890</u>
Over/(Short)	<u><u>-</u></u>

TOWN OF BAYFIELD, COLORADO

SUPPLEMENTARY INFORMATION

**COLORADO WATER RESOURCES AND
POWER DEVELOPMENT AUTHORITY
LOAN COVENANTS AND REQUIREMENTS
LOAN 2013**

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2020, 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, 2020 calculation for the rate covenant is as follows:

Total Revenues	1,185,570
Total Operating Exp (-) Depreciation	<u>(463,561)</u>
	722,009
Annual Debt Service	36,457
Coverage Ratio	<u>19.80</u>
Coverage Ratio Requirement	1.10
Over/(Under)	<u><u>18.70</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, 2020 reserve calculation is as follows:

Current Assets	2,359,620
Current Liabilities	<u>369,194</u>
CA-CL Calculation	1,990,426
Operating Expense	791,709
Depreciation	<u>(328,148)</u>
Total Operating Exp Used	463,561
25% of Operating Exp (-) Depreciation Exp	115,890
Restricted Reserve	<u>115,890</u>
Over/(Short)	<u><u>-</u></u>

TOWN OF BAYFIELD, COLORADO

SUPPLEMENTARY INFORMATION

**COLORADO WATER RESOURCES AND
POWER DEVELOPMENT AUTHORITY
LOAN COVENANTS AND REQUIREMENTS
LOAN 2020**

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2020, 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, 2020 calculation for the rate covenant is as follows:

Total Revenues	1,577,170
Total Operating Exp (-) Depreciation	<u>(516,236)</u>
	1,060,934
Annual Debt Service	20,089
Coverage Ratio	<u>52.81</u>
Coverage Ratio Requirement	1.10
Over/(Under)	<u><u>51.71</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, 2020 reserve calculation is as follows:

Current Assets	2,358,355
Current Liabilities	<u>172,813</u>
CA-CL Calculation	2,185,542
Operating Expense	731,497
Depreciation	<u>(215,261)</u>
Total Operating Exp Used	516,236
25% of Operating Exp (-) Depreciation Exp	129,059
Restricted Reserve	<u>129,059</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 2020
Prepared By: Kathleen Sickles, Town Manager Phone: 1-970-884-9544	

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	117,524
3. Other local imposts (from page 2)	505,569
4. Miscellaneous local receipts (from page 2)	30,339
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	653,432
B. Private Contributions	0
C. Receipts from State government (from page 2)	84,628
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	738,060

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	0
2. Maintenance:	565,537
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	9,334
c. Other	18,883
d. Total (a. through c.)	28,217
4. General administration & miscellaneous	0
5. Highway law enforcement and safety	
6. Total (1 through 5)	593,754
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	593,754

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
	1,490,153	738,060	593,754	1,634,459	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2020	

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	6,842
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	481,792	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	23,777	g. Other Misc. Receipts	9,645
6. Total (1. through 5.)	505,569	h. Other - Road and Bridge	13,852
c. Total (a. + b.)	505,569	i. Total (a. through h.)	30,339
	(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	73,581	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	11,047	d. Federal Transit Admin	
d. Other -		e. U.S. Corps of Engineers	
e. Other - DOLA grant	0	f. Other Federal	0
f. Total (a. through e.)	11,047	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	84,628	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	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:

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

The Honorable Mayor and Board
Town of Bayfield, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bayfield, Colorado, as of and for the year ended December 31, 2020, 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 July 12, 2021.

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) as a basis for designing 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the findings and recommendations letter to be a significant deficiency:

2018-001 Year End Accounting and Financial Statement Controls

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



HintonBurdick, PLLC
St. George, Utah
July 12, 2021

