

TOWN OF BOW MAR, COLORADO

FINANCIAL STATEMENTS

December 31, 2014



Logan and Associates, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

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**TOWN OF BOW MAR, COLORADO**

**Roster of Town Officials**

December 31, 2014

**Mayor**

Rick Pilgrim

**Board of Trustees**

Gary Guilford, Mayor Pro-Tem  
Merle McKittrick  
Carrie McLaughlin  
Anne Justen  
Jane Carlson  
Marsha Dennis

**Administrative Staff**

Karen Reutzal, Town Clerk/Treasurer

**Town Attorney**

Jack E. Reutzal, Esquire



Honorable Mayor and Members of the Board of Trustees  
Town of Bow Mar  
Bow Mar, Colorado

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Bow Mar as of and for the year ended December 31, 2014, 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 the 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 Town'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 Town'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 reasonable 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, and each major fund of the Town of Bow Mar as of December 31, 2014, 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 schedule of funding progress - old hire police pension plan on page 19 and the budgetary comparison schedule - general fund on pages 20 - 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of the 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 evidence sufficient to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that GASB requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bow Mar's basic financial statements. The accompanying budgetary comparison information - debt service fund and local highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying budgetary comparison information - debt service fund and local highway finance report are the responsibility of management and were derived from and directly relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and

other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying budgetary comparison information - debt service fund and local highway finance report are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Logan and Associates, LLC*

Aurora, Colorado  
August 7, 2015

## **BASIC FINANCIAL STATEMENTS**

TOWN OF BOW MAR, COLORADO

STATEMENT OF NET POSITION

December 31, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<b>ASSETS</b>			
Cash and Investments	\$ 445,965	\$ 69,036	\$ 515,001
Accounts Receivable	18,448	-	18,448
Property Taxes Receivable	570,000	-	570,000
Capital Assets, Not Being Depreciated	944,284	-	944,284
Capital Assets, Net of Accumulated Depreciation	16,935	-	16,935
<b>TOTAL ASSETS</b>	<b>1,995,632</b>	<b>69,036</b>	<b>2,064,668</b>
<b>LIABILITIES</b>			
Accounts Payable	14,163	-	14,163
Developer Escrow	3,539	-	3,539
<b>TOTAL LIABILITIES</b>	<b>17,702</b>	<b>-</b>	<b>17,702</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Taxes	570,000	-	570,000
<b>NET POSITION</b>			
Net Investment in Capital Assets	961,219	-	961,219
Restricted for			
Emergencies	18,900	-	18,900
Parks, Recreation and Open Space	50,161	-	50,161
Debt Service	7,929	-	7,929
Unrestricted	369,721	69,036	438,757
<b>TOTAL NET POSITION</b>	<b>\$ 1,407,930</b>	<b>\$ 69,036</b>	<b>\$ 1,476,966</b>

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



TOWN OF BOW MAR, COLORADO

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental Activities</b>			
General Government	\$ 154,806	\$ -	\$ 1,311
Public Safety	257,573	-	-
Public Works	192,550	253,438	47,002
Parks, Recreation and Open Space	26,885	-	5,672
Interest on Long-Term Debt	4,338	-	-
Total Governmental Activities	636,152	253,438	53,985
<b>Business-Type Activities</b>			
The Bow Mar Foundation	3,960	-	7,115
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 640,112</b>	<b>\$ 253,438</b>	<b>\$ 61,100</b>

GENERAL REVENUES

Property Taxes  
Specific Ownership Taxes  
Franchise Taxes  
Investment Income  
Other

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE  
AND CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (153,495)	\$ -	\$ (153,495)
(257,573)	-	(257,573)
107,890	-	107,890
(21,213)	-	(21,213)
(4,338)	-	(4,338)
(328,729)	-	(328,729)
-	3,155	3,155
(328,729)	3,155	(325,574)
421,347	-	421,347
30,850	-	30,850
46,385	-	46,385
573	68	641
1,034	-	1,034
500,189	68	500,257
171,460	3,223	174,683
1,236,470	65,813	1,302,283
\$ 1,407,930	\$ 69,036	\$ 1,476,966

TOWN OF BOW MAR, COLORADO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2014

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTALS</u>
<b>ASSETS</b>				
Cash and Investments	\$ 442,098	\$ 3,867	\$ -	\$ 445,965
Accounts Receivable	14,248	4,200	-	18,448
Property Taxes Receivable	346,000	-	224,000	570,000
<b>TOTAL ASSETS</b>	<u>\$ 802,346</u>	<u>\$ 8,067</u>	<u>\$ 224,000</u>	<u>\$ 1,034,413</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 14,025	\$ 138	\$ -	\$ 14,163
Developer Escrow	3,539	-	-	3,539
<b>TOTAL LIABILITIES</b>	<u>17,564</u>	<u>138</u>	<u>-</u>	<u>17,702</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Taxes	<u>346,000</u>	<u>-</u>	<u>224,000</u>	<u>570,000</u>
<b>FUND BALANCES</b>				
Restricted for Emergencies	18,900	-	-	18,900
Restricted for Parks, Recreation and Open Space	50,161	-	-	50,161
Restricted for Debt Service	-	7,929	-	7,929
Committed for Road Improvements	138,566	-	-	138,566
Unassigned	231,155	-	-	231,155
<b>TOTAL FUND BALANCES</b>	<u>438,782</u>	<u>7,929</u>	<u>-</u>	<u>446,711</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 802,346</u>	<u>\$ 8,067</u>	<u>\$ 224,000</u>	<u>\$ 1,034,413</u>

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balances of Governmental Funds	\$ 446,711
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>961,219</u>
Total Net Position of Governmental Activities	<u>\$ 1,407,930</u>

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

TOWN OF BOW MAR, COLORADO

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

Year Ended December 31, 2014

	GENERAL	DEBT SERVICE	TOTALS
REVENUES			
Taxes	\$ 403,555	\$ 95,027	\$ 498,582
Licenses and Permits	253,438	-	253,438
Intergovernmental	53,985	-	53,985
Investment Income	536	37	573
Other	1,034	-	1,034
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	712,548	95,064	807,612
EXPENDITURES			
General Government	154,806	-	154,806
Public Safety	257,573	-	257,573
Public Works	192,550	-	192,550
Parks, Recreation and Open Space	24,376	-	24,376
Debt Service			
Principal	-	90,000	90,000
Interest and Fiscal Charges	-	5,178	5,178
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	629,305	95,178	724,483
NET CHANGE IN FUND BALANCES	83,243	(114)	83,129
FUND BALANCES, Beginning	355,539	8,043	363,582
	<hr/>	<hr/>	<hr/>
FUND BALANCES, Ending	<u>\$ 438,782</u>	<u>\$ 7,929</u>	<u>\$ 446,711</u>

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds	\$ 83,129
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents depreciation expense in the current year.	(2,509)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position and does not affect the statement of activities.	90,000
Some 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. This includes the decrease in accrued interest payable.	<hr/> 840
Change in Net Position of Governmental Activities	<u>\$ 171,460</u>

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

TOWN OF BOW MAR, COLORADO

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
December 31, 2014

	<u>FOUNDATION</u>
ASSETS	
Current Assets	
Cash and Investments	<u>\$ 69,036</u>
TOTAL ASSETS	<u>69,036</u>
NET POSITION	
Unrestricted	<u>69,036</u>
TOTAL NET POSITION	<u>\$ 69,036</u>

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

TOWN OF BOW MAR, COLORADO

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

Year Ended December 31, 2014

	<u>FOUNDATION</u>
OPERATING REVENUES	
Donations	<u>\$ 7,115</u>
OPERATING EXPENSES	
Scholarships	3,000
Landscape Improvements	<u>960</u>
TOTAL OPERATING EXPENSES	<u>3,960</u>
OPERATING INCOME	3,155
NONOPERATING REVENUES	
Investment Income	<u>68</u>
CHANGE IN NET POSITION	3,223
NET POSITION, Beginning	<u>65,813</u>
NET POSITION, Ending	<u>\$ 69,036</u>

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

TOWN OF BOW MAR, COLORADO

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents  
Year Ended December 31, 2014

	<u>FOUNDATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Donors	\$ 7,115
Cash Paid to Suppliers	<u>(3,960)</u>
Net Cash Provided by Operating Activities	<u>3,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>68</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,223
CASH AND CASH EQUIVALENTS, Beginning	<u>65,813</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 69,036</u></u>

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

TOWN OF BOW MAR, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Bow Mar (the "Town") is a Colorado statutory town (a municipal corporation), incorporated in 1958 and is governed by a Mayor and six-member Board of Trustees elected by the residents. The Town provides public safety, public improvements, planning and zoning, municipal court, parks and recreation and general administrative services to its residents.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**Reporting Entity**

In accordance with governmental accounting standards, the Town has considered the possibility of including additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Town officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. The Town may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the Town includes the following entity in its financial statements.

*The Bow Mar Foundation (Foundation)* provides improvement and beautification activities within the Town limits to enhance the quality of life of the residents. The Town Board of Trustees act as the governing board of the Foundation. The Foundation is reliant upon the Town to approve projects and receive funding. The Foundation does not issue separate financial statements and is blended into in the Town's financial statements as an enterprise fund.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Town and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees, donations and charges for support.



TOWN OF BOW MAR, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

The statement of net position reports all financial, capital and debt resources of the Town. The difference between the assets and liabilities and deferred inflows of resources of the Town is net position.

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

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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.

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 collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the Town.

TOWN OF BOW MAR, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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. Operating expenses for 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.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

The Town reports the following major governmental funds:

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

*Debt Service Fund* – accounts for the Town's accumulation of a dedicated property tax for the payment of general obligation debt.

*Capital Projects Fund* – accounts for the voter approved 10.000 mill property tax levy for the purpose of capital expenditures, primarily road improvements, in the Town limits.

The Town reports the following major proprietary fund:

*The Bow Mar Foundation* provides for the improvement and beautification of the Town and for scholarships to Town residents.

**Assets, Liabilities and Net Position/Fund Balances**

*Cash and Investments* - Cash equivalents include investments with original maturities of three months or less. Investments are stated at fair value.

*Receivables* - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

TOWN OF BOW MAR, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Net Position/Fund Balances** (Continued)

*Capital Assets* - Capital assets, which include land and land improvements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure assets acquired or constructed after 2003 are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives.

Land Improvements	15 years
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*Long-Term Debt* - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

*Net Position* - In the government-wide financial statements and the proprietary fund on the fund financial statements, net position are restricted when constraints placed on the net position are externally imposed.

*Fund Balance Classification* - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

TOWN OF BOW MAR, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Net Position/Fund Balances** (Continued)

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority, the Board of Trustees. The constraint may be removed or changed only through formal action of the Board of Trustees.
- Assigned – This classification includes amounts that are constrained by the Town's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Trustees to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The Town has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the Town uses restricted fund balance first.

**Property Taxes**

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the Town on a monthly basis.

**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; or acts of God. The Town maintains commercial insurance for these risks of loss.

TOWN OF BOW MAR, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events**

The Town has evaluated events subsequent to the year ended December 31, 2014 through August 7, 2015, the date of these financial statements were issued, and has incorporated any required recognition into these financial statements.

**NOTE 2: CASH AND INVESTMENTS**

A summary of cash and investments at December 31, 2014, follows:

Cash Deposits	\$ 451,010
Investments	<u>63,991</u>
Total	<u>\$ 515,001</u>

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors' accounts up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another approved institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2014 the Town had cash deposits with a carrying amount of \$451,010. The bank balances with the financial institutions were \$455,543 of which \$139,271 were collateralized with securities held by financial institutions' agents but not in the Town's name.

**Investments**

The Town is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk. State statutes generally limit investments to an original maturity of five years, unless the governing board authorizes the investment for a period in excess of five years.

TOWN OF BOW MAR, COLORADO

NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

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

*Local Government Investment Pools* - At December 31, 2014, the Town had \$13,830 and \$50,161 invested in the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colotrust), respectively, investment vehicles established by State statute for local government entities in Colorado to pool surplus funds. The Pools operate in conformity with the Securities and Exchange Commission's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. The Pools are rated AAAM by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2014, is summarized below:

	Balances 12/31/2013	Additions	Deletions	Balances 12/31/2014
<b>Governmental Activities</b>				
Capital Assets, not being depreciated				
Land	\$ 944,284	\$ -	\$ -	\$ 944,284
Capital Assets, being depreciated				
Land Improvements	37,634	-	-	37,634
Less accumulated depreciation				
Land Improvements	(18,190)	(2,509)	-	(20,699)
Total Capital Assets, being depreciated, net	19,444	(2,509)	-	16,935
Total Capital Assets, net	<u>\$ 963,728</u>	<u>\$ (2,509)</u>	<u>\$ -</u>	<u>\$ 961,219</u>

Depreciation expense was charged to the parks, recreation and open space program of the Town.

TOWN OF BOW MAR, COLORADO

NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended December 31, 2014.

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<b>Governmental Activities</b>				
General Obligation Bonds	\$ 90,000	\$ -	\$ 90,000	\$ -

During 1999, the Town issued General Obligation Open Space Refunding Bonds to refund the Series 1995 General Obligation Open Space Bonds, originally issued for the purchase of open space land. Principal payments were due annually on December 1, through 2014. Interest payments are due semi-annually on June 1 and December 1. Interest accrues at rates ranging from 3.7 % to 5.6%. The Bonds were paid-in-full during the year ended December 31, 2014.

**NOTE 5: RETIREMENT COMMITMENTS**

**Old Hire Police Pension Plan**

Effective December 6, 2004, the Town contracted with the Town of Columbine Valley to provide all police and municipal court services for the Town. As such, the Town no longer employs police officers. However, individuals who have previously served the Town as police officers may be eligible to participate in the following pension plan.

*Plan Description* - The Town's police hired prior to April 8, 1978, are covered by an agent multiple-employer defined benefit pension plan. The Plan provides retirement benefits to plan members and beneficiaries. State statutes establish basic benefit provisions for the Plan and assign the authority to establish and amend benefit provisions of the Plan to the Town's Pension Board of Trustees. Any police officer who has attained the earlier, of fifty-five and twenty years of active service, or twenty-five years of active service, is eligible for a monthly pension payment equivalent to one-half of their average monthly salary one year before retirement. The Plan is affiliated with and administered by the Fire and Police Pension Association of Colorado (FPPA). FPPA issues publicly available financial statements and required supplementary information. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Suite 190, Englewood, CO 80111 or by calling 1-800-332-3772.

*Funding Policy* - The Plan receives contributions from the Town based on an actuarially determined amount, as required by State statute. The actuarial study as of January 1, 2014, indicated that the current level of contributions to the Plan are adequate to support on an actuarially sound basis the prospective benefits, including administrative costs, of the present Plan.

TOWN OF BOW MAR, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 5: RETIREMENT COMMITMENTS (Continued)**

**Old Hire Police Pension Plan (Continued)**

*Annual Pension Cost* - For the year ended December 31, 2014, the Town contributed \$4,590 to the Plan, equal to the required contribution. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the entry age actuarial cost method. The actuarial study as of January 1, 2012 set the required contributions at \$4,590 for each of the years ending December 31, 2013 and 2014. The actuarial study as of January 1, 2014 set the required contributions at \$0 for each of the years ending December 31, 2015 and 2016.

Actuarial assumptions included the following:

- Interest Rate – 7.5% per annum, compounded annually
- Retirement - Age 55 and 20 years of service or any age with 25 years of service
- Mortality – RP-2000 generational mortality, with a blue collar adjustment for healthy retirees
- Marital Status - 90% male and female
- Age Difference – Retirees assumed to be 3 years older than beneficiaries
- Asset Valuation - 5 year smoothed fair market value

Based on an amortization period of six years using the level dollar method on an open basis, the Plan's expected contributions equal the amount recommended to eliminate the unfunded actuarial accrued liability.

Trend information of the Plan follows:

<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2014	\$ 4,590	100%	\$ -
2013	4,590	100%	-
2012	2,326	100%	-

*Funded Status and Funding Progress* - As of January 1, 2014, the most recent actuarial valuation date, the Plan was 186.4% funded. The actuarial accrued liability for benefits was \$30,241, and the actuarial value of assets was \$56,377, resulting in an unfunded actuarial accrued liability of (\$26,136). The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about the funded status of the Plan.



TOWN OF BOW MAR, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment**

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 government. The Amendment is complex and subject to judicial interpretation.

In November 1997, the Town's voters authorized the Town to collect and retain all revenues generated from all sources of the Town without any limitation contained in the Amendment. In addition, the Town's voters authorized the Town to increase the property tax mill levy without exceeding the annual property tax increase of 5.5% set forth in State statutes.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2014, the emergency reserve of \$18,900 was reported as a restriction of fund balance and net position in the General Fund and Governmental Activities, respectively.

**Intergovernmental Agreement**

The Town has approved an intergovernmental agreement with the Town of Columbine Valley ("Columbine Valley") to provide police and municipal court services January 1, 2014 through December 31, 2018. The agreement requires the Town to pay Columbine Valley \$250,780, \$255,795 and \$260,910 for these services for the years ended December 31, 2014, 2015 and 2016, respectively. For the years ending December 31, 2017 and 2018, the Town will pay Columbine Valley the previous year's amount increased by the Denver/Boulder/Greely "projected" CPI increase available in October of the previous year.

In addition, if the actual hours for police services are less than 12,480 in any year, Columbine Valley agrees to rebate a portion of the payment to the Town. If the actual hours are greater than 12,480, then the Town will pay the excess at a rate determined by the agreement.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF BOW MAR, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
OLD HIRE POLICE PENSION PLAN  
 Year Ended December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ 56,377	\$ 30,241	\$ (26,136)	186.4%	NA	NA
1/1/2012	62,771	79,834	17,063	78.6%	NA	NA
1/1/2010	75,912	88,089	12,177	86.2%	NA	NA
1/1/2008	92,325	144,466	52,141	63.9%	NA	NA
1/1/2006	100,541	154,499	53,958	65.1%	NA	NA

See the accompanying Independent Auditors' Report.

TOWN OF BOW MAR, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Taxes				
Property Taxes	\$ 326,406	\$ 326,406	\$ 326,320	\$ (86)
Specific Ownership Taxes	23,000	23,000	30,850	7,850
Franchise Taxes	43,500	43,500	46,385	2,885
Licenses and Permits	33,000	208,000	253,438	45,438
Intergovernmental	51,720	51,720	53,985	2,265
Investment Income	350	350	536	186
Other	400	400	1,034	634
TOTAL REVENUES	<u>478,376</u>	<u>653,376</u>	<u>712,548</u>	<u>59,172</u>
EXPENDITURES				
General Government	118,802	118,802	154,806	(36,004)
Public Safety	256,570	256,570	257,573	(1,003)
Public Works	54,000	229,000	192,550	36,450
Parks, Recreation and Open Space	26,500	26,500	24,376	2,124
TOTAL EXPENDITURES	<u>455,872</u>	<u>630,872</u>	<u>629,305</u>	<u>1,567</u>
NET CHANGE IN FUND BALANCE	22,504	22,504	83,243	60,739
FUND BALANCE, Beginning	<u>365,000</u>	<u>365,000</u>	<u>355,539</u>	<u>(9,461)</u>
FUND BALANCE, Ending	<u>\$ 387,504</u>	<u>\$ 387,504</u>	<u>\$ 438,782</u>	<u>\$ 51,278</u>

See the accompanying Independent Auditors' Report.

TOWN OF BOW MAR, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2014

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

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

- In October, management submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- Budgets are legally adopted for all funds of the Town on a basis consistent with generally accepted accounting principles (GAAP).
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

**SUPPLEMENTARY INFORMATION**

TOWN OF BOW MAR, COLORADO

BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
 Year Ended December 31, 2014

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Taxes			
Property Taxes	\$ 96,012	\$ 95,027	\$ (985)
Investment Income	-	37	37
TOTAL REVENUES	<u>96,012</u>	<u>95,064</u>	<u>(948)</u>
EXPENDITURES			
Debt Service			
Principal	90,000	90,000	-
Interest and Fiscal Charges	<u>6,000</u>	<u>5,178</u>	<u>822</u>
TOTAL EXPENDITURES	<u>96,000</u>	<u>95,178</u>	<u>822</u>
NET CHANGE IN FUND BALANCE	12	(114)	(126)
FUND BALANCE, Beginning	<u>-</u>	<u>8,043</u>	<u>8,043</u>
FUND BALANCE, Ending	<u>\$ 12</u>	<u>\$ 7,929</u>	<u>\$ 7,917</u>

See the accompanying Independent Auditors' Report.

## STATE COMPLIANCE



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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Town of Bow Mar YEAR ENDING : December 2014
This Information From The Records Of (example - City of _ or County of	Prepared By: John Penaligon CPA Phone: 303-795-6858

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	184,135
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	368,091	b. Snow and ice removal	4,235
3. Other local imposts (from page 2)	41,441	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	4,235
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	257,573
a. Bonds - Original Issues		6. Total (1 through 5)	445,943
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	409,532	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	36,411	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	445,943	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	445,943

**IV. LOCAL HIGHWAY DEBT STATUS**  
(Show all entries at par)

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		445,943	445,943		0

**Notes and Comments:**

<b>LOCAL HIGHWAY FINANCE REPORT</b>		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2014	
<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		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	41,441	g. Other Misc. Receipts	
6. Total (1. through 5.)	41,441	h. Other	
c. Total (a. + b.)	41,441	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	32,553	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	3,858	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	3,858	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	36,411	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)		0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		0	0
			(Carry forward to page 1)
<b>Notes and Comments:</b>			

FORM FHWA-536 (Rev.1-05)

See the accompanying Independent Auditors' Report.