



551 Hot Springs Boulevard
Post Office Box 1859
Pagosa Springs, CO 81147
Phone: 970.264.4151
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**TOWN COUNCIL MEETING AGENDA
TUESDAY, JULY 5, 2016
Town Hall Council Chambers
551 Hot Springs Blvd
5:00 p.m.**

- I. **CALL MEETING TO ORDER**
- II. **PUBLIC COMMENT** – *Please sign in to make public comment*
- III. **CONSENT AGENDA**
 - 1. **Approval of the June 23, 2016 Meeting Minutes**
 - 2. **Letter of Support for Axis Health Systems**
 - 3. **Liquor License**
 - a. **Liquor License Renewal – Higher Grounds Coffee at 189 Talisman Dr Suite A**
 - b. **Special Events Liquor Permit – St Patrick’s Episcopal Church Shamrock Festival at 225 S. Pagosa Blvd on August 13, 2016**
 - c. **Special Events Liquor Permit – Pagosa Mountain Morning Rotary Club Wrestlers Fundraiser at the Town Park on July 9, 2016**
- IV. **NEW BUSINESS**
 - 1. **2015 Audit Presentation by Hinton Burdick CPA – Chad Atkinson**
 - 2. **Law Enforcement Academy Sponsorship**
 - 3. **Resolution 2016-10, Capital Asset Policy**
 - 4. **Town Council Project Scheduling Update**
- V. **PUBLIC COMMENT** – *Please sign in to make public comment*
- VI. **COUNCIL IDEAS AND COMMENTS**
- VII. **NEXT TOWN COUNCIL MEETING JULY 21, 2016 AT 5:00 PM**
- VIII. **ADJOURNMENT**

**Don Volger
Mayor**



Town of Pagosa Springs
551 Hot Springs Boulevard
Post Office Box 1859
Pagosa Springs, CO 81147
Phone: 970.264.4151
Fax: 970.264.4634

July 5, 2016

Bern Heath, Ph.D., CEO
Axis Health System
281 Sawyer Drive, Suite 100
Durango, CO 81303

Dear Bern,

Please accept this letter as an expression of support for your application to become a New Access Point, HRSA-supported Health Center in Pagosa Springs for Archuleta County. We understand the pressing healthcare needs in our region and recognize that this Health Center could bring critical healthcare access to families and individuals in our community.

While our area has many great things to offer, healthcare professionals are in short supply, and Archuleta County is designated both as a Medically Underserved Area (MUA) as well as being a Healthcare Professional Shortage Area (HPSA). Of the 12,244 residents in our community, over 4,000 experience significant barriers when attempting to access affordable healthcare. Core health indicators in Archuleta County exceed the national benchmarks for negative health outcomes for diabetes, prenatal and perinatal health, cardiovascular disease, behavioral health, dental health and cancer.

Axis Health System has been an integral component of healthcare delivery in Pagosa Springs and throughout Archuleta County for many years, and you have a proven capacity to implement Health Center care successfully in Southwest Colorado. Your HRSA-supported Health Centers in both La Plata and Montezuma Counties have become core providers of quality healthcare while ensuring that patients have access to care regardless of their economic status or ability to pay. A Health Center of this kind in Pagosa Springs is a much needed addition to the current healthcare capacity in the community, ensuring increased access for residents, including those who are low-income, not insured or underinsured.

The Town of Pagosa Springs is committed to working with Axis Health System in the establishment of a HRSA-supported Health Center in Archuleta County and urges HRSA to give full consideration to your application to bring this critical healthcare resource to our community.

Sincerely,

Don Volger, Mayor



To the Honorable Mayor and Town Council
Town of Pagosa Springs, Colorado

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pagosa Springs, Colorado (the Town) for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 9, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Town changed accounting policies related to pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) Nos. 68 and 71, *Accounting and Financial Reporting for Pensions* and *Pension Transition for Contributions Made Subsequent to the Measurement Date*, respectively, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Town's financial statements.

We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Town's financial statements were:

1. The useful lives of capital assets used in calculating depreciation as disclosed in Note 1 of the financial statements.
2. The estimated historical cost of infrastructure.
3. Certain estimates and assumptions were used in calculating the State emergency reserve requirement.
4. For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, management's estimates have been determined on the same basis as they are reported by the Fire and Police Pension Association (FPPA). The Town's net pension liability/asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation as of January 1, 2014. All of the allocations have been made to governmental activities and are based on the pro-rata share of payroll and/or contributions.

We evaluated the key factors and assumptions used to develop depreciation, emergency reserve, and pension related item estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A copy of the adjustments can be obtained from management.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 24, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, pension related schedules, and major fund budget comparisons, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the various budget comparisons, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the

method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were engaged to report on the Local Highway Finance Report, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Mayor, Town Council, and management of the Town of Pagosa Springs, Colorado and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick PLLC
St. George, Utah
May 24, 2016



**Findings and Recommendations
For the Year Ended December 31, 2015**

The Honorable Mayor and
Town Council
Pagosa Springs, Colorado

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. We wish to commend the Town for their administrative achievements and oversight of the Town's accounting and budget system. During our audit of the funds of the Town of Pagosa Springs for the year ended December 31, 2015 we noted a few areas that may need corrective action in order for the Town to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

2015-001 Accounting Adjustments

During our audit we made recommendations for various journal entries that were necessary to record year-end accruals, capital asset activity, long term debt transactions, various reclassifications, prior period adjustments and other miscellaneous adjustments.

Recommendation

We recommend that management review and understand the adjustments proposed by the auditors. We also recommend that the Town develop a plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place. The Town should continue to improve its internal controls to a level where they will at least identify material misstatements.

Capital Asset Accounting

During our audit we noted that the Town has established some budgetary controls over capital asset purchases; however, the Town has not established sufficient accounting controls over capital assets. The Town is not tracking asset additions and disposals during the year. We also noted that the Town has not formally adopted a capitalization threshold. As a result of inadequate controls over capital assets, several audit adjustments were proposed to correct capital asset beginning balances and properly account for current year capital asset activity.

We also observed that the Town's capital asset detail was not being maintained in a manner that would allow the Town to match up items on the list with the physical assets. However, some of the detail was restated based upon information from the Town's management. We commend Town management for working with HintonBurdick to restate portions of the Town's capital asset listing for this year's audit. Although we made significant efforts to clarify assets, we believe there are further items that need to be inventoried and clarified in next year's audit.

Recommendations

We recommend that the Town Council formally adopt a capital asset threshold in an upcoming Town Council meeting as determined by management.

We recommend that the Town establish procedures for capital asset accounting. The Town should identify someone to maintain the capital asset listing and to perform the following:

1. Maintain throughout the year a detail list of capital asset additions and deletions for the fiscal year that shows a description, date of purchase and cost for each item. The list should be maintained for each capital asset general ledger account and should be maintained in such a way as to allow reconciliations to the general ledger.
2. Conduct year-end physical asset inventories and when practical, tagging of assets with an inventory tag/identification number.
3. Reconcile the year-end physical inventory of capital assets to the general ledger control accounts and depreciation listing.

In regards to the remaining assets that need clarification, the Town should work with HintonBurdick to clarify the remaining details during 2016.

Significant Deficiencies:

2015-003 Segregation of Duties

The cash receipts cycle lacks a complete segregation of duties. The same individual who prepares the billings can receive cash from customers, prepare the deposit for the bank, record receipts in the accounting system, record adjustments and write-offs for utility accounts receivable, and prepares the bank reconciliation. In order to achieve a proper segregation, those who have access to the accounting system should be segregated from handling cash receipts. Proper segregation of duties provides important safeguards and controls to ensure the proper accounting, deposit and disposition of the Town's funds.

We also observed that the payroll cycle lacks a complete segregation of duties. There is no review of the payroll or direct deposit that is being prepared and initiated by the same individual who prepares the payroll and has access to adjust pay rates. We are aware that procedures have already been implemented to address this risk.

Recommendation

The Town Council and management should consider ways that segregation of duties can be achieved in the Town's cash receipting and payroll processes. This could include not having the Town Clerk receipt cash, having a separate individual review the bank reconciliation, and having an individual review the payroll reports. We recognize that resources are sometimes limited to be able to achieve a full segregation of duties. However, we recommend that Town's management review these processes and develop mitigating controls to address the associated risks.

COMPLIANCE AND OTHER MATTERS:

Compliance:

2015-004 Budgetary Compliance

A supplemental amendment to the budget requires a hearing to adopt an ordinance/resolution for a supplementary budget and appropriation. The hearing must be noticed in the same manner as the original budget hearing. (Section 29-1-109(2)(a), C.R.S.) We noted that the Town had not published notice for the supplemental budget.

In addition, the budget message should provide a statement of the budgetary basis of accounting used. (Section 29-1-103(1)(e), C.R.S.)

Recommendation

We recommend that the Town establish and follow proper procedures to comply with State budgeting laws.

Other Matters:

None noted

This report is intended solely for the information and use of the Town Council, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Town this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
St. George, Utah
May 24, 2016



TOWN OF PAGOSA SPRINGS, COLORADO

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF PAGOSA SPRINGS, COLORADO

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Independent Auditors' Report

The Honorable Mayor and Council
Town of Pagosa Springs, 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 Pagosa Springs, Colorado, as of and for the year ended December 31, 2015, 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 Pagosa Springs, Colorado, as of December 31, 2015, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pagosa Springs, Colorado's basic financial statements. The budgetary comparison schedules 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 the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and the Local Highway Finance Report are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2015, on our consideration of the Town of Pagosa Springs, 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 Pagosa Springs, Colorado's internal control over financial reporting and compliance



HintonBurdick, PLLC
St. George, Utah
May 24, 2016

**TOWN OF PAGOSA SPRINGS, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015**

As management of the Town of Pagosa Springs (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, 2015. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets plus deferred outflows of resources exceeded total liabilities plus deferred inflows of resources (net position) by \$31.6 million at the close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of \$8.9 million.
- Government-wide restatement and prior period adjustments increased total net position by \$1,958,830. Business-type prior period adjustments increased total net position by \$314,525.
- The total cost of all Town programs for 2015 was \$5,317,120.
- The General fund unassigned fund balance at the end of 2015 was \$1,776,805 which is 57% of total General fund expenditures.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

These two statements report the Town's net position and changes therein. Net position, the difference between assets 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, community support, 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 \$31.6 million as of December 31, 2015 as shown in the following condensed statement of net position. Of this amount, \$4,512,582 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 \$25,487,537 (80.77% 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 sanitation and geothermal 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, 2015 and 2014:

TOWN OF PAGOSA SPRINGS, COLORADO Statement of Net Position

| | Governmental activities | | Business-type activities | | Combined Total | |
|-----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 12/31/2015 | 12/31/2014 | 12/31/2015 | 12/31/2014 | 12/31/2015 | 12/31/2014 |
| Current and other assets | \$ 5,150,275 | \$ 4,206,486 | \$ 2,013,101 | \$ 3,124,501 | \$ 7,163,376 | \$ 7,330,987 |
| Capital assets | 20,674,588 | 15,294,555 | 10,585,337 | 7,505,797 | 31,259,925 | 22,800,352 |
| Total assets | <u>25,824,863</u> | <u>19,501,041</u> | <u>12,598,438</u> | <u>10,630,298</u> | <u>38,423,301</u> | <u>30,131,339</u> |
| Deferred outflows of resources | 38,830 | - | - | - | 38,830 | - |
| Long-term liabilities outstanding | 1,038,341 | 1,161,612 | 4,881,830 | 4,771,395 | 5,920,171 | 5,933,007 |
| Other liabilities | 344,298 | 1,128,710 | 506,586 | 275,876 | 850,884 | 1,404,586 |
| Total liabilities | <u>1,382,639</u> | <u>2,290,322</u> | <u>5,388,416</u> | <u>5,047,271</u> | <u>6,771,055</u> | <u>7,337,593</u> |
| Deferred inflows of resources | 81,377 | 75,846 | 55,942 | 86,975 | 137,319 | 162,821 |
| Net position: | | | | | | |
| Net investment in capital assets | 19,779,210 | 13,972,378 | 5,708,327 | 2,687,713 | 25,487,537 | 16,660,091 |
| Restricted | 1,091,775 | 485,174 | 461,863 | 2,067,193 | 1,553,638 | 2,552,367 |
| Unrestricted | 3,528,692 | 2,677,321 | 983,890 | 741,146 | 4,512,582 | 3,418,467 |
| Total net position | <u>\$ 24,399,677</u> | <u>\$ 17,134,873</u> | <u>\$ 7,154,080</u> | <u>\$ 5,496,052</u> | <u>\$ 31,553,757</u> | <u>\$ 22,630,925</u> |

An additional portion of net position, \$1,553,638, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,512,582 (14.3% 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 \$4,892,059 as shown in the Changes in Net Position statement below. \$602,641 of this cost was paid for by those who directly benefited from the programs. \$4,434,800 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 \$5,037,441. General taxes, other revenues, and investment earnings totaled \$5,160,592.

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

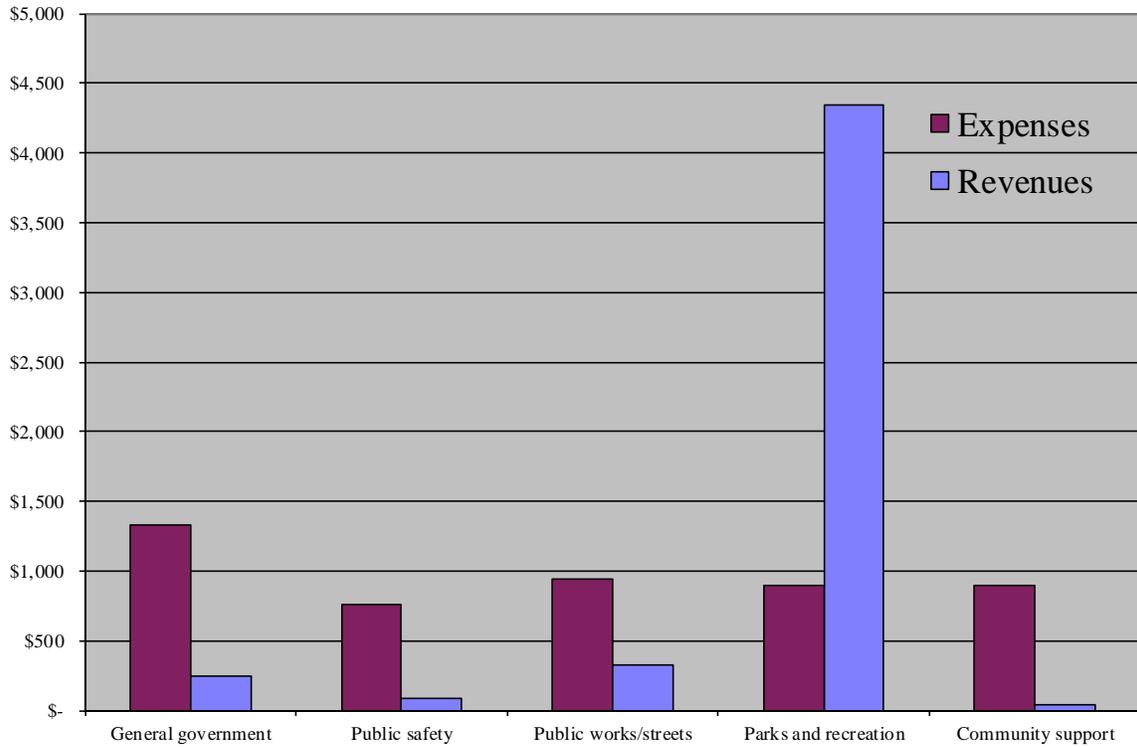
TOWN OF PAGOSA SPRINGS, COLORADO Changes in Net Position

| | Governmental activities | | Business-type activities | | Combined Total | |
|-------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 12/31/2015 | 12/31/2014 | 12/31/2015 | 12/31/2014 | 12/31/2015 | 12/31/2014 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 602,641 | \$ 196,603 | \$ 711,522 | \$ 696,996 | \$ 1,314,163 | \$ 893,599 |
| Operating grants and contributions | 400,843 | - | - | - | 400,843 | - |
| Capital grants and contributions | 4,033,957 | 515,805 | 958,157 | 588,471 | 4,992,114 | 1,104,276 |
| General revenues: | | | | | | |
| Taxes | 5,117,272 | 4,383,005 | 95,881 | 96,115 | 5,213,153 | 4,479,120 |
| Investment earnings | 13,830 | 560 | 3,004 | 2,346 | 16,834 | 2,906 |
| Other revenue/(expense) | 29,490 | - | - | - | 29,490 | - |
| Total revenues | <u>10,198,033</u> | <u>5,095,973</u> | <u>1,768,564</u> | <u>1,383,928</u> | <u>11,966,597</u> | <u>6,479,901</u> |
| Expenses: | | | | | | |
| General government | 1,330,946 | 2,395,604 | - | - | 1,330,946 | 2,395,604 |
| Public safety | 763,201 | 895,467 | - | - | 763,201 | 895,467 |
| Public works/streets | 941,312 | 1,109,002 | - | - | 941,312 | 1,109,002 |
| Parks and recreation | 898,770 | - | - | - | 898,770 | - |
| Community support | 898,517 | - | - | - | 898,517 | - |
| Interest on long-term debt | 59,313 | 49,833 | - | - | 59,313 | 49,833 |
| Sanitation | - | - | 359,708 | 407,054 | 359,708 | 407,054 |
| Geothermal | - | - | 65,353 | 74,295 | 65,353 | 74,295 |
| Total expenses | <u>4,892,059</u> | <u>4,449,906</u> | <u>425,061</u> | <u>481,349</u> | <u>5,317,120</u> | <u>4,931,255</u> |
| Increase (decrease) in net position | 5,305,974 | 646,067 | 1,343,503 | 902,579 | 6,649,477 | 1,548,646 |
| Net position, beginning - restated | 19,006,158 | 16,488,806 | 5,810,577 | 4,593,473 | 24,816,735 | 21,082,279 |
| Restatement adjustment | 87,545 | - | - | - | 87,545 | - |
| Net position, ending | <u>\$ 24,399,677</u> | <u>\$ 17,134,873</u> | <u>\$ 7,154,080</u> | <u>\$ 5,496,052</u> | <u>\$ 31,553,757</u> | <u>\$ 22,630,925</u> |

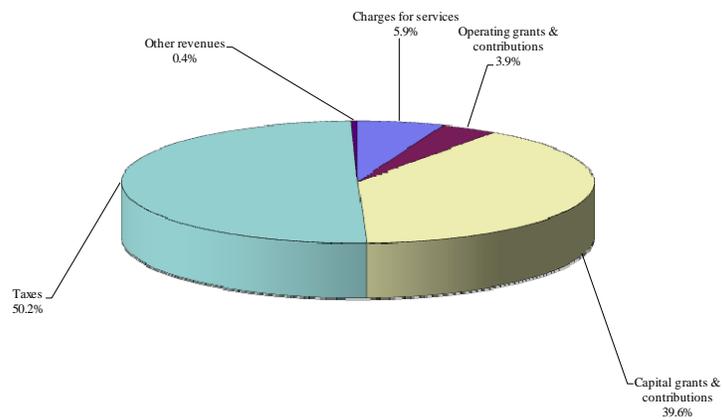
Total resources available during the year to finance governmental operations were \$27,332,906 consisting of net position at January 1, 2015 of \$17,134,873, program revenues of \$5,037,441, and General Revenues of \$5,160,592. Total Governmental Activities expenses during the year were \$4,892,059 and restatement and prior period adjustments were \$1,958,830; thus Governmental Net Position increased by \$7,264,804 to \$24,399,677.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



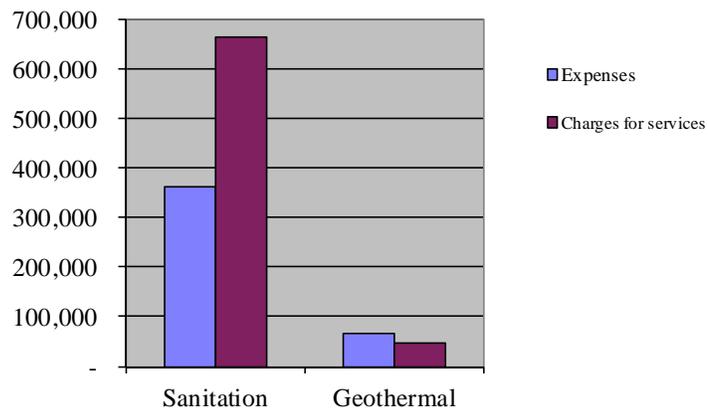
Revenue By Source - Governmental Activities



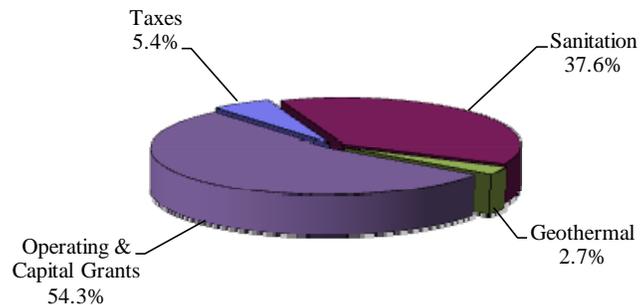
Business Type Activities

Net position of the Business Type activities at December 31, 2015, as reflected in the Statement of Net Position was \$7.2 million. The cost of providing all Proprietary (Business Type) activities this year was \$425,061. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$711,522 and there was \$958,157 subsidized by capital grants and contributions. Investment earnings and tax revenues were \$98,885. Prior period adjustments totaled \$314,525. The Net Position increased by \$1,658,028. 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 \$4,672,992, an increase of \$1,510,497 (including prior period adjustments of \$1,247,849) in comparison with the prior year. Approximately 74% (\$3,473,852) 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 capital improvement fund, and the tourism fund.

The General fund is the primary operating fund for the Town. At December 31, 2015, unassigned fund balance in the General fund was \$1,776,805. 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 57% of the total General fund expenditures. The fund balance of the Town's General fund increased by \$974,324 (including a prior period adjustment of \$698,745) for the year ended December 31, 2015. As compared to the prior year, the General fund revenues increased due to increased tax, intergovernmental revenues, and charges for services. General fund expenses increased due to increased general government and public work expenses.

The Capital Improvement fund budgeted for and completed several projects during the year. The expected reduction in fund balance was (\$696,569). The actual change in fund balance was (\$102,192). The decreased reduction in fund balance was a result of less capital outlay expenditures than budgeted.

The Tourism fund is used to account for tax on lodging establishments and the related community support expenditures. Actual revenues were more than budgeted revenues and actual expenditures were less than budgeted expenditures which resulted in an increase in fund balance of \$65,347

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, 2015 for the Town's enterprise funds (Sanitation and Geothermal) are as follows:

| | Sanitation | Geothermal | Total |
|---------------------------|------------|------------|------------|
| Unrestricted net position | \$ 882,251 | \$ 101,639 | \$ 983,890 |
| Total net position | 6,697,715 | 456,365 | 7,154,080 |
| Change in net position | 1,360,829 | (17,326) | 1,343,503 |

Budgetary Highlights

General fund revenues of \$3,296,583 were higher than budgeted revenues of \$3,197,341 by \$99,242. The most significant factor contributing to this excess amount is related to sales tax revenues which exceeded budget by \$218,402. Budgeted expenditures exceeded actual expenditures by \$307,488.

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 2015, net capital assets of the government activities totaled \$20.7 million and the net capital assets of the business-type activities were \$10.6 million. The most significant governmental capital additions were the Community Center building, Piedra street resurfacing, and the Main street sidewalk. There were no additions to the business-type capital assets. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the Town had \$1,038,341 in governmental type debt, and \$4,881,830 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$378,593. (See note 7 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2016, the Town Council and management were cautious as to the growth of revenues and expenditures due to a slow economy.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk at: PO Box 1859, Pagosa Springs, CO 81147.

BASIC FINANCIAL STATEMENTS

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Net Position
December 31, 2015

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 4,043,572 | \$ 1,358,056 | \$ 5,401,628 |
| Receivables (net of allowance) | 1,036,891 | 193,182 | 1,230,073 |
| Temporarily restricted assets: | | | |
| Cash and cash equivalents | - | 461,863 | 461,863 |
| Net pension asset | 69,812 | - | 69,812 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 2,336,550 | 16,376 | 2,352,926 |
| Construction in progress | 498,821 | 7,993,053 | 8,491,874 |
| Buildings and improvements | 7,602,676 | - | 7,602,676 |
| Machinery and equipment | 360,871 | 2,922 | 363,793 |
| Infrastructure and systems | 9,875,670 | 2,572,986 | 12,448,656 |
| Total assets | <u>25,824,863</u> | <u>12,598,438</u> | <u>38,423,301</u> |
| Deferred Outflows of Resources | | | |
| Deferred outflows related to pensions | 38,830 | - | 38,830 |
| Total deferred outflows of resources | <u>38,830</u> | <u>-</u> | <u>38,830</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | 283,273 | 424,789 | 708,062 |
| Interest payable | 16,766 | 81,797 | 98,563 |
| Customer deposits | 44,259 | - | 44,259 |
| Noncurrent liabilities: | | | |
| Due within one year | 327,766 | 146,660 | 474,426 |
| Due in more than one year | 710,575 | 4,735,170 | 5,445,745 |
| Total liabilities | <u>1,382,639</u> | <u>5,388,416</u> | <u>6,771,055</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pensions | 1,438 | - | 1,438 |
| Deferred revenue - property taxes | 79,939 | 55,942 | 135,881 |
| Total deferred inflows of resources | <u>81,377</u> | <u>55,942</u> | <u>137,319</u> |
| Net Position | | | |
| Net investment in capital assets | 19,779,210 | 5,708,327 | 25,487,537 |
| Restricted for: | | | |
| Emergency reserve | 185,773 | - | 185,773 |
| Capital projects | 175,377 | - | 175,377 |
| Parks and recreation | 88,684 | - | 88,684 |
| Tourism | 295,438 | - | 295,438 |
| Debt service | - | 461,863 | 461,863 |
| Other purposes | 346,503 | - | 346,503 |
| Unrestricted | 3,528,692 | 983,890 | 4,512,582 |
| Total net position | <u>\$ 24,399,677</u> | <u>\$ 7,154,080</u> | <u>\$ 31,553,757</u> |

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Activities
For the Year Ended December 31, 2015

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|------------------------------------|--------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 1,330,946 | \$ 238,234 | \$ 100 | \$ 11,151 | \$ (1,081,461) | \$ - | \$ (1,081,461) |
| Public safety | 763,201 | 67,500 | - | 15,514 | (680,187) | - | (680,187) |
| Public works/streets | 941,312 | 128,654 | 107,088 | 92,423 | (613,147) | - | (613,147) |
| Parks and recreation | 898,770 | 154,089 | 271,155 | 3,914,869 | 3,441,343 | - | 3,441,343 |
| Community support | 898,517 | 14,164 | 22,500 | - | (861,853) | - | (861,853) |
| Interest on long-term debt | 59,313 | - | - | - | (59,313) | - | (59,313) |
| Total governmental activities | 4,892,059 | 602,641 | 400,843 | 4,033,957 | 145,382 | - | 145,382 |
| Business-type activities: | | | | | | | |
| Sanitation | 359,708 | 663,495 | - | 958,157 | - | 1,261,944 | 1,261,944 |
| Geothermal | 65,353 | 48,027 | - | - | - | (17,326) | (17,326) |
| Total business-type activities | 425,061 | 711,522 | - | 958,157 | - | 1,244,618 | 1,244,618 |
| Total primary government | \$ 5,317,120 | \$ 1,314,163 | \$ 400,843 | \$ 4,992,114 | 145,382 | 1,244,618 | 1,390,000 |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property tax | | | | | 76,221 | 95,881 | 172,102 |
| Sales tax | | | | | 4,228,046 | - | 4,228,046 |
| Other taxes | | | | | 122,148 | - | 122,148 |
| Franchise tax | | | | | 31,623 | - | 31,623 |
| Lodgers tax | | | | | 659,234 | - | 659,234 |
| Unrestricted investment earnings | | | | | 13,830 | 3,004 | 16,834 |
| Other revenues | | | | | 29,490 | - | 29,490 |
| Total general revenues & transfers | | | | | 5,160,592 | 98,885 | 5,259,477 |
| Change in net assets | | | | | 5,305,974 | 1,343,503 | 6,649,477 |
| Net position - beginning, restated | | | | | 19,006,158 | 5,810,577 | 24,816,735 |
| Restatement adjustment | | | | | 87,545 | - | 87,545 |
| Net position - ending | | | | | \$ 24,399,677 | \$ 7,154,080 | \$ 31,553,757 |

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

TOWN OF PAGOSA SPRINGS, COLORADO
Balance Sheet
Governmental Funds
December 31, 2015

| Assets | General Fund | Capital Improvement Fund | Tourism Fund | Nonmajor Conservation Trust Fund | Total Governmental Funds |
|---|---------------------|--------------------------------|-------------------|---|--------------------------------|
| Cash and cash equivalents | \$ 2,212,096 | \$ 1,515,439 | \$ 227,353 | \$ 88,684 | \$ 4,043,572 |
| Receivables, net of allowances: | 195,545 | - | 51,283 | - | 246,828 |
| Property tax receivable | 79,939 | - | - | - | 79,939 |
| Due from other governments | 338,310 | 343,705 | 28,109 | - | 710,124 |
| Total assets | <u>\$ 2,825,890</u> | <u>\$ 1,859,144</u> | <u>\$ 306,745</u> | <u>\$ 88,684</u> | <u>\$ 5,080,463</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 61,775 | \$ 155,309 | \$ 9,060 | \$ - | \$ 226,144 |
| Accrued liabilities | 48,094 | 6,788 | 2,247 | - | 57,129 |
| Customer deposits | 44,259 | - | - | - | 44,259 |
| Total liabilities | <u>154,128</u> | <u>162,097</u> | <u>11,307</u> | <u>-</u> | <u>327,532</u> |
| Deferred inflows of resources | | | | | |
| Deferred revenue - property taxes | 79,939 | - | - | - | 79,939 |
| Total deferred inflows of resources | <u>79,939</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>79,939</u> |
| Fund balances | | | | | |
| Restricted for: | | | | | |
| Emergency reserve | 185,773 | - | - | - | 185,773 |
| Capital outlay | 175,377 | - | - | - | 175,377 |
| Parks and recreation | - | - | - | 88,684 | 88,684 |
| Tourism | - | - | 295,438 | - | 295,438 |
| Other purposes | 346,503 | - | - | - | 346,503 |
| Assigned for health funds | 107,365 | - | - | - | 107,365 |
| Unassigned | 1,776,805 | 1,697,047 | - | - | 3,473,852 |
| Total fund balances | <u>2,591,823</u> | <u>1,697,047</u> | <u>295,438</u> | <u>88,684</u> | <u>4,672,992</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 2,825,890</u> | <u>\$ 1,859,144</u> | <u>\$ 306,745</u> | <u>\$ 88,684</u> | <u>\$ 5,080,463</u> |

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

TOWN OF PAGOSA SPRINGS, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2015

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

| | | |
|--|--------------------|----------------------------|
| Total fund balances - governmental funds | | \$ 4,672,992 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Governmental capital assets | \$ 25,928,872 | |
| Accumulated depreciation | <u>(5,254,284)</u> | 20,674,588 |
| Net pension asset is not an available resource and, therefore, is not reported in the funds. | | |
| | | 69,812 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| Capital leases payable | (878,612) | |
| Interest payable | (16,766) | |
| Compensated absences | <u>(159,729)</u> | (1,055,107) |
| Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds. | | |
| Deferred outflows | 38,830 | |
| Deferred inflows | <u>(1,438)</u> | <u>37,392</u> |
| Net position of governmental activities | | <u><u>\$24,399,677</u></u> |

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2015

| | General Fund | Capital Improvement Fund | Tourism Fund | Nonmajor Conservation Trust Fund | Total Governmental Funds |
|---|---------------------|--------------------------------|-------------------|---|--------------------------------|
| Revenues | | | | | |
| Taxes | \$ 2,270,716 | \$ 2,187,322 | \$ 659,234 | \$ - | \$ 5,117,272 |
| Licenses and permits | 131,766 | - | - | - | 131,766 |
| Intergovernmental | 213,487 | 132,693 | 22,500 | 46,665 | 415,345 |
| Fines and forfeitures | 42,766 | - | - | - | 42,766 |
| Charges for services | 289,279 | 35,713 | 1,299 | - | 326,291 |
| Interest revenue | 13,830 | - | - | - | 13,830 |
| Contributions and donations | 274,131 | - | - | - | 274,131 |
| Other revenues | 60,608 | - | - | - | 60,608 |
| Total revenues | <u>3,296,583</u> | <u>2,355,728</u> | <u>683,033</u> | <u>46,665</u> | <u>6,382,009</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 1,197,631 | 77,165 | - | - | 1,274,796 |
| Public safety | 725,297 | 23,275 | - | - | 748,572 |
| Public works/streets | 400,702 | 627,693 | - | - | 1,028,395 |
| Parks and recreation | 508,738 | 304,951 | - | - | 813,689 |
| Community support | 270,860 | 1,750 | 617,686 | - | 890,296 |
| Capital outlay | - | 936,974 | - | 22,751 | 959,725 |
| Debt service: | | | | | |
| Principal retirement | - | 443,565 | - | - | 443,565 |
| Interest on long-term debt | - | 42,547 | - | - | 42,547 |
| Total expenditures | <u>3,103,228</u> | <u>2,457,920</u> | <u>617,686</u> | <u>22,751</u> | <u>6,201,585</u> |
| Excess of revenues over (under) expenditures | 193,355 | (102,192) | 65,347 | 23,914 | 180,424 |
| Other financing sources (uses): | | | | | |
| Impact fees | 82,224 | - | - | - | 82,224 |
| Total other financing sources (uses) | <u>82,224</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>82,224</u> |
| Net change in fund balances | 275,579 | (102,192) | 65,347 | 23,914 | 262,648 |
| Fund balance, beginning of year - restated | 2,316,244 | 1,799,239 | 230,091 | 64,770 | 4,410,344 |
| Fund balance, end of year | <u>\$ 2,591,823</u> | <u>\$ 1,697,047</u> | <u>\$ 295,438</u> | <u>\$ 88,684</u> | <u>\$ 4,672,992</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF PAGOSA SPRINGS, 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, 2015

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

| | | |
|--|------------------|------------------|
| Net change in fund balances - total governmental funds | \$ | 262,648 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p> | | |
| Capital outlay | \$ | 1,621,506 |
| Depreciation expense | <u>(751,622)</u> | 869,884 |
| <p>Capital contributions to proprietary funds from the governmental funds are recorded as a transfer in the statement of activities, but are not reported in the governmental funds because they are not financial resources.</p> | | |
| | | 3,733,800 |
| <p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.</p> | | |
| Pension contribution | (24,280) | |
| Pension expense | <u>43,939</u> | 19,659 |
| <p>Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p> | | |
| | | 443,565 |
| <p>Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p> | | |
| | | (16,766) |
| <p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| | | (6,816) |
| Change in net position of governmental activities | <u>\$</u> | <u>5,305,974</u> |

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2015

| | Sanitation Fund | Nonmajor Geothermal Fund | Combined Total |
|--|----------------------|--------------------------------|----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash | \$ 1,262,287 | \$ 95,769 | \$ 1,358,056 |
| Receivables (net of allowance) | 130,950 | 6,290 | 137,240 |
| Property tax receivable | 55,942 | - | 55,942 |
| Restricted cash and investments | 461,863 | - | 461,863 |
| Total current assets | <u>1,911,042</u> | <u>102,059</u> | <u>2,013,101</u> |
| Noncurrent assets: | | | |
| Land | 16,376 | - | 16,376 |
| Construction in progress | 7,993,053 | - | 7,993,053 |
| Improvements and system | 3,523,494 | 1,182,419 | 4,705,913 |
| Machinery and equipment | 77,417 | - | 77,417 |
| Accumulated depreciation | (1,379,729) | (827,693) | (2,207,422) |
| Total noncurrent assets | <u>10,230,611</u> | <u>354,726</u> | <u>10,585,337</u> |
| Total assets | <u>\$ 12,141,653</u> | <u>\$ 456,785</u> | <u>\$ 12,598,438</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 86,877 | 420 | 87,297 |
| Accrued liabilities | 780 | - | 780 |
| Retainage payable | 336,712 | - | 336,712 |
| Interest payable | 81,797 | - | 81,797 |
| Loans payable - current | 141,840 | - | 141,840 |
| Compensated absences - current | 4,820 | - | 4,820 |
| Total current liabilities | <u>652,826</u> | <u>420</u> | <u>653,246</u> |
| Noncurrent liabilities: | | | |
| Loans payable (net of current portion) | 4,735,170 | - | 4,735,170 |
| Total long-term debt | <u>4,735,170</u> | <u>-</u> | <u>4,735,170</u> |
| Total liabilities | <u>5,387,996</u> | <u>420</u> | <u>5,388,416</u> |
| Deferred inflows of resources | | | |
| Deferred revenue - property taxes | 55,942 | - | 55,942 |
| Total deferred inflows of resources | <u>55,942</u> | <u>-</u> | <u>55,942</u> |
| Net position | | | |
| Net investment in capital assets | 5,353,601 | 354,726 | 5,708,327 |
| Restricted for debt service | 461,863 | - | 461,863 |
| Unrestricted | 882,251 | 101,639 | 983,890 |
| Total net position | <u>\$ 6,697,715</u> | <u>\$ 456,365</u> | <u>\$ 7,154,080</u> |

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015

| | Sanitation Fund | Nonmajor Geothermal Fund | Combined Total |
|--|----------------------------|--------------------------------|----------------------------|
| Operating revenues | | | |
| Charges for services | \$ 661,173 | \$ 42,250 | \$ 703,423 |
| Other revenues | 2,322 | 5,777 | 8,099 |
| Total operating revenues | <u>663,495</u> | <u>48,027</u> | <u>711,522</u> |
| Operating expenses | | | |
| Salaries and wages | 68,119 | - | 68,119 |
| Operating system | 132,965 | 33,190 | 166,155 |
| Administrative | 38,676 | 3,515 | 42,191 |
| Professional fees | 38,116 | 5,000 | 43,116 |
| Depreciation | 76,387 | 23,648 | 100,035 |
| Total operating expenses | <u>354,263</u> | <u>65,353</u> | <u>419,616</u> |
| Operating income | <u>309,232</u> | <u>(17,326)</u> | <u>291,906</u> |
| Non-operating revenues (expenses) | | | |
| Interest income | 3,004 | - | 3,004 |
| Interest expense and fiscal charges | (5,445) | - | (5,445) |
| Property and specific ownership tax | 95,881 | - | 95,881 |
| Grant revenue | 940,357 | - | 940,357 |
| Connection and tap fees | 17,800 | - | 17,800 |
| Total non-operating revenues (expenses) | <u>1,051,597</u> | <u>-</u> | <u>1,051,597</u> |
| Change in net position | 1,360,829 | (17,326) | 1,343,503 |
| Total net position, beginning of year - restated | <u>5,336,886</u> | <u>473,691</u> | <u>5,810,577</u> |
| Total net position, end of year | <u><u>\$ 6,697,715</u></u> | <u><u>\$ 456,365</u></u> | <u><u>\$ 7,154,080</u></u> |

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

| | Sanitation Fund | Non-Major Geothermal Fund | Combined Total |
|---|---------------------|---------------------------------|---------------------|
| Cash flows from operating activities: | | | |
| Cash received from customers, service fees | \$ 674,754 | \$ 40,948 | \$ 715,702 |
| Cash paid to suppliers | (7,687) | (41,285) | (48,972) |
| Cash paid to employees | 11,609 | - | 11,609 |
| Net cash flows from operating activities | <u>678,676</u> | <u>(337)</u> | <u>678,339</u> |
| Cash flows from capital and related financing activities: | | | |
| Purchase of capital assets | (2,945,049) | - | (2,945,049) |
| Principal paid on long-term debt | (54,237) | - | (54,237) |
| Interest paid | (5,445) | - | (5,445) |
| Debt proceeds | 113,163 | - | 113,163 |
| Property and specific ownership tax | 95,881 | - | 95,881 |
| Capital grants | 940,357 | - | 940,357 |
| Connection and tap fees | 17,800 | - | 17,800 |
| Net cash flows from capital and related financing activities | <u>(1,837,530)</u> | <u>-</u> | <u>(1,837,530)</u> |
| Cash flows from investing activities: | | | |
| Interest on investments | 3,004 | - | 3,004 |
| Net change in cash and cash equivalents | (1,155,850) | (337) | (1,156,187) |
| Cash and cash equivalents, including restricted cash beginning of year | 2,880,000 | 96,106 | 2,976,106 |
| Cash and cash equivalents, including restricted cash end of year | <u>\$ 1,724,150</u> | <u>\$ 95,769</u> | <u>\$ 1,819,919</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Net operating income | \$ 309,232 | \$ (17,326) | \$ 291,906 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation/amortization | 76,387 | 23,648 | 100,035 |
| Changes in operating assets and liabilities: | | | |
| (Increase)/decrease in receivables | (19,774) | (7,079) | (26,853) |
| Increase/(decrease) in payables | (47,010) | 420 | (46,590) |
| Increase/(decrease) in accrued liabilities | 79,728 | - | 79,728 |
| Increase/(decrease) in retainage payable | 249,080 | - | 249,080 |
| Increase/(decrease) in deferred revenue | 31,033 | - | 31,033 |
| Net cash flows from operating activities | <u>\$ 678,676</u> | <u>\$ (337)</u> | <u>\$ 678,339</u> |

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

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 Town of Pagosa Springs is a home-rule municipality with a mayor – Council form of government with six elected Council 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 PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

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

The **Tourism Fund** accounts for the tax collected from lodging establishments to be used for community support services.

The Town reports the following major enterprise funds:

The **Sanitation Fund** accounts for the activities related to the Town's sanitation treatment and distribution 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.

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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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.

Receivables and Payables

All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectible accounts. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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 \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|----------------|
| Buildings and improvements | 15 to 50 years |
| Utility plant and improvements | 50 years |
| Machinery, equipment and vehicles | 5 to 20 years |
| Infrastructure | 20 to 50 years |

Deferred Outflows/Inflows of Resources

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

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 two types of items, which 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 second item is pension related items reported on the government-wide financial statements. See Note 9 for more information.

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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Fund Balance Flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 Council is the highest level of decision-making authority for the government that can, by adoption of a resolution 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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Property Taxes

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

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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 1. Summary of Significant Accounting Policies, Continued

New Pronouncements

For the year ended December 31, 2015, the Town implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the Town's government-wide financial statements (see Note 12).

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

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

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

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 Council 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 Town Manager submits to the Town Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the department level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- The Town Clerk is required to present a monthly report to the Town Council 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 Council may authorize supplemental appropriations during the year.

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

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 3. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Town Council. The Council by Resolution has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports as listed in the table of contents report those funds that exceeded approved budget appropriations. There were no individual funds that exceeded approved budget appropriations for the year ended December 31, 2015.

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.

Note 4. Deposits and Investments

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

| | |
|----------------------------|----------------------------|
| Cash on hand | \$ 200 |
| Cash in bank | 5,369,283 |
| Certificates of deposit | <u>494,008</u> |
| Total cash and investments | <u><u>\$ 5,863,491</u></u> |

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk; however, the Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2015 cash on hand was \$200 and the carrying amount of the Town's deposits was \$5,863,291. As of December 31, 2015 the bank balance of the Town's deposits was \$5,517,809 of which \$656,603 was insured by federal depository insurance and \$4,861,206 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.

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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 5. Restricted Assets

The Town reported \$461,863 in restricted cash in the Sanitation Fund as of December 31, 2015. This is required by the Colorado Water Resources and Power Development Authority Loan Agreements.

Note 6. Capital Assets

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

| Governmental Activities: | Balance 12/31/2014 | Adjustments* | Additions | Deletions | Balance 12/31/2015 |
|--|-------------------------------|---------------------|---------------------|-----------------------|-------------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,121,550 | \$ 1,215,000 | \$ - | \$ - | \$ 2,336,550 |
| Construction in progress | - | 976,889 | 756,970 | (1,235,038) | 498,821 |
| Total capital assets, not being depreciated | <u>1,121,550</u> | <u>2,191,889</u> | <u>756,970</u> | <u>(1,235,038)</u> | <u>2,835,371</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings & improvements | 2,934,034 | 2,172,487 | 3,910,887 | - | 9,017,408 |
| Equipment & vehicles | 1,442,527 | (31,880) | 61,805 | (65,786) | 1,406,666 |
| Infrastructure | 12,636,877 | (1,828,132) | 1,860,682 | - | 12,669,427 |
| Total capital assets, being depreciated | <u>17,013,438</u> | <u>312,475</u> | <u>5,833,374</u> | <u>(65,786)</u> | <u>23,093,501</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings & improvements | (356,679) | (788,078) | (269,975) | - | (1,414,732) |
| Equipment & vehicles | (864,650) | (139,163) | (107,768) | 65,786 | (1,045,795) |
| Infrastructure | (1,619,104) | (800,774) | (373,879) | - | (2,793,757) |
| Total accumulated depreciation | <u>(2,840,433)</u> | <u>(1,728,015)</u> | <u>(751,622)</u> | <u>65,786</u> | <u>(5,254,284)</u> |
| Total capital assets, being depreciated, net | <u>14,173,005</u> | <u>(1,415,540)</u> | <u>5,081,752</u> | <u>-</u> | <u>17,839,217</u> |
| Governmental activities capital assets, net | <u>\$ 15,294,555</u> | <u>\$ 776,349</u> | <u>\$ 5,838,722</u> | <u>\$ (1,235,038)</u> | <u>\$ 20,674,588</u> |

*The items in the adjustments column relate to transfers to other accounts, restated asset values, capitalization of assets previously uncapitalized, and correction of useful lives which resulted in prior period adjustments. See Note 13 for additional information regarding the prior period adjustments.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 6. Capital Assets, Continued

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

| Governmental Activities: | |
|--|------------|
| General government | \$ 83,792 |
| Public safety | 37,596 |
| Public works/streets | 414,463 |
| Parks & recreation | 208,027 |
| Community support | 7,744 |
| Total depreciation expense - governmental activities | \$ 751,622 |

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

| Business Type Activities: | Balance | | | | Balance |
|--|-------------------|---------------------|------------------|------------------|-------------------|
| | 12/31/2014 | Adjustments* | Additions | Deletions | 12/31/2015 |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 16,376 | \$ - | \$ - | \$ - | \$ 16,376 |
| Construction in progress | 5,048,004 | - | 2,945,049 | - | 7,993,053 |
| Total capital assets, not being depreciated | 5,064,380 | - | 2,945,049 | - | 8,009,429 |
| Capital assets being depreciated: | | | | | |
| Improvements and systems | 4,639,563 | 66,350 | - | - | 4,705,913 |
| Equipment and vehicles | 131,097 | 36,000 | - | (89,680) | 77,417 |
| Total capital assets, being depreciated | 4,770,660 | 102,350 | - | (89,680) | 4,783,330 |
| Less accumulated depreciation for: | | | | | |
| Improvements and systems | (2,205,130) | 166,321 | (94,118) | - | (2,132,927) |
| Equipment and vehicles | (124,113) | (34,145) | (5,917) | 89,680 | (74,495) |
| Total accumulated depreciation | (2,329,243) | 132,176 | (100,035) | 89,680 | (2,207,422) |
| Total capital assets, being depreciated, net | 2,441,417 | 234,526 | (100,035) | - | 2,575,908 |
| Business-type activities capital assets, net | \$ 7,505,797 | \$ 234,526 | \$ 2,845,014 | \$ - | \$ 10,585,337 |

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

| Business-Type Activities: | |
|---|------------|
| Sanitation | \$ 76,387 |
| Geothermal | 23,648 |
| Total depreciation expense - business-type activities | \$ 100,035 |

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended December 31, 2015:

| | Balance 12/31/2014 | Additions | Retirements | Balance 12/31/2015 | Current Portion |
|-----------------------------------|-----------------------|-------------------|---------------------|-----------------------|--------------------|
| Governmental Activities: | | | | | |
| Capital leases payable | \$ 1,322,177 | \$ - | \$ (443,565) | \$ 878,612 | \$ 168,037 |
| Compensated absences | 152,913 | 11,181 | (4,365) | 159,729 | 159,729 |
| Total Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 1,475,090</u> | <u>\$ 11,181</u> | <u>\$ (447,930)</u> | <u>\$ 1,038,341</u> | <u>\$ 327,766</u> |
| Business-Type Activities: | | | | | |
| Water Pollution Control Fund Note | \$ 95,502 | \$ - | \$ (46,689) | \$ 48,813 | \$ 48,813 |
| Water Pollution Control Fund Note | 2,000,000 | - | (7,548) | 1,992,452 | 93,027 |
| Note Payable to PAWSD | 2,722,582 | 113,163 | - | 2,835,745 | - |
| Compensated absences | 5,590 | 337 | (1,107) | 4,820 | 4,820 |
| Total Business-type activity | | | | | |
| Long-term liabilities | <u>\$ 4,823,674</u> | <u>\$ 113,500</u> | <u>\$ (55,344)</u> | <u>\$ 4,881,830</u> | <u>\$ 146,661</u> |

Long-term liabilities for the primary government at December 31, 2015 are comprised of the following:

Business-Type Activities:

Notes payable:

Note payable to Water Pollution Control Revolving Fund in the original amount of \$640,000. Due in semi-annual payments of \$25,233 including interest at 4.5%, maturing in 2016. \$ 48,813

Note payable to Water Pollution Control Revolving Fund in the original amount of \$2,000,000. Due in forty semi-annual payments of \$9,215 for the first payment and then 39 payments of \$56,359, including interest at 1%, maturing May 1, 2035. 1,992,452

Loan payable to Pagosa Area Water and Sanitation District (PAWSD) in the original amount of up to \$2,835,000. Loan will be repaid annually over 20 years with roughly equal payments, including an interest rate equal to PAWSD lost opportunity of investment funds. The first payment is due October 1, 2016. 2,835,745

Total Notes Payable \$ 4,877,010

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 7. Long-Term Debt, Continued

Debt service requirements to maturity are as follows:

| Years ending June 30: | Business-Type Activities | |
|-----------------------|--------------------------|------------|
| | Principal | Interest |
| 2016 | \$ 141,840 | \$ 80,429 |
| 2017 | 208,374 | 81,118 |
| 2018 | 211,832 | 77,660 |
| 2019 | 215,355 | 74,137 |
| 2020 | 218,944 | 70,549 |
| 2021-2025 | 1,150,959 | 296,503 |
| 2026-2030 | 1,251,395 | 196,067 |
| 2031-2035 | 1,305,341 | 85,762 |
| 2036 | 172,970 | 3,804 |
| | \$ 4,877,010 | \$ 966,028 |

Note 8. Capital Leases Payable

The Town has entered into lease agreements. These lease agreements are considered capital leases in accordance with Financial Accounting Standard Board ASC 840-30-25. The leases are shown in the governmental activities of the government-wide statements.

The following is an annual schedule of future minimum lease payments with interest rates of 3.5 and 3.57 percent under the capital leases, together with the present value of the net minimum lease payments:

| December 31, | Governmental Activities |
|---|----------------------------|
| 2016 | \$ 197,780 |
| 2017 | 197,780 |
| 2018 | 197,780 |
| 2019 | 197,780 |
| 2020 | 36,222 |
| 2021-2025 | 90,735 |
| 2026-2029 | 71,955 |
| Total remaining lease payments | \$ 990,032 |
| Less: Amount representing interest | (111,420) |
| Present value of net remaining minimum lease payments | \$ 878,612 |

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 8. Capital Leases Payable, Continued

A summary of assets acquired through capital leases is as follows:

| | |
|--------------------------|----------------------------|
| | Governmental Activities |
| Buildings & improvements | \$ 2,341,042 |
| Accumulated depreciation | (500,985) |
| Net total | <u>\$ 1,840,057</u> |

Note 9. Pension Plans

Fire and Police Pension Association of Colorado

Plan description – The Town participates in the Statewide Defined Benefit Plan (SWDB) which is a cost-sharing multiple-employer defined benefit pension plan. The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on the FPPA’s website at www.fppaco.org.

Benefits provided – A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

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

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 9. Pension Plans, Continued

Contributions – The Plan sets contributions rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. For the year ended December 31, 2015, active SWDB members were required by statute to contribute at the actuarially determined rate of 8.5 percent of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 8 percent of the active members' annual covered payroll. Member contribution rates will increase by 0.5 percent annually through 2022 to a total of 12 percent of base salary.

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 |
|----------------------------|--------------------|
| 2013 | \$ 25,372 |
| 2014 | 22,254 |
| 2015 | 24,280 |

Pension liability – At December 31, 2015, the Town reported an asset of 69,812 for its proportionate share of the SWDB net pension liability/asset. The net pension liability/asset was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2015. The Town's proportion of the net pension liability/asset 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, 2014. The Town's proportion measured as of December 31, 2014, was 0.061858 percent for police, which was a decrease of 0.011159 percent from the proportions measured as of December 31, 2013.

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2015, the Town recognized pension expense for SWDB of \$19,658. At December 31, 2015, 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 | \$ - | \$ 1,438 |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 5,504 | - |
| Changes in proportion and differences between contributions and proportional share of contributions | 9,046 | - |
| Contributions subsequent to the measurement date | 24,280 | - |
| Total | \$ 38,830 | \$ 1,438 |

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 9. Pension Plans, Continued

The \$24,280 reported as deferred outflows of resources related to SWDB pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. 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:

| <u>Year Ended December 31</u> | <u>Deferred Outflows (Inflows) of Resources</u> |
|-----------------------------------|---|
| 2016 | \$ 2,083 |
| 2017 | 2,083 |
| 2018 | 2,083 |
| 2019 | 2,083 |
| 2020 | 707 |
| Thereafter | 4,072 |

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

| | |
|-----------------------------|----------------------------------|
| Actuarial valuation date | January 1, 2015 |
| Actuarial roll forward date | January 1, 2014 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.5% |
| Projected salary increases | 4.0-14.0% |
| Inflation | 3% |
| Mortality rates | RP-2000 Combined Mortality Table |

Actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended December 31, 2013.

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 9. Pension Plans, Continued

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|-----------------------|-------------------|--------------------------------------|
| Global Equity | 40% | 8.9% |
| Equity Long/Short | 10% | 7.5% |
| Illiquid Alternatives | 18% | 10.5% |
| Fixed Income | 15% | 4.6% |
| Absolute Return | 12% | 6.5% |
| Managed Futures | 4% | 5.5% |
| Cash | 1% | 2.5% |
| Total | 100% | |

Discount Rate – The discount rate used to measure the SWDB total pension liability was 7.5 percent, which is less than the long-term expected rate of return. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the SWDB Board's funding policy, which establishes the contractually required rate under Colorado statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|---------------------------------|----------------------|-----------------------------------|----------------------|
| Police | | | |
| Net pension (asset) / liability | \$ 65,819 | \$ (69,812) | \$ (182,945) |

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 9. Pension Plans, Continued

Colorado County Officials and Employees Retirement Association

The Colorado County Officials and Employees Retirement Association (Association) was established to serve as trustee and provide continuing administration of a trust fund for retirement benefits for eligible county and municipal officers and county, municipal, and special district employees. The Association established a defined contribution plan called Colorado County Officials and Employees Retirement Plan (Plan) through which contributions of the employers are combined with contributions of the employees and invested in income earning instruments for the benefit of the Plan participants. Any county, municipality, or special district of the State of Colorado may, with the consent of the Association, can become a member of the Association and participate in the Plan by adopting it for its officers and employees.

Employees and officers of Association members are required to participate in the Plan after the completion of one year of service, but participation is optional for all elected officers. The Plan is controlled by a five-member governing board selected in accordance with Colorado State statutes.

Employer contributions to the Plan is 5% of compensation. Employee contributions must match employer contributions and are funded on a current basis. Employees may make additional voluntary contributions not to exceed 10% of compensation.

Participants vest in employer contributions and in the earnings, losses, and changes in the fair market value of the Plan at 20% per year, as adopted by the Town. Participants are immediately vested 100% in their own contributions and earnings. In the event that an Association member withdraws from the Plan, the participant balances for that member shall become immediately vested 100%. Contributions by the Town to the plan were \$78,426.

Net earnings or losses are allocated quarterly to Plan participants. The allocation is based on each participant's balance as of the beginning of that quarter. Participants receiving benefit payments upon retirement or termination are allocated earnings through the date of the distribution.

Benefit payments are made as of the effective date of each participant's retirement or termination. At retirement, each participant has the option of receiving their vested balance in cash or having the Association place the funds in a bank account maintained under the joint control of the Association and the retiring individual. Any employer contributions forfeited by a participant due to termination of employment before becoming fully vested is returned to the member county, municipality, or special district.

The Association may at any time elect to terminate the Plan. In the event of such termination, each participant shall become 100% vested.

In addition to participating in the Plan, each participant may elect to contribute to a deferred compensation plan. Through the deferred compensation plan, a member employer defers payment of a portion of an employee's current salary and deposits the deferred payment with the Association upon a participant's retirement or termination of employment, the Association may begin payment of this deferred amount, and until then, all rights and interest in the deferred compensation plan remain vested with the employer.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 9. Pension Plans, Continued

Both the retirement plan and the deferred compensation plan were amended July 1, 1991 to allow participants to self-direct the investment of their funds. Participants may self-direct employee and deferred contributions and earnings, and employer contributions and earnings, in which they are 100% vested. The governing board selected six Fidelity Investment funds (Magellan Fund, Contra Fund, Growth and Income Portfolio, Global Bond Fund, Intermediate Bond Fund and the Retirement Money Market Portfolio) for the investment of self-directed funds. The board continues to manage all other investments of the Plan. If no written directions are received from a participant, the participant's funds are automatically invested in the board-managed assets.

Note 10. Risk Management

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

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

The purposes of CIRSA is 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.

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.

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 PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 11. Intergovernmental Agreement

On January 3, 2012, the Pagosa Springs Sanitation General Improvement District (PSSGID) and Pagosa Area Water and Sanitation District (PAWSD) entered into an intergovernmental agreement for PSSGID to extend their sewer lines to connect with the PAWSD line. PAWSD would then do the sewer treatment. The construction contract of this extended line was for a bid price of \$6,853,000. PAWSD has agreed to loan PSSGID up to \$2,835,000 for the construction. This loan will be repaid over 20 years at an interest rate equal to PAWSD lost opportunity on investment funds.

Note 12. Restatement Adjustment

As mention in Note 1 to the financial statement, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB 68 Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

| | Governmental Activities |
|---|------------------------------------|
| Restatement adjustment - implementation of GASB 68: | |
| Net pension asset | \$ 65,291 |
| Deferred outflows - contributions made during fiscal year 2014 | 22,254 |
| Total Restatement Adjustment | \$ 87,545 |

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2015

Note 13. Prior Period Adjustments

Prior period adjustments are the net effect of changes resulting from correction of an error. Because such amounts are the product of errors from a prior period, they are not properly included as part of the results of operations of the current period, even though they are reported in the current period. Instead, such adjustments are properly reported as a direct adjustment to beginning fund balance or beginning net position to restate that amount to what it would have been had the error not occurred. During the year ended December 31, 2015, several prior period adjustments were necessary as described in the schedule below.

| | <u>Government-wide</u> | | <u>General Fund</u> | <u>Capital Improvement Fund</u> | <u>Sanitation Fund</u> | <u>Geothermal Fund</u> |
|--|------------------------------------|-------------------------------------|---------------------|---|----------------------------|----------------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | | | | |
| Net position / fund balance, as originally stated - January 1, 2015 | \$ 17,134,873 | \$ 5,496,052 | \$ 1,617,499 | \$ 1,250,135 | \$ 4,990,225 | \$ 505,827 |
| Prior period adjustment for a capital asset that was incorrectly expensed in the prior year. | - | 66,350 | - | - | 66,350 | - |
| Prior period adjustment to remove compensated absences from governmental funds. | - | - | 100,881 | 52,032 | - | - |
| Prior period adjustment to record grant revenues attributable to the prior fiscal year. | 561,519 | - | - | 561,519 | - | - |
| Prior period adjustment to record revenue and expenditures not recorded for impact fees and other donations. | 597,864 | - | 597,864 | - | - | - |
| Prior period adjustment to record accounts receivable for plant investment fees attributable to a prior year. | - | 80,000 | - | - | 80,000 | - |
| Prior period adjustment to record expenditures attributable to the prior year. | (64,447) | - | - | (64,447) | - | - |
| Record prior period adjustment to correct capital asset balances to agree with audited schedules. | <u>776,349</u> | <u>168,175</u> | <u>-</u> | <u>-</u> | <u>200,311</u> | <u>(32,136)</u> |
| Net position / fund balance, as restated - January 1, 2015 | <u>\$ 19,006,158</u> | <u>\$ 5,810,577</u> | <u>\$ 2,316,244</u> | <u>\$ 1,799,239</u> | <u>\$ 5,336,886</u> | <u>\$ 473,691</u> |

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PAGOSA SPRINGS, COLORADO
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
December 31, 2015

| | | Police Reporting Fiscal Year (Measurement Date) 2015 (2014) |
|--|----|--|
| | | |
| Proportion of the net pension liability (asset) | | 0.061858% |
| Proportionate share of the net pension liability (asset) | \$ | (69,812) |
| Covered employee payroll | \$ | 303,497 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | | -23.00% |
| Plan fiduciary net position as a percentage of the total pension liability | | 106.80% |

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

TOWN OF PAGOSA SPRINGS, COLORADO
Required Supplementary Information
Schedule of Contributions
December 31, 2015

| | | Police Reporting Fiscal Year (Measurement Date) 2015 (2014) |
|--|----|--|
| | \$ | 2015 (2014) |
| Contractually required contribution | \$ | 22,254 |
| Contributions in relation to the contractually required contribution | \$ | (22,254) |
| Contribution deficiency (excess) | \$ | - |
| Covered employee payroll | \$ | 303,497 |
| Contributions as a percentage of covered-employee payroll | | 7.33% |

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

TOWN OF PAGOSA SPRINGS, 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.

The **Tourism Fund** accounts for the tax collected from lodging establishments to be used for community support services.

TOWN OF PAGOSA SPRINGS, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

| Revenues | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-------------------------------------|-------------------------|------------------|-----------------------|-----------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Taxes: | | | | |
| Property tax | \$ 75,846 | \$ 75,846 | \$ 76,221 | \$ 375 |
| Sales tax | 1,895,621 | 1,895,621 | 2,114,023 | 218,402 |
| Franchise tax | 30,000 | 30,000 | 31,623 | 1,623 |
| Other taxes | 36,100 | 36,100 | 48,849 | 12,749 |
| Total taxes | <u>2,037,567</u> | <u>2,037,567</u> | <u>2,270,716</u> | <u>233,149</u> |
| Licenses, permits and fees: | | | | |
| Licenses, permits and fees | 32,500 | 32,500 | 47,484 | 14,984 |
| Building permits | 61,500 | 61,500 | 84,282 | 22,782 |
| Total licenses, permits and fees | <u>94,000</u> | <u>94,000</u> | <u>131,766</u> | <u>37,766</u> |
| Intergovernmental: | | | | |
| Grant revenues | 58,530 | 408,530 | 213,487 | (195,043) |
| Total intergovernmental | <u>58,530</u> | <u>408,530</u> | <u>213,487</u> | <u>(195,043)</u> |
| Fines and forfeitures: | | | | |
| Fines and forfeitures | 41,500 | 41,500 | 42,766 | 1,266 |
| Total fines and forfeitures | <u>41,500</u> | <u>41,500</u> | <u>42,766</u> | <u>1,266</u> |
| Charges for services: | | | | |
| Charges for services | 251,960 | 251,960 | 289,279 | 37,319 |
| Total charges for services | <u>251,960</u> | <u>251,960</u> | <u>289,279</u> | <u>37,319</u> |
| Interest: | | | | |
| Interest revenue | 1,000 | 1,000 | 13,830 | 12,830 |
| Total interest | <u>1,000</u> | <u>1,000</u> | <u>13,830</u> | <u>12,830</u> |
| Contributions and donations: | | | | |
| Contributions and donations | 24,000 | 206,929 | 274,131 | 67,202 |
| Total contributions and donations | <u>24,000</u> | <u>206,929</u> | <u>274,131</u> | <u>67,202</u> |
| Other revenues: | | | | |
| Miscellaneous | 21,000 | 155,855 | 60,608 | (95,247) |
| Total other revenues | <u>21,000</u> | <u>155,855</u> | <u>60,608</u> | <u>(95,247)</u> |
| Total revenues | <u>2,529,557</u> | <u>3,197,341</u> | <u>3,296,583</u> | <u>99,242</u> |

(continued)

TOWN OF PAGOSA SPRINGS, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, (Continued)
For the Year Ended December 31, 2015

| Expenditures | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|--------------|-------------------|-------------------------------|
| | Original | Final | | |
| General Government: | | | | |
| Town manager/admin | 269,495 | 282,100 | 272,765 | 9,335 |
| Town clerk/town hall | 429,544 | 429,544 | 415,184 | 14,360 |
| Building and planning | 249,474 | 264,474 | 272,547 | (8,073) |
| Municipal court | 228,301 | 242,801 | 237,135 | 5,666 |
| Total General Government | 1,176,814 | 1,218,919 | 1,197,631 | 21,288 |
| Public Safety: | | | | |
| Police | 808,123 | 808,123 | 725,297 | 82,826 |
| Total Public Safety | 808,123 | 808,123 | 725,297 | 82,826 |
| Public Works: | | | | |
| Streets | 400,000 | 400,000 | 400,702 | (702) |
| Total Public Works | 400,000 | 400,000 | 400,702 | (702) |
| Parks & Recreation: | | | | |
| Recreation | 179,567 | 179,567 | 193,876 | (14,309) |
| Community center | 250,996 | 337,344 | 314,862 | 22,482 |
| Total Public Works | 430,563 | 516,911 | 508,738 | 8,173 |
| Community Support: | | | | |
| | 116,763 | 466,763 | 270,860 | 195,903 |
| Total Community Support | 116,763 | 466,763 | 270,860 | 195,903 |
| Total expenditures | 2,932,263 | 3,410,716 | 3,103,228 | 307,488 |
| Excess of revenues over (under) expenditures | (402,706) | (213,375) | 193,355 | 406,730 |
| Other financing sources (uses): | | | | |
| Transfer out | - | (100,000) | - | 100,000 |
| Impact fees | 15,800 | 15,800 | 82,224 | 66,424 |
| Total other financing sources (uses) | 15,800 | (84,200) | 82,224 | 166,424 |
| Net change in fund balance | (386,906) | (297,575) | 275,579 | 573,154 |
| Fund balance, beginning of year - restated | 2,316,244 | 2,316,244 | 2,316,244 | - |
| Fund balance, end of year | \$ 1,929,338 | \$ 2,018,669 | \$ 2,591,823 | \$ 573,154 |

TOWN OF PAGOSA SPRINGS, COLORADO
Tourism Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|--------------------------|--------------------------|--------------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Lodgers tax | \$ 625,000 | \$ 625,000 | \$ 659,234 | \$ 34,234 |
| Intergovernmental revenue | 5,000 | 5,000 | 22,500 | 17,500 |
| Charges for services | - | - | 1,299 | 1,299 |
| Total revenues | <u>630,000</u> | <u>630,000</u> | <u>683,033</u> | <u>53,033</u> |
| Expenditures | | | | |
| Community support | <u>726,967</u> | <u>726,967</u> | <u>617,686</u> | <u>109,281</u> |
| Total expenditures | <u>726,967</u> | <u>726,967</u> | <u>617,686</u> | <u>109,281</u> |
| Excess of revenue and other sources over (under) expenditures and other uses | <u>(96,967)</u> | <u>(96,967)</u> | <u>65,347</u> | <u>162,314</u> |
| Net change in fund balance | (96,967) | (96,967) | 65,347 | 162,314 |
| Fund balance, beginning of year | <u>230,091</u> | <u>230,091</u> | <u>230,091</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$ 133,124</u></u> | <u><u>\$ 133,124</u></u> | <u><u>\$ 295,438</u></u> | <u><u>\$ 162,314</u></u> |

TOWN OF PAGOSA SPRINGS, COLORADO

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING FUNDS:

Major Capital Project Fund

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

Nonmajor Special Revenue Fund

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

Major and Nonmajor Enterprise Funds

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

The **Sanitation Fund** accounts for the activities related to the Town's sanitation treatment and distribution operations.

The **Geothermal Fund** is used to account for the Town's geothermal services.

TOWN OF PAGOSA SPRINGS, COLORADO
Capital Improvement Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------------|---------------------------|----------------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Sales taxes | \$1,895,621 | \$1,895,621 | \$ 2,114,023 | \$ 218,402 |
| Highway users tax | 72,500 | 72,500 | 73,299 | 799 |
| Intergovernmental revenue | 1,344,417 | 1,411,022 | 132,693 | (1,278,329) |
| Charges for services | 14,000 | 14,000 | 35,713 | 21,713 |
| Total revenue | <u>3,326,538</u> | <u>3,393,143</u> | <u>2,355,728</u> | <u>(1,037,415)</u> |
| Expenditures | | | | |
| General government | 155,704 | 155,704 | 77,165 | 78,539 |
| Public safety | 29,500 | 29,500 | 23,275 | 6,225 |
| Public works/streets | 635,904 | 635,904 | 627,693 | 8,211 |
| Parks and recreation | 303,844 | 303,844 | 304,951 | (1,107) |
| Community support | 10,000 | 10,000 | 1,750 | 8,250 |
| Debt service | | | | |
| Principal | 489,280 | 489,280 | 443,565 | 45,715 |
| Interest | - | - | 42,547 | (42,547) |
| Capital outlay | 2,122,920 | 2,465,480 | 936,974 | 1,528,506 |
| Total expenditures | <u>3,747,152</u> | <u>4,089,712</u> | <u>2,457,920</u> | <u>1,631,792</u> |
| Excess of revenue and other sources over (under) expenditures and other uses | <u>(420,614)</u> | <u>(696,569)</u> | <u>(102,192)</u> | <u>594,377</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | 100,000 | - | (100,000) |
| Total other financing sources (uses): | - | 100,000 | - | (100,000) |
| Net change in fund balance | (420,614) | (596,569) | (102,192) | 494,377 |
| Fund balance, beginning of year - restated | <u>1,799,239</u> | <u>1,799,239</u> | <u>1,799,239</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$1,378,625</u></u> | <u><u>\$1,202,670</u></u> | <u><u>\$ 1,697,047</u></u> | <u><u>\$ 494,377</u></u> |

TOWN OF PAGOSA SPRINGS, COLORADO
Nonmajor Conservation Trust Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------------|-------------------------|-------------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenue | \$ 47,000 | \$ 47,000 | \$ 46,665 | \$ (335) |
| Total revenues | <u>47,000</u> | <u>47,000</u> | <u>46,665</u> | <u>(335)</u> |
| Expenditures | | | | |
| Capital outlay | 23,000 | 26,000 | 22,751 | 3,249 |
| Total expenditures | <u>23,000</u> | <u>26,000</u> | <u>22,751</u> | <u>3,249</u> |
| Excess of revenue and other sources over (under) expenditures and other uses | <u>24,000</u> | <u>21,000</u> | <u>23,914</u> | <u>2,914</u> |
| Fund balance, beginning of year | <u>64,770</u> | <u>64,770</u> | <u>64,770</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$ 88,770</u></u> | <u><u>\$ 85,770</u></u> | <u><u>\$ 88,684</u></u> | <u><u>\$ 2,914</u></u> |

TOWN OF PAGOSA SPRINGS, COLORADO
Sanitation Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Operating revenues | | | | |
| Charges for services | \$ 657,500 | \$ 657,500 | \$ 661,173 | \$ 3,673 |
| Other revenues | 50 | 50 | 2,322 | 2,272 |
| Total operating revenues | <u>657,550</u> | <u>657,550</u> | <u>663,495</u> | <u>5,945</u> |
| Operating expenses | | | | |
| Salaries and wages | 73,228 | 73,228 | 68,119 | 5,109 |
| Operating system | 290,312 | 290,312 | 132,965 | 157,347 |
| Administrative | 53,120 | 53,120 | 38,676 | 14,444 |
| Professional fees | 33,500 | 33,500 | 38,116 | (4,616) |
| Total operating expenses | <u>450,160</u> | <u>450,160</u> | <u>277,876</u> | <u>172,284</u> |
| Operating income (loss) | <u>207,390</u> | <u>207,390</u> | <u>385,619</u> | <u>178,229</u> |
| Non-operating revenues (expenses) | | | | |
| Interest income | 1,800 | 1,800 | 3,004 | 1,204 |
| Property and specific ownership tax | 93,944 | 93,944 | 95,881 | 1,937 |
| Connection and tap fees | 27,000 | 27,000 | 17,800 | (9,200) |
| Total non-operating revenues (expenses) | <u>122,744</u> | <u>122,744</u> | <u>116,685</u> | <u>(6,059)</u> |
| Income before contributions, transfers and capital and related financing activities | 330,134 | 330,134 | 502,304 | 172,170 |
| Contributions, transfers and capital and related financing activities | | | | |
| Capital outlay | (2,344,948) | (3,009,948) | (2,945,049) | 64,899 |
| Debt service | (215,651) | (215,651) | (59,682) | 155,969 |
| Debt proceeds | - | - | 113,163 | 113,163 |
| Capital contributions and grants | 1,585,000 | 1,948,000 | 940,357 | (1,007,643) |
| Total contributions and transfers | <u>(975,599)</u> | <u>(1,277,599)</u> | <u>(1,951,211)</u> | <u>(673,612)</u> |
| Change in available resources | (645,465) | (947,465) | (1,448,907) | (501,442) |
| Available resources, beginning of year | 2,713,021 | 2,713,021 | 2,713,021 | - |
| Prior period adjustment | - | - | 80,000 | 80,000 |
| Available resources, end of year | <u>\$ 2,067,556</u> | <u>\$ 1,765,556</u> | <u>\$ 1,344,114</u> | <u>\$ (421,442)</u> |

TOWN OF PAGOSA SPRINGS, COLORADO
Geothermal Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Operating revenues | | | | |
| Charges for services | \$ 41,700 | \$ 41,700 | \$ 42,250 | \$ 550 |
| Other revenues | - | - | 5,777 | 5,777 |
| Total operating revenues | 41,700 | 41,700 | 48,027 | 6,327 |
| Operating expenses | | | | |
| Operating system | 88,350 | 88,350 | 33,190 | 55,160 |
| Administrative | 6,000 | 6,000 | 3,515 | 2,485 |
| Professional fees | 7,000 | 7,000 | 5,000 | 2,000 |
| Total operating expenses | 101,350 | 101,350 | 41,705 | 59,645 |
| Operating income (loss) | (59,650) | (59,650) | 6,322 | 65,972 |
| Change in available resources | (59,650) | (59,650) | 6,322 | 65,972 |
| Available resources, beginning of year | 95,317 | 95,317 | 95,317 | - |
| Available resources, end of year | <u>\$ 35,667</u> | <u>\$ 35,667</u> | <u>\$ 101,639</u> | <u>\$ 65,972</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 2015

Prepared By: Chad Atkinson, CPA
Phone: 1-435-628-3663

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

| ITEM | AMOUNT | ITEM | AMOUNT |
|---|-----------|---|-----------|
| A. Receipts from local sources: | | A. Local highway disbursements: | |
| 1. Local highway-user taxes | | 1. Capital outlay (from page 2) | 278,442 |
| a. Motor Fuel (from Item I.A.5.) | | 2. Maintenance: | 400,740 |
| 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 | 0 | b. Snow and ice removal | |
| 3. Other local imposts (from page 2) | 964,419 | c. Other | |
| 4. Miscellaneous local receipts (from page 2) | 107,088 | d. Total (a. through c.) | 0 |
| 5. Transfers from toll facilities | | 4. General administration & miscellaneous | 2,991 |
| 6. Proceeds of sale of bonds and notes: | | 5. Highway law enforcement and safety | |
| a. Bonds - Original Issues | | 6. Total (1 through 5) | 682,173 |
| b. Bonds - Refunding Issues | | B. Debt service on local obligations: | |
| c. Notes | | 1. Bonds: | |
| d. Total (a. + b. + c.) | 0 | a. Interest | |
| 7. Total (1 through 6) | 1,071,507 | b. Redemption | |
| B. Private Contributions | | c. Total (a. + b.) | 0 |
| C. Receipts from State government (from page 2) | 73,299 | 2. Notes: | |
| D. Receipts from Federal Government (from page 2) | 0 | a. Interest | 38,160 |
| E. Total receipts (A.7 + B + C + D) | 1,144,806 | b. Redemption | 424,473 |
| | | c. Total (a. + b.) | 462,633 |
| | | 3. Total (1.c + 2.c) | 462,633 |
| | | C. Payments to State for highways | |
| | | D. Payments to toll facilities | |
| | | E. Total disbursements (A.6 + B.3 + C + D) | |
| | | | 1,144,806 |

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) | 1,103,976 | | 424,473 | 679,503 |

V. LOCAL ROAD AND STREET FUND BALANCE

| | A. Beginning Balance | B. Total Receipts | C. Total Disbursements | D. Ending Balance | E. Reconciliation |
|--|----------------------|-------------------|------------------------|-------------------|-------------------|
| | 0 | 1,144,806 | 1,144,806 | 0 | (0) |

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2015

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

| ITEM | AMOUNT | ITEM | AMOUNT |
|-----------------------------------|---------------------------|---|---------------------------|
| A.3. Other local imposts: | | A.4. Miscellaneous local receipts: | |
| a. Property Taxes and Assessments | | a. Interest on investments | |
| b. Other local imposts: | | b. Traffic Fines & Penalties | |
| 1. Sales Taxes | 964,419 | c. Parking Garage Fees | |
| 2. Infrastructure & Impact Fees | | d. Parking Meter Fees | |
| 3. Liens | | e. Sale of Surplus Property | |
| 4. Licenses | | f. Charges for Services | |
| 5. Specific Ownership &/or Other | | g. Other Misc. Receipts | |
| 6. Total (1. through 5.) | 964,419 | h. Other - Road and Bridge | 107,088 |
| c. Total (a. + b.) | 964,419 | i. Total (a. through h.) | 107,088 |
| | (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 | 73,299 | 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 | | d. Federal Transit Admin | |
| d. Other - | | e. U.S. Corps of Engineers | |
| e. Other - Road and bridge | | f. Other Federal | |
| f. Total (a. through e.) | 0 | g. Total (a. through f.) | 0 |
| 4. Total (1. + 2. + 3.f) | 73,299 | 3. Total (1. + 2.g) | |
| | | | (Carry forward to page 1) |

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

| | ON NATIONAL HIGHWAY SYSTEM (a) | OFF NATIONAL HIGHWAY SYSTEM (b) | TOTAL (c) |
|---|-----------------------------------|------------------------------------|---------------------------|
| A.1. Capital outlay: | | | |
| a. Right-Of-Way Costs | | | 0 |
| b. Engineering Costs | | | 0 |
| c. Construction: | | | |
| (1). New Facilities | | | 0 |
| (2). Capacity Improvements | | | 0 |
| (3). System Preservation | | | 0 |
| (4). System Enhancement & Operation | | 278,442 | 278,442 |
| (5). Total Construction (1) + (2) + (3) + (4) | 0 | 278,442 | 278,442 |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | 0 | 278,442 | 278,442 |
| | | | (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 Council
Town of Pagosa Springs, 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 Pagosa Springs, Colorado, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town of Pagosa Springs, Colorado's basic financial statements and have issued our report thereon dated May 24, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the findings and recommendations letter, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiency.

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. We consider the deficiencies described in the findings and recommendations letter to be material weaknesses.

2015-001 Accounting Adjustments
2015-002 Capital Asset Accounting

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. We consider the deficiency described in the findings and recommendations letter to be a significant deficiency.

2015-003 Segregation of Duties

Compliance and Other Matters

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

Purpose of this Report

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



HintonBurdick, PLLC
St. George, Utah
May 24, 2016



AGENDA DOCUMENTATION

NEW BUSINESS:IV.2

PAGOSA SPRINGS TOWN COUNCIL

JULY 5, 2016

FROM: **WILLIAM R. ROCKENSOCK, CHIEF OF POLICE**

KATHLEEN HARKER, HUMAN RESOURCES

PROJECT: SPONSORSHIP OF A CADET IN THE SOUTHWEST COLORADO LAW ENFORCEMENT ACADEMY

ACTION: DISCUSSION AND POSSIBLE ACTION

BACKGROUND

The Police Department has one current opening for a sworn officer position. The Department has faced significant challenges in recruiting using traditional methods; challenges that are being experienced by law enforcement agencies across the nation, in the State of Colorado, and regionally in Southwest Colorado.

The submission of applications for job openings continue to decrease exponentially. Whereas in 2009 we would receive up to twenty (20) or more applications and interview up to ten (10) candidates in a hiring event, we struggle to pull in one or two applications per job announcement. Outreach has been made to all of the independent law enforcement academies in the state with minimal response. Academy candidates are being sponsored by other agencies or recruited before completion of the academy with job commitments and sign on bonuses. Starting wages for sworn officers around the state are highly competitive with a disparity of up to \$5.00 per hour in Southwest Colorado to almost \$20,000.00 annually for law enforcement agencies on the Front Range and I-70 corridor.

In 2011, the Department hired three new officers to back fill two positions and fill a new police officer position. The Department was fully staffed through January 2012. Since then, the Department has been in a relatively constant hiring mode with short periods of being fully staffed for three months in 2012, two months in 2013, and three months in 2014.

As a result, we need to look at alternative ideas for hiring sworn officers. One method used by other agencies is to sponsor a cadet in a law enforcement academy.

PROPOSAL

The Department would like to recruit locally a candidate to sponsor in the academy for this fall. The academy is a fifteen (15) week certification program beginning August 8, 2016 and ending December 17, 2016. Sponsorship would mean that we would hire an individual as a civilian employee and pay their wages to attend the academy, as well as, pay academy tuition fees and expenses such as books. The proposed hourly rate is \$15.00 which with FICA and SUTA for an 18 week period would total \$11,658.60. This employee will be eligible for only the health, dental, and vision benefits while they attend the academy. Upon successful completion of the academy and POST certification, his/her employment status would be changed to full-time regular employee and eligible for the standard benefit package.

The individual sponsored by the Town would be required to sign a four year agreement to stay employed with the Town of Pagosa Springs Police Department. The agreement is prorated at 25% of tuition fees and equipment costs per year. For example, if the individual voluntarily resigns after two full years of service, he/she would be responsible to pay the Town back 50% of costs for tuition fees and equipment as allowable by law.

Sponsorship would require that the open police officer position remain vacant until the sponsored individual graduates the academy and fills the vacancy. Qualified candidates will be required to complete the Town's police officer application, undergo pre-employment drug testing, psychological examination, background investigation, and physical.

PROS AND CONS

Currently, the Town has no viable applications for our open position. Although there has been interest, inquiries have been from individuals who are not POST certified or attending a law enforcement academy. Through a sponsorship, we are confident that we can attract viable candidates that have a desire and ability to work in law enforcement but are financially unable to pay for the program on their own.

Preference for the sponsorship would be given to current residents of Pagosa Springs. The benefits to this preference are that the individual selected already has a connection to and better understanding of our community than someone from out of state or outside Southwest Colorado. It would also show the Town’s commitment to enhancing the quality of life of our residents by providing the Department with a means of staffing to capacity and providing a member of our community the opportunity to a career that was previously not an option.

Financially there would be no fiscal impact as the total costs fall comfortably under what was budgeted for the position for 2016. Successful completion of the program by the candidate will allow the Department to be fully staffed by the end of the fiscal year. This will positively affect current department staff by allowing more flexibility to the schedule to minimize on-call duty and overtime, and provide more opportunity to take leave and/or training without overly burdening staff to cover shifts.

As an employee, the individual selected will be able to work with the Department while not attending classes. This work experience, in conjunction with the academy, will allow that individual to become familiar with the Department and work environment, experience law enforcement from the inside and relate it to what he/she is learning at the academy, and provide the opportunity for staff to mentor the individual through the learning process.

Upon POST certification, the individual can immediately enter the Field Training Program as all background requirements will have already been completed in the interview process.

COST BREAKDOWN SUMMARY

| | |
|----------------------------------|-------------------|
| Wages | \$11,658.60 |
| Insurance | \$3,939.05 |
| <u>Tuition Fees and Expenses</u> | <u>\$8,837.96</u> |
| Total Cost | \$24,435.61 |

ATTACHMENTS

- Draft Employment Agreement
- Cost Breakdown

FISCAL IMPACT

No fiscal impact. The Police Department has budgeted \$41,180.00 in Fiscal Year 2016 to fund a full time officer and approximately \$14,625 for health benefits for the position. To date, expenditures from this position are \$7,373.00 with a remaining balance of \$33,807.00 and no deductions made from the health insurance allocation. Total cost for 2016 would be approximately \$24,435.61 which is well under the budgeted amount for the position (about 50%).

RECOMMENDATION

Possible motions for the Town Council to consider are:

1. Move to approve staff to pursue recruitment of a candidate for sponsorship in the Fall 2016 Law Enforcement Academy to be held by Southwest Colorado Community College in Mancos, Colorado
2. Move to decline the request to sponsor a candidate for the Fall 2016 Law Enforcement Academy
3. Direct Staff Otherwise



DRAFT

Training Agreement Notice and Explanation

The attached Recruit Training Agreement is a contract. It says that the Town of Pagosa Springs Police Department agrees to train you to be a police officer at no cost to you, and that, in addition, the Department will pay you a wage of \$15.00 per hour up to 40 hours per week during the time you are in training.

In return for this, the contract says that you agree to work for the Pagosa Springs Police Department for at least four years. It also says that if you leave before four years are up, you agree to pay back the Pagosa Springs Police Department a portion, based on how long you stayed, of the amount spent on your training. The exact amount is set out in the contract.

The contract also says that if you owe the Pagosa Springs Police Department money under this contract when you leave, the Pagosa Springs Police Department can deduct up to that amount from your last paycheck or any other money the Pagosa Springs Police Department may owe you at the time you leave.

Please be sure to read the whole contract yourself. If you don't understand it, or if you have concerns about signing the contract, please feel free to show it to anyone you like, including your attorney, and to seek advice.

If you agree to all the terms of the contract, please sign it in front of a Notary Public and have it notarized, then return in to the Pagosa Springs Police Department with the other documents in your application packet.

You must sign the contract in order to be considered for this position. If you decide not to sign, we will not process your application.

Please sign here to indicate that you have received both this notice and the actual contract with your application packet.

Applicant's Signature

Date



DRAFT

**Pagosa Springs Police Department
Police Training Agreement**

THIS AGREEMENT, made on the date set forth below, between the Town of Pagosa Springs (hereinafter "Town"), and _____, currently residing at _____, Colorado, hereinafter ("Recruit" or "Officer");

WHEREAS, the Town has accepted him/her as a Civilian Recruit in Training and intends to employ him/her as a commissioned officer of the Pagosa Springs Police Department; and

WHEREAS, Colorado law requires that the Recruit meet certain minimum training requirements in order to be qualified to perform the duties of a commissioned law enforcement officer in the Town of Pagosa Springs;

IT IS, THEREFORE, AGREED THAT;

1. The Town will pay all of the fees and expenses in connection with the training to be provided for the Recruit at the Southwest Colorado Law Enforcement Academy, and will further pay the Recruit a wage of \$15.00 per hour up to 40 hours per week during the training period.
2. The Recruit agrees to devote full time and best efforts to the training program and to diligently perform all assignments made in connection therewith.
3. It is understood and agreed to by the parties that, although Recruit is classified as a civilian employee of the Town, Recruit is not expected to, and will be directed to, perform "work" which will be beneficial to the Town during the training period. Recruit may, however, be required to perform certain tasks performed by commissioned police officers for the purpose of learning how to perform such tasks correctly.
4. The Recruit agrees that if he/she should resign his/her employment as a police officer at any time within forty-eight (48) months after the completion of said training program, he/she agree to reimburse the Town of Pagosa Springs a certain percentage of the cost of certification training at the Southwest Law Enforcement Academy based upon the following repayment schedule should his/her employment with the Town of Pagosa Springs Police Department be terminated for any reason:
 - a. If the termination occurs less than one year following completion of the certification training, one hundred percent.
 - b. If the termination occurs one year or more but less than two years after completion of the certification training, seventy-five percent.
 - c. If the termination occurs two years or more but less than three years after completion of the certification training, fifty percent.
 - d. If the termination occurs three years or more but less than four years after completion of the certification training, twenty-five percent.

The Recruit/Officer may make monthly installment of no less than an amount equal to one sixth of the total amount owed at the time of resignation. If the recruit fails to pay all monies owed within six months

of resignation, interest shall be charged at a rate of 9% compounded monthly on all monies still owing after six months of resignation.

5. That the total amount subject to reimbursement under Paragraph 4 is \$0,000.00.
6. Upon termination of his/her employment, the Recruit/Officer agrees to return to the Town any training materials, equipment, literature, books, etc. in his/her possession, that may have been obtained in said certification training.

IN WITNESS WHEREOF, this Agreement has been executed this _____ day of _____, 2016.

Recruit (Signature)

Date Training Commenced: 08/01/2016

Date Training Completed: _____

STATE OF COLORADO)

) SS

COUNTY OF ARCHULETA)

On this ____ day of _____, 2016, before me personally appeared _____, to me known to be the person described and who executed the forgoing instrument and acknowledged to me that he/she executed the same as his/her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State the day and year written.

Notary Public

Acknowledged by:

Town of Pagosa Springs

Gregory J. Schulte
Town Manager

Cost Estimate for Sponsorship of Civilian Cadet in the Southwest Regional Law Enforcement Academy
Prepared on 06/28/2016

Wages

| | | |
|---|----|---------------------|
| Hourly Rate | \$ | 15.00 |
| FICA | \$ | 1.15 |
| Unemployment | \$ | 0.05 |
| Loaded Hourly Rate | | \$ 16.19 |
| Estimated Wages for 18 weeks @ 40 hrs per week | | \$ 11,658.60 |

Benefits

| | | |
|--|----|--------------------|
| Monthly Insurance (Health/Den/Vis) | \$ | 787.81 |
| No other benefits earned while in training | \$ | - |
| Total Insurance for 5 months | | \$ 3,939.05 |

Tuition and Fees

| | | |
|--|----|---------------------|
| Tuition/College Fees (37 Semester Hours) | \$ | 7,603.50 |
| Academy Fees | \$ | 1,741.50 |
| Possible Increase of 4% in Tution fees | \$ | 304.14 |
| Discount on Academy Fees | \$ | (811.18) |
| Total Tuition and Fees | | \$ 8,837.96 |
| Total Costs for Sponsorship | | \$ 24,435.61 |

2016 Budget for Police Officer

| | | |
|--|----|---------------------|
| Budgeted Wages for Police Officer Position | \$ | 41,180.00 |
| Budgeted Amount for Health Benefits | \$ | 14,625.00 |
| Expended Wages for PT Police Officer | \$ | (7,373.00) |
| Total | | \$ 48,432.00 |



AGENDA DOCUMENTATION

NEW BUSINESS: IV.3

PAGOSA SPRINGS TOWN COUNCIL

JULY 5, 2016

FROM: APRIL HESSMAN, TOWN CLERK

PROJECT: RESOLUTION 2016-10, CAPITAL ASSET POLICY

ACTION: DISCUSSION AND POSSIBLE ACTION

ANALYSIS / BACKGROUND

During the audit process it was noted that the Town has established some budgetary controls over capital asset purchases; however, the Town has not established sufficient accounting controls over capital assets. It was noted that the Town had not formally adopted a capitalization threshold. As a result of inadequate controls over capital assets, several audit adjustments were proposed to correct capital asset beginning balances and properly account for current year capital asset activity.

Town management worked diligently with HintonBurdick to restate portions of the Town's capital asset listing for this year's audit. Staff has created a detailed list that will be maintained throughout the year of capital asset additions and deletions that shows a description, date of purchase and cost for each item. Staff is working with HintonBurdick to maintain the list for each capital asset general ledger account and will be maintained in such a way as to allow reconciliations to the general ledger. Additionally, a physical asset inventory will be scheduled in order to track the Town's physicals that don't necessarily qualify as capital assets.

Previous audits have stated that the Town generally capitalized assets with cost of \$1,000 or more as purchased and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. The estimated useful lives in years for depreciable assets are described as; Buildings – 50 years and Furniture, machinery and equipment 5-10 years.

The term *capital assets* is used to describe assets that are used in operations and that have initial lives extending beyond a single reporting period. Capital assets may be either intangible (e.g., easements, water (rights) or tangible (e.g., land, buildings, building improvements, vehicles, machinery, equipment and infrastructure). Items with extremely short useful lives (e.g., less than 2 years) or of small monetary value are properly reported as an "expense" or "expenditure" in the period in which they are acquired.

GFOA recommends that state and local governments consider the following guidelines in establishing capitalization thresholds:

- Potentially capitalizable items should only be capitalized if they have an estimated useful life of at least two years following the date of acquisition;
- Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets (e.g., books of a library district);
- In no case should a government establish a capitalization threshold of less than \$5,000 for any individual item;
- In establishing capitalization thresholds, governments that are recipients of federal awards should be aware of federal requirements that prevent the use of capitalization thresholds in excess of certain specified maximum amounts (i.e., currently \$5,000) for purposes of federal reimbursement; and
- Governments should exercise control over potentially capitalizable items that fall under the operative capitalization threshold.

ATTACHMENT(S)

- Resolution 2016-10

RECOMMENDATION

Move to approve Resolution 2016-10 setting thresholds for capital assets at \$5,000 and number of useful years to two (2).

TOWN OF PAGOSA SPRINGS, STATE OF COLORADO

RESOLUTION 2016-10

RESOLUTION APPROVING A CAPITAL ASSET THRESHOLD FOR THE TOWN OF PAGOSA SPRINGS, COLORADO

WHEREAS, the Town of Pagosa Springs is required to file an annual financial report disclosing its financial condition; and

WHEREAS, the Government Accounting Standards Board is the policy making board that governs municipal financial reporting; and

WHEREAS, the Government Accounting Standards Board Statement No. 34 requires that all capital assets of the Town be valued and disclosed in financial reports; and

WHEREAS, it is in the best interests of the health, safety and welfare of the citizens of Pagosa Springs to approve a capital asset policy for the reporting of capital assets owned by the Town of Pagosa Springs.

NOW THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF PAGOSA SPRINGS, COLORADO AS FOLLOWS:

Section 1. The following minimum threshold amounts are established for the purpose of recording and reporting general capital assets, including general infrastructure assets.

| <u>Capital Asset</u> | <u>Capitalize & Depreciate</u> |
|--|------------------------------------|
| Land and Land Improvements | \$1 and above - capitalize only |
| All other capital assets Including Buildings, Machinery and Equipment, Vehicles and Infrastructure | \$5,000 |

Section 2. Assets in the above categories must have an estimated useful life of more than two years to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in two years or less shall not be capitalized. Assets having a useful life of more than two years but that have a historical or estimated cost of less than the threshold limit established in Section 1. may, at the discretion of the Town Manager and other Department Heads, be inventoried for tracking purposes.

Section 3. That the Town Manager be and is hereby authorized to implement a capital asset policy for the reporting and disclosure of capital assets owned by the Town of Pagosa Springs.

Section 4. This Resolution shall take effect and be enforced immediately upon its approval by the Town Council.

ADOPTED THIS ____ DAY OF _____, 2016, BY THE TOWN COUNCIL OF THE TOWN OF PAGOSA SPRINGS, BY A VOTE OF ___ IN FAVOR, ___ AGAINST.

TOWN OF PAGOSA SPRINGS

By: _____
Don Volger, Mayor

ATTEST:
By: _____
April Hessman, Town Clerk



AGENDA DOCUMENTATION

NEW BUSINESS: IV.4

PAGOSA SPRINGS TOWN COUNCIL
JULY 5, 2016

FROM: GREGORY J. SCHULTE, TOWN MANAGER

PROJECT: TOWN COUNCIL PROJECT SCHEDULING UPDATE
ACTION: INFORMATIONAL UPDATE

PURPOSE / BACKGROUND

As the Council is aware, there are a multitude of issues and initiatives the Council and Town staff are pursuing for this calendar year. Several of the issues will require input from the Council in the formulation of the policy or for a decision. As of July 1st, there are 2 Council vacancies and we are in the process of filling those vacancies. According to our schedule, the vacancies will hopefully be filled at the July 21st Town Council meeting.

For Council’s information, we have the following issues / initiatives that will be coming before the Council shortly, as follows:

| <u>Issue/Initiative</u> | <u>Suggested Format</u> | <u>Timeframe</u> |
|----------------------------------|-------------------------|------------------------------------|
| 1. Marijuana Ordinance | | |
| - Policy Discussion | Work Session | July ? |
| - 1 st Reading | Council Meeting | August 2 nd |
| - 2 nd Reading | Council Meeting | August 18 th |
| 2. Downtown Task Force Update | Council Meeting | July 21 st |
| 3. 2017 Goals & Objectives | Work Session | Late July or August? |
| 4. Small Lot Density Issue | Council Meeting | August |
| 5. Benefits Comparison | Work Session | Early August |
| 6. Personnel Manual | Council Meeting | 2 nd Meeting in August? |
| 7. LPEA Franchise Agreement | Work Session | Summer / Fall |
| 8. Review Development Incentives | Work Session | Summer / Fall |

ATTACHMENTS

None

FISCAL IMPACT

None

RECOMMENDATIONS

Possible feedback by the Town Council includes:

- 1. Feedback on prioritization of outstanding issues / initiatives.**
- 2. Feedback on whether some items should be in a work session format or just at a Council meeting.**
- 3. Direct staff otherwise.**



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**PAGOSA SPRINGS SANITATION
GENERAL IMPROVEMENT DISTRICT
MEETING AGENDA
TUESDAY, JULY 5, 2016
Town Hall Council Chambers
551 Hot Springs Blvd
5:00 p.m.**

- I. **CALL MEETING TO ORDER**
- II. **PLEDGE OF ALLEGIANCE AND MOMENT OF SILENCE**
- III. **PUBLIC COMMENT** – *Please sign in to make public comment*
- IV. **CONSENT AGENDA**
 1. **Approval of June 23, 2016 Meeting Minutes**
- V. **OLD BUSINESS**
 1. **TOWN/PAWSD Pipeline Update**
- VI. **NEXT BOARD MEETING JULY 21, 2016 AT 5:00PM**
- VII. **ADJOURNMENT**



AGENDA DOCUMENTATION

OLD BUSINESS:V.1

PAGOSA SPRINGS SANITATION BOARD OF DIRECTORS
JULY 5, 2016

FROM: GENE TAUTGES, SANITATION SUPERVISOR

PROJECT: PAWSD/PIPELINE UPDATE REPORT

ACTION: DISCUSSION

The past couple of weeks have been spent taking care of some significant technical control issues. The contractor has also been working on several small tasks on the punch list. Staff met with the subcontractor who will be assisting in the removal of sludge from the lagoons on June 29th. The contractor will now present a decommissioning plan to staff for approval and then begin to mobilize that crew on site in the next several weeks. Simultaneously, staff is working on cleaning up the lagoon site as best as possible knowing that it still serves a number of functions for other town and county departments.

Some still unanswered questions include:

Liquidated damages?

Substantial completion?

Final completion?

We are receiving advice from our attorney on these matters and will keep you posted.

Respectfully submitted,
Gene Tautges
Sanitation Supervisor