

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED December 31, 2014

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Pagosa Springs General Improvement District
Pagosa Springs, Colorado

I have audited the accompanying financial statements of the business type activities of Pagosa Springs General Improvement District as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statement 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 the internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing the opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the District as of December 31, 2014, the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis beginning on page 3 is 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. I have applied certain limited procedures to the requires 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 my inquiries, the basic financial statements, and other knowledge I obtain during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pagosa Springs General Improvement District basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedure in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying other supplementary information, a listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.


Michael C. Branch
Certified Public Accountant
February 17, 2015

Management's Discussion and Analysis

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Pagosa Springs Sanitation General Improvement District annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year, which ends December 31, 2014. Please read it in conjunction with the District's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

Adoption of PSSGID Resolution 2007-06, the District established a new enterprise to receive funding for a new treatment facility. In 2008, the District prepared to build a new Wastewater Treatment Facility (WWTF) and secured financing for the new facility through a rate fee increase. In 2009, the District returned the DOLA loan funding due to the District's inability to begin the construction and accumulation of interest on the loan. In 2010, the District reworked its request for federal funding to meet USDA requirements. The District's USDA grant application was approved by the federal government's state office in December of 2010 and subsequently approved by the national office. The building of a new Wastewater Treatment Facility is required to comply with the Colorado Department of Health and Public Safety and to resolve a number of non-compliance issues with the District's effluent limits.

In 2009, the District implemented an economic development incentive program which decreased plant investment fees (PIF); a 100% rebate in the latter part of 2009 and a 50% reduction in 2010 and 2011. The District Board voted to return to the normal fee structure in 2012 and continued the fee structure in 2013. Current rates and fees have remained the same from August 5, 2008, Ordinance 2008-03, increasing the service fee to \$37.50 per month per ERT and plant investment fee to \$4,400 per ERT.

In 2011, the District continues to make point repairs in the collection system along with other system upgrades that is keeping the system operational. In 2013 more of the same type of repairs and excavation of some other areas will keep the District moving forward in its maintenance of the collection system.

During the last quarter of 2011, PSSGID staff and Pagosa Area Water and Sanitation District (PAWSD) staff worked together to design an alternative to building a new wastewater treatment plant. The two organizations jointly assessed the merits of building a wastewater transmission pipeline from the current PSSGID treatment lagoons to the PAWSD Vista treatment plant.

On January 3, 2012, the District Board of Directors and PAWSD Board of Directors entered into an Intergovernmental Agreement (IGA) to determine if pumping the Town's sewage to the PAWSD Vista treatment plant is feasible for the Town sewer customers. The PSSGID Board approved spending \$50,000 in 2012 to discover the costs to install a pumping line. The Tulsa, Oklahoma Engineering firm of Bartlett and West was hired and produced a feasibility study and Preliminary Engineering Report (PER). The feasibility study indicated a reasonable savings may be realized by town residents by pumping wastewater to the PAWSD Vista treatment facility. In 2013, construction documents were completed by Bartlett and West and bids for construction of a pipeline from downtown Pagosa Springs to the Vista treatment plant on Lyn Avenue was awarded to Hammerlund Construction.

The District withdrew its application with the USDA and its plans to build the wastewater treatment plant, and has directed the focus to the wastewater pipeline. The PSSGID is working with all of our Colorado state government partners to transfer grant and loan funding to the pipeline project.

The 2015 budget for the Pagosa Springs Sanitation General Improvement District (PSSGID or the District) was approved on December 4, 2014. The details of the budget are as follows:

Revenues

The district will collect approximately \$779,000 in Assessments and Taxes and Charges for Services. For Taxes and Assessments, this includes \$650,000 in monthly charges for sewer service with a balance of \$86,000 in property tax assessments with only \$6,500 in miscellaneous charges. In the category of Charges for Services the primary revenue source is Plan Investment Fee and in is estimated to be \$27,000. Including other miscellaneous charges, total revenue for Charges for Services is \$36,000.

Expenditures

Total expenditures in all categories for the District is expected to be about \$746,000 and will yield an additional \$33,000 in fund balance when subtracted from the 2015 project revenue. The expenditures are categorized as in the other Town department: Personnel, Contractual, Commodities, Capital Improvement and Treatment Plant Upgrades. Most of the expense associated with the new sewer pipeline occurred in 2014 but the debt service starts in 2015. The debt service for the new pipeline amounts to about \$313,000. In addition, the cost for treatment of the sewage by PAWSD is estimated to be \$70,000 annually. The other large, notable expenses are Personnel at \$73,000; Maintenance repairs at \$50,000, a new pick-up truck at the net cost of \$24,000 (including trade-in), and utilities at \$65,000.

Summary

When adding prior year carryover reserve of \$1.27 million to the estimated revenue of \$779,000, available resources are \$2.05 million. With expenditures expected to be \$746,000 in 2015, it leaves the District with an estimated year end reserve of approximately \$1.3 million.

Upon completion, the audit of the District's 2014 expenditures will be made available for public review.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

District-wide Statements

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

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

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

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

Fund Financial Statements

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

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

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

The District has the following fund: *Proprietary funds* – the Enterprise fund and the Sewer fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Total net assets increased \$940,787. Cash increased \$1,090,103 in 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had invested in a broad range of capital assets, including land, equipment and buildings.

District's Capital Assets

Sewer	\$ 3,457,144
Right of Way	16,376
Furniture	8,945
Equipment	119,898
Work in progress	<u>5,048,004</u>
Totals	8,650,367
Less Accumulated Depreciation	<u>(1,555,080)</u>
Net Capital Assets	\$ 7,095,287

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Statement of Net Position
December 31, 2014

	Primary Government Business Type Activities Enterprise Fund
ASSETS	
Current Assets	
Cash	\$ 1,945,563
Restricted cash	934,437
Accounts receivable (net)	61,693
Taxes receivable	86,975
Cash with County	516
Total Current Assets	3,029,184
Property, Plant and Equipment (Net)	7,095,287
TOTAL ASSETS	\$ 10,124,471
LIABILITIES	
Current Liabilities	
Accrued wages and PTO	\$ 7,669
Accounts payable	133,886
Retainage payable	87,632
Bonds payable current	46,689
Total Current Liabilities	275,876
Payable PAWS	2,722,582
Notes Payable-Long term	2,048,813
Total Long Term Liabilities	4,771,395
TOTAL LIABILITIES	\$ 5,047,271
Deferred Inflows of Capital Assets	
Property taxes	\$ 86,975
Net Position	
Net investment in capital assets	\$ 2,277,203
Restricted for construction	2,067,193
Unassigned	645,829
Total Net Position	\$ 4,990,225

See accompanying notes

Town of Pagosa Springs General Improvement District
Statement of Activities
December 31, 2014

Funcitiions/Programs	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services and Sales	<u>Total</u>
Business Type Activities			
Sewer Utility	\$ (401,244)	\$ 660,909	\$ 259,665

General Revenues

Grants	522,138
Property Taxes	96,115
Interest Expense	(5,810)
Plant Investment Fees	66,333
Interest Income	2,346
Total General Revenues	681,122
Change in Net Position	940,787
Net Position Beginning of Year	4,049,438
Net Position End of Year	\$ 4,990,225

See accompanying notes

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Statement of Net Assets
December 31, 2014

	Business Type Activities Enterprise Fund
ASSETS	
Current Assets	
Cash	\$ 1,945,563
Restricted cash	934,437
Accounts receivable (net)	61,693
Taxes receivable	86,975
Cash with County	<u>516</u>
Total Current Assets	3,029,184
Property, Plant and Equipment (Net)	<u>7,095,287</u>
TOTAL ASSETS	\$ <u><u>10,124,471</u></u>
LIABILITIES	
Current Liabilities	
Accrued wages and PTO	\$ 7,669
Accounts payable	133,886
Retainage payable	87,632
Bonds payable current	<u>46,689</u>
Total Current Liabilities	275,876
Payable PAWS	2,722,582
Notes Payable-Long term	<u>2,048,813</u>
Total Long Term Liabilities	<u>4,771,395</u>
TOTAL LIABILITIES	\$ <u><u>5,047,271</u></u>
Deferred Inflows of Capital Assets	
Property taxes	\$ <u>86,975</u>
Net Position	
Net investment in capital assets	\$ 2,277,203
Restricted for construction	2,067,193
Unassigned	<u>645,829</u>
Total Net Position	\$ <u><u>4,990,225</u></u>

See accompanying notes

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Statement of Revenues, Expenses and
Change in Net Position
December 31, 2014

	Business-type Activities Enterprise Fund
Operating Revenue	
Sales	\$ 660,909
Total Operating Revenue	<u>660,909</u>
Operating Expenses	
Audit and legal	5,806
Salaries and benefits	72,221
Utilities	41,566
Maintenance and supplies	149,256
Administration	17,055
Professional fees	25,000
Depreciation	72,840
Insurance	17,500
Total Operating Expenses	<u>401,244</u>
Profit from Operations	<u>259,665</u>
Non-Operating Revenues (Expenses)	
Property tax and SOT	96,115
Interest expense	(5,810)
Interest income	2,346
Plant investments fees	66,333
Grants	522,138
Total Non-Operating Revenue	<u>681,122</u>
Change in Net Position	<u>940,787</u>
Net Position Beginning of Year	<u>4,049,438</u>
Net Position End of Year	\$ 4,990,225

See accompanying notes

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Statement of Cash Flows
For the Period Ended December 31, 2014

	Business Type Activities
	Enterprise Fund
	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 663,190
Cash paid for expenses	(324,153)
Net Cash Provided By (Used In) Operating Activities	339,037
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from plant investment fees	66,333
Principal payments on long-term debt	(44,657)
Interest payments on long-term debt	(5,810)
Interest income	2,346
Proceeds from loans	4,473,006
Investment in system	(4,579,923)
Increase in related payables	221,518
Cash Provided By (Used In) Capital and Related Financing Activities	132,813
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Taxes received	96,115
Grants	522,138
Cash Provided By Non-Capital Financing Activities	618,253
Net Increase (Decrease) in Cash	1,090,103
CASH BEGINNING OF YEAR	1,789,897
CASH END OF YEAR	\$ 2,880,000

See accompanying notes

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
 Comparative Statement of Cash Flows
 For the Year Ended December 31, 2014

RECONCILIATION OF OPERATING INCOME TO NET
 CASH PROVIDED BY OPERATING ACTIVITIES

	Business Type Activities
	Enterprise Fund Sewer
Operating Income	\$ 259,665
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	72,840
Decrease in receivables	2,309
Increase in payables	4,251
Increase in cash with county	(28)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 339,037

See accompanying notes

Notes to Financial Statements

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE (I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 2, 2002, the Pagosa Springs Sanitation District held an election on the question of dissolution of the Pagosa Springs Sanitation District. The qualified voters of the Pagosa Springs Sanitation District voted in favor of dissolution. On December 5, 2001, the Town of Pagosa Springs adopted Ordinance No. 555, establishing the Town of Pagosa Springs General Improvement District to operate contingent upon the electors of the General Improvement District approving the question of assuming the debt of the Pagosa Springs Sanitation District. On April 2, 2002, the voters of the Town of Pagosa Springs voted to allow the General Improvement District to assume the debt.

The Pagosa Springs Sanitation District and the Town of Pagosa Springs entered into an agreement on March 1, 2001, which provided for the conveyance of all tangible and intangible assets and existing debt to the Town of Pagosa Springs General Improvement District.

Effective June 30, 2002, the Pagosa Springs Sanitation District ceased to exist, for any purpose.

The accounting policies of the Town of Pagosa Springs General Improvement District conform to generally accepted accounting principles as applicable to governmental enterprise funds. The following is a summary of the more significant policies:

Principles Determining Scope of Reporting Entity

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

the organization is legally separate; District holds the corporate powers of the organization; the District appoints a voting majority of the organization's board; the District is able to impose its will on the organization; the organization has the potential to impose a financial benefit/burden on the District; there is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the Town of Pagosa Springs General Improvement District is a component unit of the Town of Pagosa Springs.

Proprietary Fund Types:

Enterprise Funds--Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Notes to Financial Statements
For the Year Ended December 31, 2014

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

through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Sewer Fund – accounts for all activities of the Sanitation department.

(C) Basis of Accounting

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Fund Accounting

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

The District reports the following major funds:

Sanitation Fund is the District's primary operating fund. It accounts for all financial resources of the District.

Measurement Focus, Basis of Accounting, and Financial Statements Presentations

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurements focus and the accrual basis of accounting, as are the proprietary fund statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Notes to Financial Statements
For the Year Ended December 31, 2014

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

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

subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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

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

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

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

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

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

(D) Budgets and Budgetary Accounting

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

Prior to December 31, the Clerk submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments.

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Notes to Financial Statements
For the Year Ended December 31, 2014

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

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

Prior to December 31, the budget is adopted by the Board of Trustees. A certified copy is then filed with the Division of Local Government.

Budgets are prepared on a Non-GAAP basis. Depreciation is not budgeted, but principal payments and capital outlay are budgeted.

The local governing body shall enact an ordinance or resolution making appropriations for the ensuing fiscal year.

Appropriations are adopted by resolution in total. Over expenditures are not deemed to exist unless the fund, as a total, has expenditures in excess of appropriations. All appropriations lapse at year-end. There was a supplemental budget approved during the year.

Fund balance classifications

Net Assets/Fund Balances

The difference between assets and liabilities is "Net Position" on the government-wide and proprietary fund financial statements and "Fund balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

The Town has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." In the fund financial statements the following classifications describe the relative strength of spending constraints.

Non-Spendable Fund Balance- The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory and prepaid amounts) or is legally or contractually required to be maintained intact.

Restricted Fund Balance-The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed Fund Balance- The portion of fund balance constrained for specific purposes according to the limitations imposed by the District's highest level of decision making authority, the Town Board, or other individuals authorized to assign funds to be used for specific purpose. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Notes to Financial Statements
For the Year Ended December 31, 2014

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

Assigned Fund Balance-The portion of the fund balance set aside for planned or intended purposes but is neither restricted nor committed. The intended use may be expressed by the Town Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

Unassigned Fund Balance- The residual portion of the fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

When both restricted and unrestricted fund balance are available for use, it is the Town's policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned and unassigned.

(E) Cash and Deposits

At December 31, 2014, the District had the following cash:

Deposits	\$ 1,945,563
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Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2014, the State regulatory commissioners had indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2014, the District had bank deposits of \$1,945,563, collateralized with securities held by the financial institutions' agents but not in the District's name.

Cash and Investments

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

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Notes to Financial Statements
For the Year Ended December 31, 2014

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

(E) Cash and Investments (continued)

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

(F) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not employed.

NOTE (2) FIXED ASSETS

The District's property, plant equipment and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The District maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component unit's financial statements. Donated assets are stated at fair market value on the date donated. The District generally capitalized assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

Sewer System	50
Equipment	10
Furniture and fixtures	10

Depreciation expense was \$72,840 in the Sanitation Fund.

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE (2) FIXED ASSETS (continued)

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Sewer System	\$ 3,457,144	\$	\$	\$ 3,457,144
Right of Way	16,376			16,376
Furniture and Fixtures	8,945			8,945
Equipment	119,898			119,898
Work in progress	<u>468,081</u>	<u>4,579,923</u>	<u> </u>	<u>5,048,004</u>
	4,070,444	4,579,923		8,650,367
Accumulated Depreciation	(1,482,240)	(72,840)		(1,555,080)
Net Assets	<u>\$ 2,588,204</u>	<u>\$ 4,507,083</u>	<u>\$</u>	<u>\$ 7,095,287</u>

NOTE (3) BONDS PAYABLE

Bonds payable at December 31, 2014 are comprised of the following:

A note payable to Water Pollution Control Revolving Fund in the original amount of \$640,000. Balance of note was \$95,502 at December 31, 2014. Note is payable in semi-annual payments of \$25,233 including interest at 4.5%.

<u>Year</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2015	\$ 50,467	\$ 46,689	\$ 3,778	\$ 48,813
2016	<u>50,467</u>	<u>48,813</u>	<u>1,654</u>	
	\$ 100,934	\$ 95,502	\$ 5,432	

Net Change in Debt				
Beginning of Year	Additions	Deletions	End of Year	
\$ 140,159	\$	\$ 44,657	\$	\$ 95,502

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE (3) BONDS PAYABLE (continued)

A note payable to Water Pollution Control Revolving Fund in the amount of \$2,000,000 dated February 4, 2014 in forty semi-annual payments of \$9,215 for the first payment and then 39 payments of \$56,359 including interest at 1%. The first payment will be due on November 1, 2015.

<u>Year</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2015 \$	9,215 \$	7,549 \$	1,666 \$	1,992,452
2016	112,717	93,025	19,692	1,899,427
2017	112,717	93,958	18,759	1,805,469
2018	112,717	94,899	17,818	1,710,570
2019	112,717	95,850	16,867	1,614,720
2020-2024	563,586	493,861	69,725	1,120,859
2025-2029	563,586	519,117	44,469	601,742
2030-2034	563,586	545,664	17,922	56,078
2035	<u>56,360</u>	<u>56,077</u>	<u>283</u>	
	\$ 2,207,201	\$ 2,000,000	\$ 207,201	

Net Change in Debt

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

On January 3, 2012, the Pagosa Springs Sanitation General Improvement District (District) and Pagosa Area Water and Sanitation District (PAWS) entered into a Intergovernmental Agreement for the District to extend the wastewater treatment line to connect with PAWS treatment facility. This is being done in two sections. The Segment B is being paid for by PAWS up to \$2,835,745 but beginning the calendar year following completion of construction, the District will repay PAWS their cost amortized over 20 years plus interest now computed to be 0.5%.

NOTE (4) ACCUMULATED SICK \ VACATION PAY

The District has only one employee. An accrual of \$7,669 existed at December 31, 2014 for wages and PTO.

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE (5) RECEIVABLES

Receivables at December 31, 2014 consist of the following:

Accounts receivable	\$ 73,726
Property tax receivable	\$ 86,975

NOTE (6) PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied January 1 and are due in full by April 30th or one-half due on the last day of February and the second half due on June 15th. The County bills and collects the property taxes, and remits them to the District. Property tax revenue is recognized when levied to the extent that it results in current receivables with an offset to deferred revenue.

NOTE (7) STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

NOTE (8) RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries of employees while on the job and to property and casualty losses. The District has joined together with other municipalities to form The Colorado Intergovernmental Risk Sharing Agency to insure against said risk.

The Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity, was formed by intergovernmental agreement by member municipalities pursuant to the provisions of 24-10-115.5, C.R.S. (1985 Repl. Vol.), as amended, 29-1-201 et. seq., C.R.S. (1977 Repl. Vol.), as amended, 29-13-102, C.R.S. (1977 Repl. Vol.), as amended, and Colorado Constitution, Article XIV, Section 18(2).

The purpose of CIRSA is to provide members with a defined liability and property coverage and to assist members in preventing losses to municipal property by reducing injuries to persons or property that might result in claims being made against members of CIRSA, their employees or their 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 stated 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 at a reasonable cost.

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE (8) RISK MANAGEMENT (continued)

All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. The Bylaws shall constitute the substance of the intergovernmental contract among the members. The District is one member out of a total of ninety-nine towns and cities. CIRSA is directed by a seven member board of directors composed of municipal officials from member cities and towns.

Board directors are nominated and elected by members to two year staggered terms and must meet at least monthly to direct CIRSA operations.

The participants have control over the financial operation of CIRSA only in their ability to elect board members and their ability to change the bylaws. CIRSA has no formal budgeting requirements.

Summary of financial information:

Balance sheet date	December 31, 2013
Total assets	\$ 79,179,012
Total liabilities	<u>\$ 37,237,831</u>
Net position	\$ 41,941,181
Revenue	\$ 23,322,472
Expenses	<u>18,792,870</u>
Excess of revenue over Expenses	<u>\$ 4,529,602</u>

The December 31, 2014 financial statement was not available when this report was issued.

NOTE (9) RISK MANAGEMENT-WORKMAN'S COMPENSATION

The District is exposed to various risks of loss related to injuries of employees while on the job. The District has purchased insurance through a commercial company for protection from said risk.

NOTE (10) 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. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

Supplemental Information

TOWN OF PAGOSA SPRINGS GENERAL IMPROVEMENT DISTRICT
Statement of Revenue, Expenses and Changes in Net Position
Budget and Actual (NON-GAAP)
Year Ended December 31, 2014

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
OPERATING REVENUE				
Sanitation revenue	\$ 647,580	\$ 647,580	\$ 660,909	\$ 13,329
Total Operating Revenue	647,580	647,580	660,909	13,329
OPERATING EXPENSES				
Audit and legal	15,000	15,000	5,806	9,194
Salary and benefits	56,067	56,067	72,221	(16,154)
Utilities	34,000	34,000	41,566	(7,566)
Maintenance and supply	236,050	236,050	149,256	86,794
Administration	26,215	26,215	17,055	9,160
Professional fees	31,500	31,500	25,000	6,500
Insurance	31,600	31,600	17,500	14,100
Total Operating Expenses	430,432	430,432	328,404	102,028
Income (Loss) from Operation	217,148	217,148	332,505	115,357
NON-OPERATING REVENUES (EXPENSES)				
Property tax and SOT	91,975	91,975	96,115	4,140
Debt service	(50,471)	(50,471)	(50,467)	4
Interest income and miscellaneous	4,400	4,400	2,346	(2,054)
Plant investment fees	9,000	9,000	66,333	57,333
Capital outlay	(2,500,000)	(5,085,815)	(4,579,923)	505,892
Grants and loans	3,250,000	5,835,815	4,995,144	(840,671)
Total Non-Operating Revenue (Expenses)	804,904	804,904	529,548	(275,356)
Change in Net Assets	\$ 1,022,052	\$ 1,022,052	862,053	\$ (159,999)
ADJUSTMENTS				
Depreciation, Net			(72,840)	
Principal payments			44,657	
Capital outlay			4,579,923	
Loan proceeds			(4,473,006)	
NET POSITION - BEGINNING OF YEAR				
			4,049,438	
NET POSITION END OF YEAR			\$ 4,990,255	

See accompanying notes