



TOWN OF PAGOSA SPRINGS, COLORADO

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF PAGOSA SPRINGS, COLORADO

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HINTONBURDICK
CPAs & ADVISORS

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 June 18, 2020, 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
June 18, 2020

**TOWN OF PAGOSA SPRINGS, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2019**

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, 2019. 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 \$36.9 million at the close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of \$878 thousand.
- The total cost of all Town programs for 2019 was \$8,924,147.
- The General fund unassigned fund balance at the end of 2019 was \$2,009,272 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 \$37 million as of December 31, 2019 as shown in the following condensed statement of net position. Of this amount, \$4,959,353 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 \$27,387,724 (74.14% 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, 2019 and 2018:

TOWN OF PAGOSA SPRINGS, COLORADO Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Current and other assets	\$ 8,869,887	\$ 5,023,456	\$ 1,346,104	\$ 1,534,594	\$ 10,215,991	\$ 6,558,050
Capital assets	26,547,797	26,401,058	10,767,959	10,727,677	37,315,756	37,128,735
Total assets	35,417,684	31,424,514	12,114,063	12,262,271	47,531,747	43,686,785
Deferred outflows of resources	246,876	111,940	-	-	246,876	111,940
Long-term liabilities outstanding	5,800,595	2,925,005	4,357,725	4,298,837	10,158,320	7,223,842
Other liabilities	455,489	294,847	50,781	32,933	506,270	327,780
Total liabilities	6,256,084	3,219,852	4,408,506	4,331,770	10,664,590	7,551,622
Deferred inflows of resources	129,744	146,306	41,570	35,730	171,314	182,036
Net position:						
Net investment in capital assets	20,968,024	23,620,111	6,419,700	6,437,689	27,387,724	30,057,800
Restricted	4,595,642	1,403,385	-	-	4,595,642	1,403,385
Unrestricted	3,715,066	3,146,800	1,244,287	1,457,082	4,959,353	4,603,882
Total net position	\$ 29,278,732	\$ 28,170,296	\$ 7,663,987	\$ 7,894,771	\$ 36,942,719	\$ 36,065,067

An additional portion of net position, \$4,595,642, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,959,353 (13.42% 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 \$7,812,546 as shown in the Changes in Net Position statement below. \$779,602 of this cost was paid for by those who directly benefited from the programs. \$894,952 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 \$1,674,554. General taxes, investment earnings, gain on sale of assets and other revenues totaled \$7,249,428.

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.

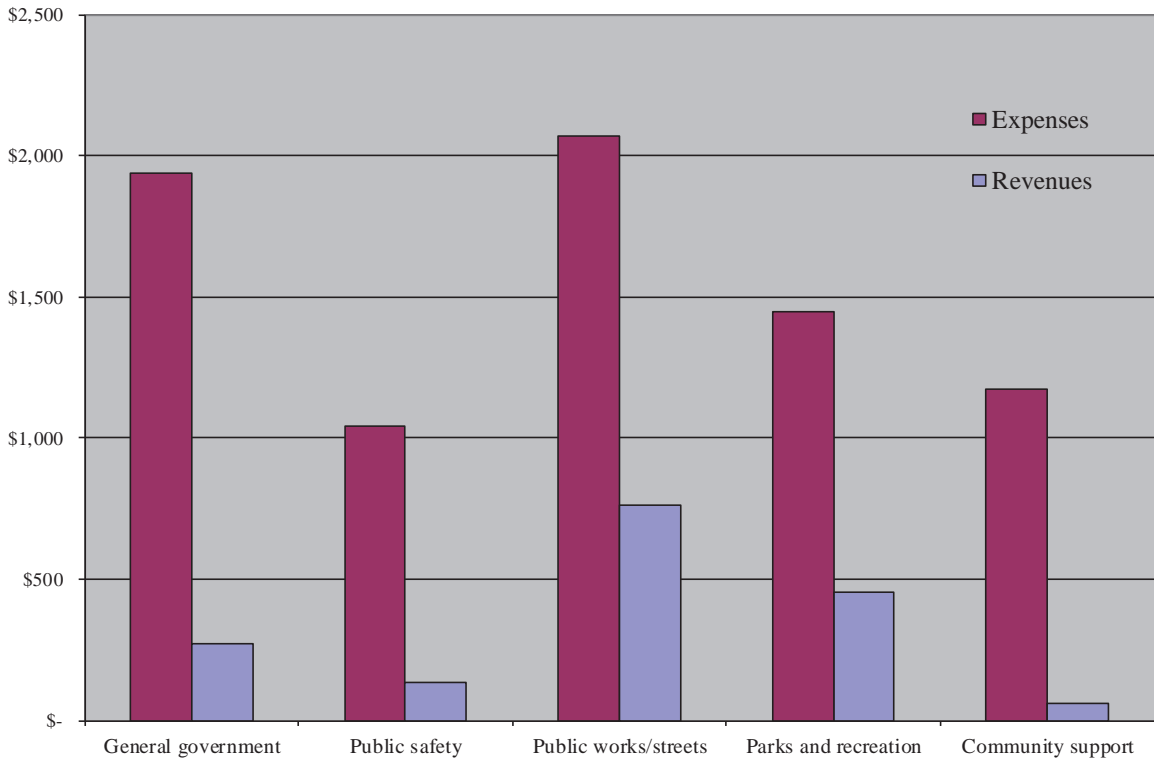
TOWN OF PAGOSA SPRINGS, COLORADO Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Revenues:						
Program revenues:						
Charges for services	\$ 779,602	\$ 732,085	\$ 788,748	\$ 751,864	\$ 1,568,350	\$ 1,483,949
Operating grants and contributions	304,728	273,524	-	-	304,728	273,524
Capital grants and contributions	590,224	460,699	41,650	93,500	631,874	554,199
General revenues:						
Taxes	7,173,541	6,233,522	45,772	41,598	7,219,313	6,275,120
Investment earnings	43,238	32,806	1,647	2,115	44,885	34,921
Gain on sale of assets	-	-	-	-	-	-
Other revenue/(expense)	32,649	58,602	-	-	32,649	58,602
Total revenues	<u>8,923,982</u>	<u>7,791,238</u>	<u>877,817</u>	<u>889,077</u>	<u>9,801,799</u>	<u>8,680,315</u>
Expenses:						
General government	1,936,560	1,731,054	-	-	1,936,560	1,731,054
Public safety	1,043,704	933,600	-	-	1,043,704	933,600
Public works/streets	2,071,587	1,584,040	-	-	2,071,587	1,584,040
Parks and recreation	1,444,792	1,342,779	-	-	1,444,792	1,342,779
Community support	1,172,308	1,079,633	-	-	1,172,308	1,079,633
Interest on long-term debt	143,595	101,864	-	-	143,595	101,864
Sanitation	-	-	1,055,343	886,625	1,055,343	886,625
Geothermal	-	-	56,258	66,990	56,258	66,990
Total expenses	<u>7,812,546</u>	<u>6,772,970</u>	<u>1,111,601</u>	<u>953,615</u>	<u>8,924,147</u>	<u>7,726,585</u>
Increase (decrease) in net position before transfers	1,111,436	1,018,268	(233,784)	(64,538)	877,652	953,730
Transfers	(3,000)	-	3,000	-	-	-
Net position, beginning	28,170,296	27,152,028	7,894,771	7,959,309	36,065,067	35,111,337
Net position, ending	<u>\$ 29,278,732</u>	<u>\$ 28,170,296</u>	<u>\$ 7,663,987</u>	<u>\$ 7,894,771</u>	<u>\$ 36,942,719</u>	<u>\$ 36,065,067</u>

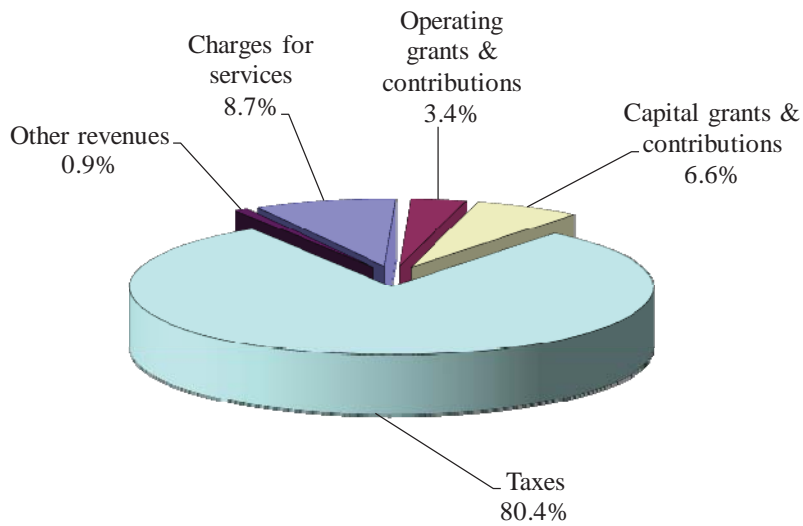
Total resources available during the year to finance governmental operations were \$37,094,278 consisting of net position at January 1, 2019 of \$28,170,296, Program Revenues of \$1,674,554, and General Revenues of \$7,249,428. Total Governmental Activities expenses during the year were \$7,812,546 and transfers out were \$3,000; thus Governmental Net Position increased by \$1,108,436 to \$29,278,732.

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)



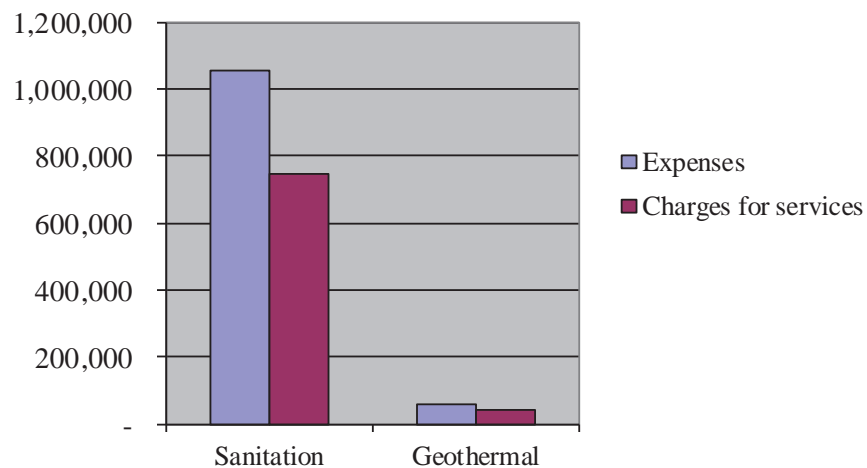
Revenue By Source - Governmental Activities



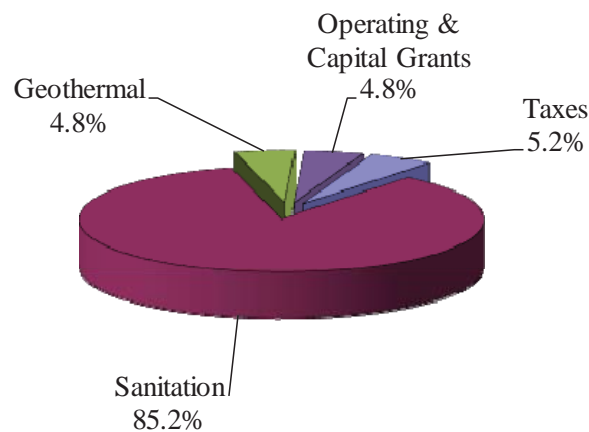
Business Type Activities

Net position of the Business Type activities at December 31, 2019, as reflected in the Statement of Net Position was \$7.7 million. The cost of providing all Proprietary (Business-type) activities this year was \$1,111,601. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$788,748 and there was \$41,650 subsidized by capital grants and contributions. Investment earnings and tax revenues were \$50,419. The Net Position decreased by \$230,784. 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 \$8,314,783, an increase of \$3,768,619 in comparison with the prior year. Approximately 24%, \$2,009,272 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, 2019, unassigned fund balance in the General fund was \$2,009,272. 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 (\$414,755) for the year ended December 31, 2019. As compared to the prior year, the General fund revenues increased due to increased tax, and charges for services. General fund expenses increased due to increased expenses in general government, parks and recreation and community support.

The Capital Improvement fund budgeted for and completed several projects during the year. The expected reduction in fund balance was (\$488,779). The actual change in fund balance was (\$3,178,967).

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 \$139,194.

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, 2019 for the Town's enterprise funds (Sanitation and Geothermal) are as follows:

	<u>Sanitation</u>	<u>Geothermal</u>	<u>Total</u>
Unrestricted net position	\$ 1,118,347	\$ 125,940	\$ 1,244,287
Total net position	7,274,472	389,515	7,663,987
Change in net position	\$ (216,623)	\$ (14,161)	\$ (230,784)

Budgetary Highlights

General fund revenues of \$3,962,378 were higher than budgeted revenues of \$3,621,439 by \$340,939. The most significant factor contributing to this excess amount is related to sales taxes which exceeded budget by \$316,032. Budgeted expenditures exceeded actual expenditures by \$227,986.

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 2019, net capital assets of the government activities totaled \$26.5 million and the net capital assets of the business-type activities were \$10.7 million. The most significant governmental capital additions were the Yamaguchi park improvements and equipment upgrades including new sweeper and vacuum trucks. The most significant business-type capital addition was the vacuum truck. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the Town had \$5,800,595 in governmental-type debt, and \$4,357,724 in proprietary debt. During the current fiscal year, the Town's total debt increased by \$2,934,477. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2020, 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, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,346,440	\$ 1,159,202	\$ 5,505,642
Receivables (net of allowance)	1,488,611	186,902	1,675,513
Prepays	18,874	-	18,874
Temporarily restricted assets:			
Cash and cash equivalents	3,015,962	-	3,015,962
Capital assets (net of accumulated depreciation):			
Land	2,736,550	16,376	2,752,926
Construction in progress	743,593	-	743,593
Buildings and improvements	8,023,130	260,132	8,283,262
Machinery and equipment	1,009,925	310,723	1,320,648
Infrastructure and systems	14,034,599	10,180,728	24,215,327
Total assets	<u>35,417,684</u>	<u>12,114,063</u>	<u>47,531,747</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	246,876	-	246,876
Total deferred outflows of resources	<u>246,876</u>	<u>-</u>	<u>246,876</u>
Liabilities			
Accounts payable and other current liabilities	425,686	42,775	468,461
Interest payable	29,487	8,006	37,493
Customer deposits	316	-	316
Noncurrent liabilities:			
Due within one year	504,251	291,724	795,975
Due in more than one year	5,236,250	4,066,001	9,302,251
Net pension liability	60,094	-	60,094
Total liabilities	<u>6,256,084</u>	<u>4,408,506</u>	<u>10,664,590</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	642	-	642
Deferred revenue - property taxes	129,102	41,570	170,672
Total deferred inflows of resources	<u>129,744</u>	<u>41,570</u>	<u>171,314</u>
Net Position			
Net investment in capital assets	20,968,024	6,419,700	27,387,724
Restricted for:			
Emergency reserve	360,257	-	360,257
Capital projects	3,246,841	-	3,246,841
Parks and recreation	68,345	-	68,345
Tourism	667,069	-	667,069
Other purposes	253,130	-	253,130
Unrestricted	3,715,066	1,244,287	4,959,353
Total net position	<u>\$ 29,278,732</u>	<u>\$ 7,663,987</u>	<u>\$ 36,942,719</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, 2019

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		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 1,936,560	\$ 264,700	\$ -	\$ 4,007	\$ (1,667,853)	\$ -	\$ (1,667,853)
Public safety	1,043,704	121,497	-	10,599	(911,608)	-	(911,608)
Public works/streets	2,071,587	149,056	122,356	490,449	(1,309,726)	-	(1,309,726)
Parks and recreation	1,444,792	231,516	137,132	85,169	(990,975)	-	(990,975)
Community support	1,172,308	12,833	45,240	-	(1,114,235)	-	(1,114,235)
Interest on long-term debt	143,595	-	-	-	(143,595)	-	(143,595)
Total governmental activities	7,812,546	779,602	304,728	590,224	(6,137,992)	-	(6,137,992)
Business-type activities:							
Sanitation	1,055,343	746,651	-	41,650	-	(267,042)	(267,042)
Geothermal	56,258	42,097	-	-	-	(14,161)	(14,161)
Total business-type activities	1,111,601	788,748	-	41,650	-	(281,203)	(281,203)
Total primary government	\$ 8,924,147	\$ 1,568,350	\$ 304,728	\$ 631,874	(6,137,992)	(281,203)	(6,419,195)
General Revenues:							
Taxes:							
Property tax					86,484	45,772	132,256
Sales tax					5,966,149	-	5,966,149
Other taxes					135,094	-	135,094
Franchise tax					20,014	-	20,014
Lodgers tax					965,800	-	965,800
Unrestricted investment earnings					43,238	1,647	44,885
Other revenues					32,649	-	32,649
Transfers					(3,000)	3,000	-
Total general revenues & transfers					7,246,428	50,419	7,296,847
Change in net assets					1,108,436	(230,784)	877,652
Net position - beginning					28,170,296	7,894,771	36,065,067
Net position - ending					\$ 29,278,732	\$ 7,663,987	\$ 36,942,719

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

TOWN OF PAGOSA SPRINGS, COLORADO
Balance Sheet
Governmental Funds
December 31, 2019

Assets	General Fund	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Cash and cash equivalents	\$ 2,635,714	\$ 1,101,592	\$ 550,789	\$ 58,345	\$ 4,346,440
Receivables, net of allowances:	13,660	144,566	63,201	10,000	231,427
Property tax receivable	97,077	-	-	-	97,077
Due from other governments	536,554	541,949	81,604	-	1,160,107
Prepays	4,573	14,301	-	-	18,874
Restricted cash and investments	-	3,015,962	-	-	3,015,962
Total assets	<u>\$ 3,287,578</u>	<u>\$ 4,818,370</u>	<u>\$ 695,594</u>	<u>\$ 68,345</u>	<u>\$ 8,869,887</u>
Liabilities					
Accounts payable	\$ 120,216	\$ 187,540	\$ 23,176	\$ -	\$ 330,932
Accrued liabilities	72,468	16,937	5,349	-	94,754
Customer deposits	316	-	-	-	316
Total liabilities	<u>193,000</u>	<u>204,477</u>	<u>28,525</u>	<u>-</u>	<u>426,002</u>
Deferred inflows of resources					
Deferred revenue - property taxes	129,102	-	-	-	129,102
Total deferred inflows of resources	<u>129,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,102</u>
Fund balances					
Nonspendable:					
Prepaid items	4,573	14,301	-	-	18,874
Restricted for:					
Emergency reserve	360,257	-	-	-	360,257
Capital outlay	230,879	3,015,962	-	-	3,246,841
Parks and recreation	-	-	-	68,345	68,345
Tourism	-	-	667,069	-	667,069
Other purposes	253,130	-	-	-	253,130
Assigned for:					
Health funds	107,365	-	-	-	107,365
Capital outlay	-	1,583,630	-	-	1,583,630
Unassigned	2,009,272	-	-	-	2,009,272
Total fund balances	<u>2,965,476</u>	<u>4,613,893</u>	<u>667,069</u>	<u>68,345</u>	<u>8,314,783</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,287,578</u>	<u>\$ 4,818,370</u>	<u>\$ 695,594</u>	<u>\$ 68,345</u>	<u>\$ 8,869,887</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, 2019

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

Total fund balances - governmental funds	\$ 8,314,783	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 35,378,016	
Accumulated depreciation	<u>(8,830,219)</u>	26,547,797
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital leases payable	(309,972)	
Lease revenue bond	(5,269,801)	
Net pension liability	(60,094)	
Interest payable	(29,487)	
Compensated absences	<u>(160,728)</u>	(5,830,082)
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	246,876	
Deferred inflows	<u>(642)</u>	246,234
Net position of governmental activities		<u><u>\$29,278,732</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, 2019

	General Fund	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Revenues					
Taxes	\$ 3,133,671	\$ 3,074,069	\$ 699,103	\$ -	\$ 6,906,843
Licenses and permits	227,833	-	-	-	227,833
Intergovernmental	48,500	619,017	266,697	92,191	1,026,405
Fines and forfeitures	90,630	-	-	-	90,630
Charges for services	290,316	41,645	1,178	-	333,139
Interest revenue	27,039	15,962	-	237	43,238
Contributions and donations	44,941	-	-	-	44,941
Other revenues	99,448	77,982	45,240	-	222,670
Total revenues	<u>3,962,378</u>	<u>3,828,675</u>	<u>1,012,218</u>	<u>92,428</u>	<u>8,895,699</u>
Expenditures					
Current:					
General government	1,723,024	45,457	-	-	1,768,481
Public safety	987,926	16,253	-	-	1,004,179
Public works/streets	-	1,254,015	-	-	1,254,015
Parks and recreation	610,048	461,900	-	-	1,071,948
Community support	227,908	54,248	881,024	-	1,163,180
Capital outlay	-	1,443,740	-	56,725	1,500,465
Debt service:					
Principal retirement	-	393,919	-	-	393,919
Interest on long-term debt	-	137,154	-	-	137,154
Issuance costs	-	56,478	-	-	56,478
Total expenditures	<u>3,548,906</u>	<u>3,863,164</u>	<u>881,024</u>	<u>56,725</u>	<u>8,349,819</u>
Excess of revenues over (under) expenditures	413,472	(34,489)	131,194	35,703	545,880
Other financing sources (uses):					
Transfers in	-	16,000	8,000	-	24,000
Transfers out	(27,000)	-	-	-	(27,000)
Impact fees	28,283	-	-	-	28,283
Debt issuance proceeds	-	3,197,456	-	-	3,197,456
Total other financing sources (uses)	<u>1,283</u>	<u>3,213,456</u>	<u>8,000</u>	<u>-</u>	<u>3,222,739</u>
Net change in fund balances	414,755	3,178,967	139,194	35,703	3,768,619
Fund balance, beginning of year	<u>2,550,721</u>	<u>1,434,926</u>	<u>527,875</u>	<u>32,642</u>	<u>4,546,164</u>
Fund balance, end of year	<u>\$ 2,965,476</u>	<u>\$ 4,613,893</u>	<u>\$ 667,069</u>	<u>\$ 68,345</u>	<u>\$ 8,314,783</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, 2019

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

Net change in fund balances - total governmental funds \$ 3,768,619

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$ 1,286,414	
Depreciation expense	<u>(1,139,675)</u>	146,739

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.

Pension contribution	28,862	
Pension expense	<u>(9,137)</u>	19,725

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. 398,631

Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position. (3,197,456)

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. (11,152)

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. (16,670)

Change in net position of governmental activities	<u><u>\$ 1,108,436</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2019

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
Assets			
Current assets:			
Cash	\$ 1,038,652	\$ 120,550	\$ 1,159,202
Receivables (net of allowance)	139,942	5,390	145,332
Property tax receivable	41,570	-	41,570
Total current assets	<u>1,220,164</u>	<u>125,940</u>	<u>1,346,104</u>
Noncurrent assets:			
Land	16,376	-	16,376
Buildings and improvements	-	1,182,419	1,182,419
Improvements and system	12,339,585	-	12,339,585
Machinery and equipment	405,843	30,199	436,042
Accumulated depreciation	(2,282,019)	(924,444)	(3,206,463)
Total noncurrent assets	<u>10,479,785</u>	<u>288,174</u>	<u>10,767,959</u>
Total assets	<u>\$ 11,699,949</u>	<u>\$ 414,114</u>	<u>\$ 12,114,063</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 40,085	\$ -	\$ 40,085
Accrued liabilities	2,690	-	2,690
Interest payable	8,006	-	8,006
Loans payable - current	217,859	-	217,859
Capital leases payable - current	58,587	5,812	64,399
Compensated absences - current	9,466	-	9,466
Total current liabilities	<u>336,693</u>	<u>5,812</u>	<u>342,505</u>
Noncurrent liabilities:			
Loans payable (net of current portion)	3,857,828	-	3,857,828
Capital leases payable (net of current portion)	189,386	18,787	208,173
Total long-term debt	<u>4,047,214</u>	<u>18,787</u>	<u>4,066,001</u>
Total liabilities	<u>4,383,907</u>	<u>24,599</u>	<u>4,408,506</u>
Deferred inflows of resources			
Deferred revenue - property taxes	41,570	-	41,570
Total deferred inflows of resources	<u>41,570</u>	<u>-</u>	<u>41,570</u>
Net position			
Net investment in capital assets	6,156,125	263,575	6,419,700
Unrestricted	1,118,347	125,940	1,244,287
Total net position	<u>\$ 7,274,472</u>	<u>\$ 389,515</u>	<u>\$ 7,663,987</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, 2019

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
Operating revenues			
Charges for services	\$ 740,407	\$ 42,097	\$ 782,504
Other revenues	6,244	-	6,244
Total operating revenues	<u>746,651</u>	<u>42,097</u>	<u>788,748</u>
Operating expenses			
Salaries and wages	130,263	-	130,263
Operating system	488,115	23,154	511,269
Administrative	36,392	1,110	37,502
Professional fees	47,173	5,046	52,219
Depreciation	268,537	25,806	294,343
Total operating expenses	<u>970,480</u>	<u>55,116</u>	<u>1,025,596</u>
Operating income (loss)	<u>(223,829)</u>	<u>(13,019)</u>	<u>(236,848)</u>
Non-operating revenues (expenses)			
Interest income	1,647	-	1,647
Interest expense and fiscal charges	(84,863)	(1,142)	(86,005)
Property and specific ownership tax	45,772	-	45,772
Grant revenue	9,500	-	9,500
Connection and tap fees	32,150	-	32,150
Total non-operating revenues (expenses)	<u>4,206</u>	<u>(1,142)</u>	<u>3,064</u>
Income before contributions and transfers	(219,623)	(14,161)	(233,784)
Contributions and transfers:			
Transfers in	3,000	-	3,000
Change in net position	<u>(216,623)</u>	<u>(14,161)</u>	<u>(230,784)</u>
Total net position, beginning of year	<u>7,491,095</u>	<u>403,676</u>	<u>7,894,771</u>
Total net position, end of year	<u>\$ 7,274,472</u>	<u>\$ 389,515</u>	<u>\$ 7,663,987</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, 2019

	Sanitation Fund	Non-Major Geothermal Fund	Combined Total
Cash flows from operating activities:			
Cash received from customers, service fees	\$ 747,723	\$ 42,142	\$ 789,865
Cash paid to suppliers	(555,515)	(29,310)	(584,825)
Cash paid to employees	(127,962)	-	(127,962)
Net cash flows from operating activities	<u>64,246</u>	<u>12,832</u>	<u>77,078</u>
Cash flows from noncapital financing activities:			
Transfers from/(to) other funds	<u>3,000</u>	-	<u>3,000</u>
Net cash flows from noncapital financing activities	<u>3,000</u>	-	<u>3,000</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(270,754)	(5,600)	(276,354)
Interest paid	(84,863)	(1,142)	(86,005)
Property and specific ownership tax	45,772	-	45,772
Capital grants	9,500	-	9,500
Connection and tap fees	<u>32,150</u>	-	<u>32,150</u>
Net cash flows from capital and related financing activities	<u>(268,195)</u>	<u>(6,742)</u>	<u>(274,937)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,647</u>	-	<u>1,647</u>
Net cash flows from investing activities	<u>1,647</u>	-	<u>1,647</u>
Net change in cash and cash equivalents	(199,302)	6,090	(193,212)
Cash and cash equivalents, including restricted cash, beginning of year	<u>1,237,954</u>	<u>114,460</u>	<u>1,352,414</u>
Cash and cash equivalents, including restricted cash, end of year	<u><u>\$ 1,038,652</u></u>	<u><u>\$ 120,550</u></u>	<u><u>\$ 1,159,202</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income (loss)	\$ (223,829)	\$ (13,019)	\$ (236,848)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation/amortization	268,537	25,806	294,343
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	6,912	45	6,957
Increase/(decrease) in payables	16,165	-	16,165
Increase/(decrease) in accrued liabilities	2,301	-	2,301
Increase/(decrease) in deferred revenue	<u>(5,840)</u>	-	<u>(5,840)</u>
Net cash flows from operating activities	<u><u>\$ 64,246</u></u>	<u><u>\$ 12,832</u></u>	<u><u>\$ 77,078</u></u>
Supplemental schedule of non-cash financing and investing activities:			
Purchase of capital assets with a capital lease	\$ 304,426	\$ 30,199	\$ 334,625

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

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, 2019

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, 2019

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, 2019

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 \$5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	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 8 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 8 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, 2019

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, 2019

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, 2019

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.

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 quarterly 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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 3. Stewardship, Compliance, and Accountability, Continued

- 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.

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, 2019.

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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

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	5,505,442
Money market fund	<u>3,015,962</u>
Total cash and investments	<u><u>\$ 8,521,604</u></u>

Restricted cash of \$3,015,962 consists of unspent debt proceeds.

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, 2019 cash on hand was \$200 and the carrying amount of the Town's deposits was \$5,505,442. As of December 31, 2019 the bank balance of the Town's deposits was \$5,555,801 of which \$289,747 was insured by federal depository insurance and \$5,266,054 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. As of December 31, 2019 the Town had \$3,015,962 invested in government money market funds with maturities of less than one year. The rating of the funds are not available.

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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 4. Deposits and Investments, Continued

Credit risk

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

Fair value measurements

Governmental Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town's Money Market Fund is valued using Level 1 inputs.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 5. Capital Assets

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

Governmental Activities:	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Capital assets, not being depreciated:				
Land	\$ 2,736,550	\$ -	\$ -	\$ 2,736,550
Construction in progress	228,060	515,533	-	743,593
Total capital assets, not being depreciated	<u>2,964,610</u>	<u>515,533</u>	<u>-</u>	<u>3,480,143</u>
Capital assets, being depreciated:				
Buildings & improvements	10,502,983	245,462	-	10,748,445
Equipment & vehicles	2,064,151	525,419	(191,827)	2,397,743
Infrastructure	18,751,685	-	-	18,751,685
Total capital assets, being depreciated	<u>31,318,819</u>	<u>770,881</u>	<u>(191,827)</u>	<u>31,897,873</u>
Less accumulated depreciation for:				
Buildings & improvements	(2,367,796)	(357,519)	-	(2,725,315)
Equipment & vehicles	(1,412,155)	(167,490)	191,827	(1,387,818)
Infrastructure	(4,102,420)	(614,666)	-	(4,717,086)
Total accumulated depreciation	<u>(7,882,371)</u>	<u>(1,139,675)</u>	<u>191,827</u>	<u>(8,830,219)</u>
Total capital assets, being depreciated, net	<u>23,436,448</u>	<u>(368,794)</u>	<u>-</u>	<u>23,067,654</u>
Governmental activities capital assets, net	<u>\$ 26,401,058</u>	<u>\$ 146,739</u>	<u>\$ -</u>	<u>\$ 26,547,797</u>

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

Governmental Activities:	
General government	\$ 86,829
Public safety	43,286
Public works/streets	694,102
Parks & recreation	307,714
Community support	7,744
Total depreciation expense - governmental activities	<u>\$ 1,139,675</u>

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 5. Capital Assets, Continued

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

Business Type Activities:	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Capital assets not being depreciated:				
Land	\$ 16,376	\$ -	\$ -	\$ 16,376
Total capital assets, not being depreciated	<u>16,376</u>	<u>-</u>	<u>-</u>	<u>16,376</u>
Capital assets being depreciated:				
Buildings and improvements	1,182,419	-	-	1,182,419
Improvements and systems	12,339,585	-	-	12,339,585
Equipment and vehicles	101,417	334,625	-	436,042
Total capital assets, being depreciated	<u>13,623,421</u>	<u>334,625</u>	<u>-</u>	<u>13,958,046</u>
Less accumulated depreciation for:				
Buildings and improvements	(898,638)	(23,649)	-	(922,287)
Improvements and systems	(1,912,065)	(246,792)	-	(2,158,857)
Equipment and vehicles	(101,417)	(23,902)	-	(125,319)
Total accumulated depreciation	<u>(2,912,120)</u>	<u>(294,343)</u>	<u>-</u>	<u>(3,206,463)</u>
Total capital assets, being depreciated, net	<u>10,711,301</u>	<u>40,282</u>	<u>-</u>	<u>10,751,583</u>
Business-type activities capital assets, net	<u>\$ 10,727,677</u>	<u>\$ 40,282</u>	<u>\$ -</u>	<u>\$ 10,767,959</u>

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

Business-Type Activities:	
Sanitation	\$ 268,537
Geothermal	25,806
Total depreciation expense - business-type activities	<u>\$ 294,343</u>

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the year ended December 31, 2019:

	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019	Current Portion
Governmental Activities:					
Lease revenue bond direct borrowings	\$ 2,460,000	\$ 3,045,000	\$ (320,000)	\$ 5,185,000	\$ 267,000
Bond premium	89,512	-	(4,711)	84,801	-
Capital leases payable	231,435	152,456	(73,919)	309,972	76,524
Net pension liabilities	-	60,094	-	60,094	-
Compensated absences	144,058	96,437	(79,767)	160,728	160,728
Total Governmental activity					
Long-term liabilities	<u>\$ 2,925,005</u>	<u>\$ 3,353,987</u>	<u>\$ (478,397)</u>	<u>\$ 5,800,595</u>	<u>\$ 504,251</u>
Business-Type Activities:					
Direct Borrowings:					
Water Pollution Control Fund Note	\$ 1,710,570	\$ -	\$ (95,851)	\$ 1,614,720	\$ 96,814
Note Payable to PAWSD	2,579,418	-	(118,451)	2,460,967	121,045
Capital leases payable	-	334,625	(62,053)	272,572	64,399
Compensated absences	8,849	5,679	(5,063)	9,466	9,466
Total Business-type activity					
Long-term liabilities	<u>\$ 4,298,837</u>	<u>\$ 340,304</u>	<u>\$ (281,417)</u>	<u>\$ 4,357,724</u>	<u>\$ 291,723</u>

For governmental activities, compensated absences and net pension liabilities are generally liquidated through the General Fund.

The Town's 2016 and 2019 lease revenue bonds from direct borrowings related to governmental activities are secured with collateral of land and buildings and improvements on the land. In the event of default, the collateral can be sold or leased or other legal actions taken by the lender for collection.

The Town's outstanding notes from direct borrowings related to business-type activities are secured with collateral of sanitation pipeline projects. In the event of default the lender can take possession of the collateral or take other legal actions to obtain payment. The Town would also be responsible for attorney fees.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 6. Long-Term Liabilities, Continued

Long-term liabilities for the primary government at December 31, 2019 are comprised of the following:

Bonds payable:

Governmental Activities:

Lease Revenue Bonds, Series 2016, due in annual principal and semi-annual interest installments ranging from \$176,800 to \$195,563, bearing interest at 3.0% to 4.0%, maturing November 1, 2037.	\$ 2,360,000
Lease Revenue Bonds, Series 2019, due in annual principal and semi-annual interest installments ranging from \$248,878 to \$247,917, bearing interest at 2.87%, maturing December 1, 2033.	<u>2,825,000</u>
Total Bonds Payable	<u><u>\$ 5,185,000</u></u>

Notes payable:

Business-Type Activities:

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.	\$ 1,614,720
Loan payable to Pagosa Area Water and Sanitation District (PAWSD) in the original amount of up to \$2,835,000. Due in twenty annual payments of \$174,940, including interest at 2.19%, maturing November 30, 2036.	<u>2,460,967</u>
Total Notes Payable	<u><u>\$ 4,075,687</u></u>

Debt service requirements to maturity are as follows:

Year ended December 31:	Direct Borrowings Governmental Activities		Direct Borrowings Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 267,000	\$ 170,641	\$ 217,858	\$ 69,801
2021	272,000	161,847	221,480	66,179
2022	281,000	152,911	225,169	62,490
2023	287,000	144,709	228,928	58,732
2024	297,000	136,337	232,756	54,903
2025-2029	1,627,000	534,133	1,223,787	214,510
2030-2034	1,659,000	257,044	1,330,950	107,347
2035-2037	495,000	40,000	394,758	11,490
	<u>\$ 5,185,000</u>	<u>\$ 1,597,621</u>	<u>\$ 4,075,687</u>	<u>\$ 645,452</u>

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 7. Capital Leases Payable

The Town has entered into lease agreements. These lease agreements are considered capital leases in accordance with Generally Accepted Accounting Principles.

The following is an annual schedule of future minimum lease payments with interest rates of 3.25 to 3.78 percent under the capital leases, together with the present value of the net minimum lease payments:

Year ended December 31,	Governmental Activities	Business-Type Activities
2020	\$ 87,538	\$ 74,702
2021	52,181	74,702
2022	52,181	74,702
2023	52,181	74,702
2024	18,147	-
2025-2029	90,102	-
Total remaining lease payments	352,331	298,807
Less: Amount representing interest	(42,358)	(26,236)
Present value of net remaining minimum lease payments	<u>\$ 309,973</u>	<u>\$ 272,572</u>

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

	Governmental Activities	Business-Type Activities
Buildings & improvements	\$ 302,000	\$ -
Equipment & vehicles	318,304	334,625
Accumulated depreciation	(83,194)	(23,902)
Net total	<u>\$ 537,110</u>	<u>\$ 310,723</u>

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 8. 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.

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.

Members of the SWDB plan and their employers are contributing at the rate of 10.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 18.5 percent in 2019. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase by 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined rate of 20 percent in 2022.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 8. Pension Plans, Continued

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

Year ended December 31,	Retirement Fund
2017	\$ 27,285
2018	25,472
2019	28,862

Pension liability – At December 31, 2019, the Town reported a liability of \$60,094 for its proportionate share of the SWDB net pension liability/asset. The net pension liability/asset was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2019. 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, 2018. The Town's proportion measured as of December 31, 2018, was 0.047533 percent for police, which was a decrease of 0.010776 percent from the proportions measured as of December 31, 2017.

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2019, the Town recognized pension expense for SWDB of \$9,135. At December 31, 2019, 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	\$ 77,216	\$ 642
Changes in assumptions	47,273	-
Net difference between projected and actual earnings on pension plan investments	58,199	-
Changes in proportion and differences between contributions and proportional share of contributions	35,326	-
Contributions subsequent to the measurement date	28,862	-
Total	\$ 246,876	\$ 642

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 8. Pension Plans, Continued

The \$28,862 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SWDB pensions will be recognized in pension expense as follows:

Year ended December 31,	<u>Police</u> Deferred Outflows (Inflows) of Resources
2020	\$ 38,207
2021	28,339
2022	24,679
2023	38,427
2024	20,595
Thereafter	67,126

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

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

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except as additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 8. Pension Plans, Continued

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. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37%	8.03%
Equity Long/Short	9%	6.45%
Illiquid Alternatives	24%	10.00%
Fixed Income	15%	2.90%
Absolute Return	9%	5.08%
Managed Futures	4%	5.35%
Cash	2%	2.52%
Total	100%	

Discount Rate – The discount rate used to measure the SWDB total pension liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of December 31, 2017 measurement date. 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 7.00 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 (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Police			
Net pension (asset) / liability	\$ 233,038	\$ 60,094	\$ (83,360)

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2019

Note 8. 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 \$108,148.

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, 2019

Note 8. 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 9. 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, 2019

Note 10. 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 11. Interfund Transfers

Interfund transfers for the year ended December 31, 2019 were as follows:

Transfers Out	Transfers In			Total
	Capital Improvement Fund	Tourism Fund	Sanitation Fund	
General Fund	\$ 16,000	\$ 8,000	\$ 3,000	\$ 27,000
	\$ 16,000	\$ 8,000	\$ 3,000	\$ 27,000

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

Note 12. Tax Abatements

With Town Council approval, the Town may periodically offer economic incentives to businesses within the Town. The Town currently has a five-year agreement with a business where 100% of the Town sales taxes are refunded in exchange for the business locating in the Town's downtown area. For the year ended December 31, 2019, the Town abated sales tax totaling \$11,182.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PAGOSA SPRINGS, COLORADO
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
December 31, 2019

	Police				
	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.047533%	0.058308%	0.067448%	0.062607%	0.061858%
Proportionate share of the net pension liability (asset)	\$ 60,094	\$ (83,360)	\$ 24,372	\$ (1,104)	\$ (69,812)
Covered payroll	318,405	341,063	345,181	303,497	278,175
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	18.87%	-24.44%	7.06%	-0.36%	-25.10%
Plan fiduciary net position as a percentage of the total pension liability	95.20%	106.30%	98.21%	100.10%	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, 2019

	Police					
	Reporting Fiscal Year					
Last 10 fiscal years	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 28,862	\$ 25,472	\$ 27,285	\$ 27,615	\$ 24,280	\$ 22,254
Contributions in relation to the contractually required contribution	(28,862)	(25,472)	(27,285)	(27,615)	(24,280)	(22,254)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 360,769	\$ 318,405	\$ 341,063	\$ 345,181	\$ 303,497	\$ 278,175
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

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

TOWN OF PAGOSA SPRINGS, COLORADO
Required Supplementary Information
Notes to Pension Plan Schedules
December 31, 2019

Note 1. Actuarially Determined Contribution Rates

Actuarially determined contribution rates for FPPA are calculated as of January 1, or two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

- Actuarial cost method Entry age normal
- Amortization method Level % of payroll, open
- Remaining amortization period 30 years
- Asset valuation method 5-year smoothed fair value
- Actuarial assumptions:
 - Investment rate of return: The January 1, 2019 actuarial valuation decreased the investment rate of return from 7.5% to 7.0%.
 - Projected salary increase: The January 1, 2019 actuarial valuation changed the projected salary increase from 4.0% - 14.0% to 4.25%-11.25%.
 - Inflation: 2.5%
 - COLA: 0.0%

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, 2019

Revenues	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Property tax	\$ 86,097	\$ 86,097	\$ 86,484	\$ 387
Sales tax	2,667,042	2,667,042	2,983,074	316,032
Franchise tax	33,500	33,500	20,014	(13,486)
Other taxes	37,700	37,700	44,099	6,399
Total taxes	<u>2,824,339</u>	<u>2,824,339</u>	<u>3,133,671</u>	<u>309,332</u>
Licenses, permits and fees:				
Licenses, permits and fees	57,000	57,000	98,501	41,501
Building permits	74,500	74,500	129,332	54,832
Total licenses, permits and fees	<u>131,500</u>	<u>131,500</u>	<u>227,833</u>	<u>96,333</u>
Intergovernmental:				
Grant revenues	48,500	48,500	48,500	-
Total intergovernmental	<u>48,500</u>	<u>48,500</u>	<u>48,500</u>	<u>-</u>
Fines and forfeitures:				
Fines and forfeitures	118,500	118,500	90,630	(27,870)
Total fines and forfeitures	<u>118,500</u>	<u>118,500</u>	<u>90,630</u>	<u>(27,870)</u>
Charges for services:				
Charges for services	318,500	318,500	290,316	(28,184)
Total charges for services	<u>318,500</u>	<u>318,500</u>	<u>290,316</u>	<u>(28,184)</u>
Interest:				
Interest revenue	36,000	36,000	27,039	(8,961)
Total interest	<u>36,000</u>	<u>36,000</u>	<u>27,039</u>	<u>(8,961)</u>
Contributions and donations:				
Contributions and donations	24,000	42,000	44,941	2,941
Total contributions and donations	<u>24,000</u>	<u>42,000</u>	<u>44,941</u>	<u>2,941</u>
Other revenues:				
Miscellaneous	102,100	102,100	99,448	(2,652)
Total other revenues	<u>102,100</u>	<u>102,100</u>	<u>99,448</u>	<u>(2,652)</u>
Total revenues	<u>3,603,439</u>	<u>3,621,439</u>	<u>3,962,378</u>	<u>340,939</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, 2019

Expenditures	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General Government:				
Town manager/admin	88,335	100,035	42,155	57,880
Town clerk/town hall	808,072	808,072	878,032	(69,960)
Building and planning	496,588	510,688	451,178	59,510
Municipal court	351,066	351,066	351,659	(593)
Total General Government	<u>1,744,061</u>	<u>1,769,861</u>	<u>1,723,024</u>	<u>46,837</u>
Public Safety:				
Police	1,121,722	1,124,112	987,926	136,186
Total Public Safety	<u>1,121,722</u>	<u>1,124,112</u>	<u>987,926</u>	<u>136,186</u>
Parks & Recreation:				
Recreation	618,152	643,202	610,048	33,154
Total Public Works	<u>618,152</u>	<u>643,202</u>	<u>610,048</u>	<u>33,154</u>
Community Support:				
Total Community Support	<u>239,717</u>	<u>239,717</u>	<u>227,908</u>	<u>11,809</u>
Total expenditures	<u>3,723,652</u>	<u>3,776,892</u>	<u>3,548,906</u>	<u>227,986</u>
Excess of revenues over (under) expenditures	<u>(120,213)</u>	<u>(155,453)</u>	<u>413,472</u>	<u>568,925</u>
Other financing sources (uses):				
Transfer out	-	-	(27,000)	(27,000)
Impact fees	50,387	50,387	28,283	(22,104)
Total other financing sources (uses)	<u>50,387</u>	<u>50,387</u>	<u>1,283</u>	<u>(49,104)</u>
Net change in fund balance	(69,826)	(105,066)	414,755	519,821
Fund balance, beginning of year	2,550,721	2,550,721	2,550,721	-
Fund balance, end of year	<u>\$ 2,480,895</u>	<u>\$ 2,445,655</u>	<u>\$ 2,965,476</u>	<u>\$ 519,821</u>

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Lodgers tax	\$ 650,000	\$ 650,000	\$ 699,103	\$ 49,103
Intergovernmental revenue	150,000	150,000	266,697	116,697
Charges for services	1,500	1,500	1,178	(322)
Other revenues	53,000	53,000	45,240	(7,760)
Total revenues	<u>854,500</u>	<u>854,500</u>	<u>1,012,218</u>	<u>157,718</u>
Expenditures				
Community support	892,929	892,929	881,024	11,905
Total expenditures	<u>892,929</u>	<u>892,929</u>	<u>881,024</u>	<u>11,905</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(38,429)</u>	<u>(38,429)</u>	<u>131,194</u>	<u>169,623</u>
Other financing sources (uses):				
Transfers in	-	-	8,000	8,000
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Net change in fund balance	(38,429)	(38,429)	139,194	177,623
Fund balance, beginning of year	<u>527,875</u>	<u>527,875</u>	<u>527,875</u>	<u>-</u>
Fund balance, end of year	<u>\$ 489,446</u>	<u>\$ 489,446</u>	<u>\$ 667,069</u>	<u>\$ 177,623</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales taxes	\$ 2,667,042	\$ 2,667,042	\$ 2,983,074	\$ 316,032
Highway users tax	78,040	78,040	90,995	12,955
Intergovernmental revenue	1,404,235	1,404,235	619,017	(785,218)
Charges for services	38,705	38,705	41,645	2,940
Interest income	-	-	15,962	15,962
Other income	70,000	70,000	77,982	7,982
Total revenue	<u>4,258,022</u>	<u>4,258,022</u>	<u>3,828,675</u>	<u>(429,347)</u>
Expenditures				
General government	135,316	135,316	45,457	89,859
Public safety	13,000	13,000	16,253	(3,253)
Public works/streets	1,396,170	1,396,170	1,254,015	142,155
Parks and recreation	488,262	488,262	461,900	26,362
Community support	57,500	57,500	54,248	3,252
Debt service				
Principal	280,102	280,102	393,919	(113,817)
Interest	-	-	137,154	(137,154)
Issuance costs	-	-	56,478	
Capital outlay	<u>2,237,451</u>	<u>2,376,451</u>	<u>1,443,740</u>	<u>932,711</u>
Total expenditures	<u>4,607,801</u>	<u>4,746,801</u>	<u>3,863,164</u>	<u>940,115</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(349,779)</u>	<u>(488,779)</u>	<u>(34,489)</u>	<u>454,290</u>
Other financing sources (uses):				
Transfers in	-	-	16,000	16,000
Debt issuance proceeds	-	-	3,197,456	3,197,456
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>3,213,456</u>	<u>3,213,456</u>
Net change in fund balance	(349,779)	(488,779)	3,178,967	3,667,746
Fund balance, beginning of year	<u>1,434,926</u>	<u>1,434,926</u>	<u>1,434,926</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,085,147</u>	<u>\$ 946,147</u>	<u>\$ 4,613,893</u>	<u>\$ 3,667,746</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 57,000	\$ 87,000	\$ 92,191	\$ 5,191
Interest income	-	-	237	237
Total revenues	<u>57,000</u>	<u>87,000</u>	<u>92,428</u>	<u>5,428</u>
Expenditures				
Capital outlay	<u>62,927</u>	<u>62,927</u>	<u>56,725</u>	<u>6,202</u>
Total expenditures	<u>62,927</u>	<u>62,927</u>	<u>56,725</u>	<u>6,202</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(5,927)</u>	<u>24,073</u>	<u>35,703</u>	<u>11,630</u>
Net change in fund balance	(5,927)	24,073	35,703	11,630
Fund balance, beginning of year	<u>32,642</u>	<u>32,642</u>	<u>32,642</u>	<u>-</u>
Fund balance, end of year	<u>\$ 26,715</u>	<u>\$ 56,715</u>	<u>\$ 68,345</u>	<u>\$ 11,630</u>

TOWN OF PAGOSA SPRINGS, COLORADO
Sanitation Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Operating revenues				
Charges for services	\$ 728,000	\$ 728,000	\$ 740,407	\$ 12,407
Other revenues	13,000	13,000	6,244	(6,756)
Total operating revenues	<u>741,000</u>	<u>741,000</u>	<u>746,651</u>	<u>5,651</u>
Operating expenses				
Salaries and wages	149,873	149,873	130,263	19,610
Operating system	390,000	407,010	488,115	(81,105)
Administrative	33,712	33,712	36,392	(2,680)
Professional fees	43,000	43,000	47,173	(4,173)
Total operating expenses	<u>616,585</u>	<u>633,595</u>	<u>701,943</u>	<u>(68,348)</u>
Operating income	<u>124,415</u>	<u>107,405</u>	<u>44,708</u>	<u>(62,697)</u>
Non-operating revenues (expenses)				
Interest income	2,500	2,500	1,647	(853)
Property and specific ownership tax	40,930	40,930	45,772	4,842
Connection and tap fees	68,250	68,250	32,150	(36,100)
Capital outlay	(210,000)	(210,000)	-	210,000
Debt service	(355,618)	(355,618)	(84,863)	270,755
Grant revenue	9,500	9,500	9,500	-
Total non-operating revenues (expenses)	<u>(444,438)</u>	<u>(444,438)</u>	<u>4,206</u>	<u>448,644</u>
Income before contributions, transfers and capital and related financing activities				
Contributions, transfers and capital and related financing activities				
Transfers in	-	-	3,000	3,000
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Change in net position-budget basis	<u>\$ (320,023)</u>	<u>\$ (337,033)</u>	51,914	<u>\$ 388,947</u>
GAAP Basis Adjustments				
Depreciation			(268,537)	
Change in net position - GAAP basis			(216,623)	
Net position, beginning of year			<u>7,491,095</u>	
Net position, end of year			<u>\$ 7,274,472</u>	

TOWN OF PAGOSA SPRINGS, COLORADO
Geothermal Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Operating revenues				
Charges for services	\$ 42,697	\$ 42,697	\$ 42,097	\$ (600)
Total operating revenues	42,697	42,697	42,097	(600)
Operating expenses				
Operating system	54,500	54,500	23,154	31,346
Administrative	1,350	1,350	1,110	240
Professional fees	7,000	7,000	5,046	1,954
Total operating expenses	62,850	62,850	29,310	33,540
Operating income (loss)	(20,153)	(20,153)	12,787	32,940
Non-operating revenues (expenses)				
Debt service	(6,740)	(6,740)	(1,142)	5,598
Total non-operating revenues (expenses)	(6,740)	(6,740)	(1,142)	5,598
Change in net position-budget basis	\$ (26,893)	\$ (26,893)	11,645	\$ 38,538
GAAP Basis Adjustments				
Depreciation			(25,806)	
Change in net position - GAAP basis			(14,161)	
Net position, beginning of year			403,676	
Net position, end of year			\$ 389,515	

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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 Pagosa Springs, CO
YEAR ENDING :
December 2019

Prepared By: April Hessman, Town Clerk
Phone: 1-970-264-4151 ext 237

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)	12,218
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	566,541
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)	1,035,143	c. Other	527,172
4. Miscellaneous local receipts (from page 2)	172,356	d. Total (a. through c.)	527,172
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	1,105,931
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	92,563
7. Total (1 through 6)	1,207,499	b. Redemption	100,000
B. Private Contributions		c. Total (a. + b.)	192,563
C. Receipts from State government		2. Notes:	
(from page 2)	90,995	a. Interest	
D. Receipts from Federal Government		b. Redemption	
(from page 2)	0	c. Total (a. + b.)	0
E. Total receipts (A.7 + B + C + D)	1,298,494	3. Total (1.c + 2.c)	192,563
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,298,494

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	2,460,000		100,000	2,360,000
1. Bonds (Refunding Portion)				
B. Notes (Total)	0		0	0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	1,298,494	1,298,494	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2019

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	1,035,143	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	50,000
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	1,035,143	h. Other - Road and Bridge	122,356
c. Total (a. + b.)	1,035,143	i. Total (a. through h.)	172,356
	(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	90,995	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)	90,995	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		12,218	12,218
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		0	0
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	12,218	12,218
			(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, 2019, 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 June 18, 2020.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
June 18, 2020