

TOWN OF PAGOSA SPRINGS
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021



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YEAR ENDED DECEMBER 31, 2021**

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Town Council
Town of Pagosa Springs
Pagosa Springs, Colorado

Report on the Audit of the Financial Statements

Opinions

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, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town of Pagosa Springs' basic financial statements as listed in the table of contents.

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, as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Pagosa Springs and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Pagosa Springs' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Pagosa Springs's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Pagosa Springs's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

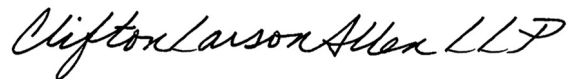
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund budgetary comparison schedule, Tourism fund budgetary comparison schedule, and pension schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pagosa Springs' basic financial statements. The budgetary comparison schedules and the local highway finance report are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, budgetary comparison schedules, and the local highway finance report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Broomfield, Colorado
August 8, 2022

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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, 2021. 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 \$44,052,741 at close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of \$4,359,298.
- The total cost of all Town programs for 2021 was \$9,115,196.
- The General fund unassigned fund balance at the end of 2021 was \$4,258,262, which is 110.8% 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 nonfinancial factors such as changes in the condition of the Town's roads to accurately assess the overall health of the Town.

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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 \$44,052,741 as of December 31, 2021 as shown in the following condensed statement of net position. Of this amount, \$5,708,330 is unrestricted and available to meet the Town's ongoing financial obligations.

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

By far the largest portion of net position is the net investment in capital assets of \$33,679,559 (76.45% 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, 2021 and 2020:

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and Other Assets	\$ 9,775,077	\$ 7,250,593	\$ 1,376,500	\$ 1,029,623	\$ 11,151,577	\$ 8,280,216
Capital Assets	<u>31,558,426</u>	<u>30,929,264</u>	<u>10,484,302</u>	<u>10,660,381</u>	<u>42,042,728</u>	<u>41,589,645</u>
Total Assets	41,333,503	38,179,857	11,860,802	11,690,004	53,194,305	49,869,861
DEFERRED OUTFLOWS OF RESOURCES						
Pension Outflows	<u>196,495</u>	<u>208,448</u>	-	-	<u>196,495</u>	<u>208,448</u>
LIABILITIES						
Long-Term Debt Outstanding	4,435,668	4,785,774	3,411,185	3,777,692	7,846,853	8,563,466
Other Liabilities	<u>708,920</u>	<u>1,300,418</u>	<u>454,556</u>	<u>331,251</u>	<u>1,163,476</u>	<u>1,631,669</u>
Total Liabilities	5,144,588	6,086,192	3,865,741	4,108,943	9,010,329	10,195,135
DEFERRED INFLOWS OF RESOURCES						
Pension Inflows	119,046	51,530	-	-	119,046	51,530
Property Taxes	<u>162,865</u>	<u>96,611</u>	<u>45,819</u>	<u>41,590</u>	<u>208,684</u>	<u>138,201</u>
	281,911	148,141	45,819	41,590	327,730	189,731
NET POSITION						
Net Investment in Capital Assets	26,837,047	25,337,269	6,842,512	6,585,478	33,679,559	31,922,747
Restricted	4,664,852	3,028,456	-	-	4,664,852	3,028,456
Unrestricted	<u>4,601,600</u>	<u>3,788,247</u>	<u>1,106,730</u>	<u>953,993</u>	<u>5,708,330</u>	<u>4,742,240</u>
Total Net Position	<u>\$ 36,103,499</u>	<u>\$ 32,153,972</u>	<u>\$ 7,949,242</u>	<u>\$ 7,539,471</u>	<u>\$ 44,052,741</u>	<u>\$ 39,693,443</u>

An additional portion of net position, \$4,664,852, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,708,330 (12.96% 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 \$8,137,974 as shown in the Changes in Net Position statement below. \$972,784 of this cost was paid for by those who directly benefited from the programs. \$1,303,726 was subsidized by grants or contributions received from other governmental organizations for both capital and operating activities. General taxes, investment earnings, gain on sale of assets and other revenues totaled \$9,998,846.

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
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

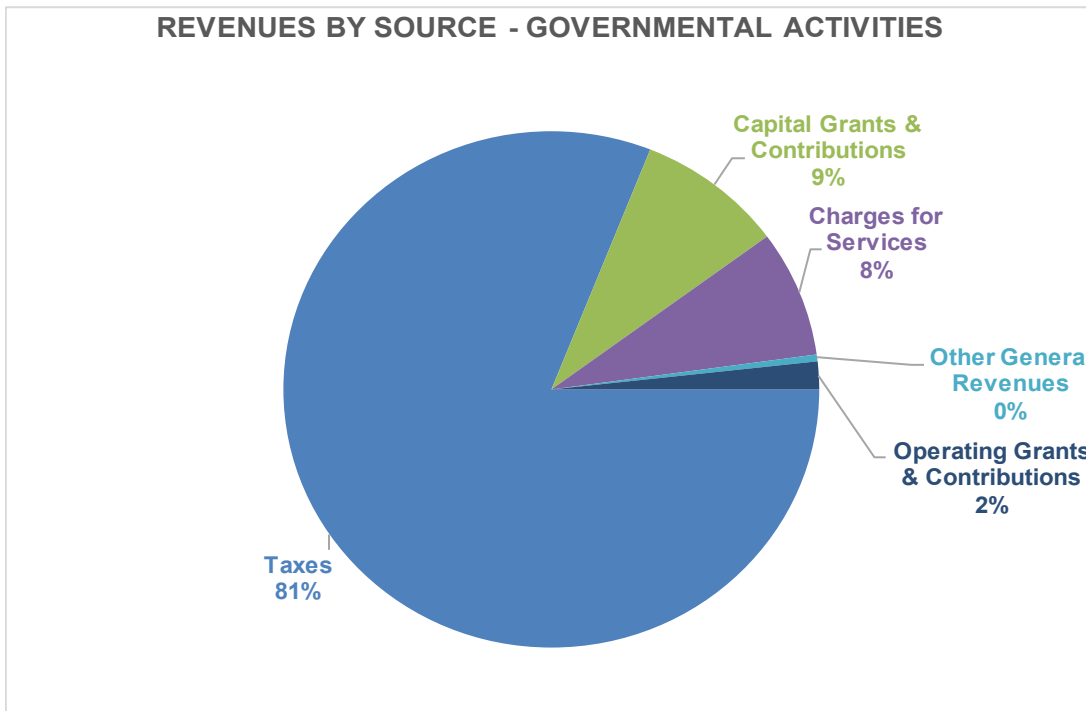
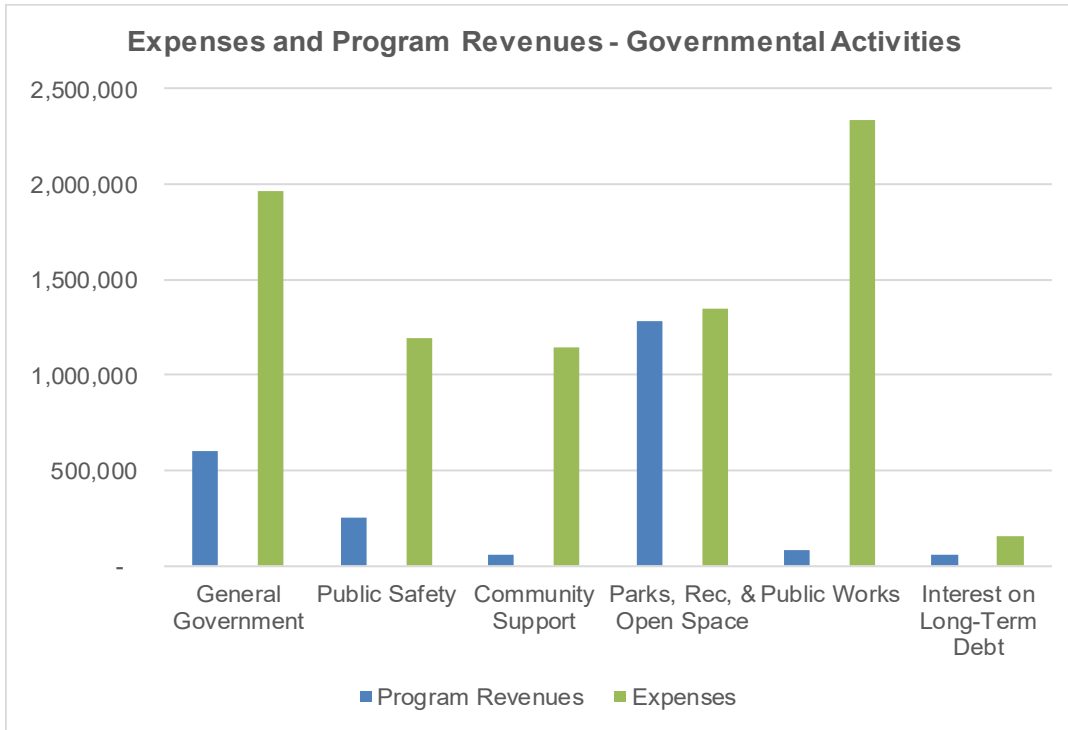
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for Services	\$ 972,784	\$ 674,241	\$ 928,739	\$ 843,671	\$ 1,901,523	\$ 1,517,912
Operating Grants & Contributions	212,739	1,261,011	-	-	-	1,261,011
Capital Grants & Contributions	1,090,987	1,470,744	213,215	94,325	1,304,202	1,565,069
General Revenues						
Taxes	9,945,567	8,282,358	56,035	53,275	10,001,602	8,335,633
Investment Earnings	53,279	29,845	1,149	1,866	-	31,711
Other General Revenues	-	-	-	-	-	-
Total Revenues	<u>12,275,356</u>	<u>11,718,199</u>	<u>1,199,138</u>	<u>993,137</u>	<u>13,474,494</u>	<u>12,711,336</u>
Program Expenses						
General Government	1,964,997	2,355,856	-	-	1,964,997	2,355,856
Public Safety	1,189,473	1,103,433	-	-	1,189,473	1,103,433
Public Works/Streets	2,333,284	2,119,682	-	-	2,333,284	2,119,682
Parks, Recreation, and Open Space	1,350,904	1,210,302	-	-	1,350,904	1,210,302
Community Support	1,144,602	1,921,869	-	-	1,144,602	1,921,869
Interest on Long-Term Debt	154,714	105,067	-	-	154,714	105,067
Sanitation	-	-	912,306	1,029,073	912,306	1,029,073
Geothermal	-	-	64,916	115,330	64,916	115,330
Total Expenses	<u>8,137,974</u>	<u>8,816,209</u>	<u>977,222</u>	<u>1,144,403</u>	<u>9,115,196</u>	<u>9,960,612</u>
Other Financing Sources (Uses)						
Transfers	<u>(187,855)</u>	<u>(26,750)</u>	<u>187,855</u>	<u>26,750</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	3,949,527	2,875,240	409,771	(124,516)	4,359,298	2,750,724
Net Position - Beginning of Year	<u>32,153,972</u>	<u>29,278,732</u>	<u>7,539,471</u>	<u>7,663,987</u>	<u>39,693,443</u>	<u>36,942,719</u>
NET POSITION - END OF YEAR	<u>\$ 36,103,499</u>	<u>\$ 32,153,972</u>	<u>\$ 7,949,242</u>	<u>\$ 7,539,471</u>	<u>\$ 44,052,741</u>	<u>\$ 39,693,443</u>

Total resources available during the year to finance governmental operations were \$36,103,499 consisting of net position at January 1, 2021 of \$32,153,972, Program Revenues of \$2,276,510, and General Revenues of \$9,998,846. Revenues increased in 2021 due to increases in sales tax revenues during fiscal year 2021. Expenditures decreased from \$8,816,209 to \$8,137,974 primarily due to loss on disposals of capital assets in 2020 and less repairs and maintenance costs related to capital projects.

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

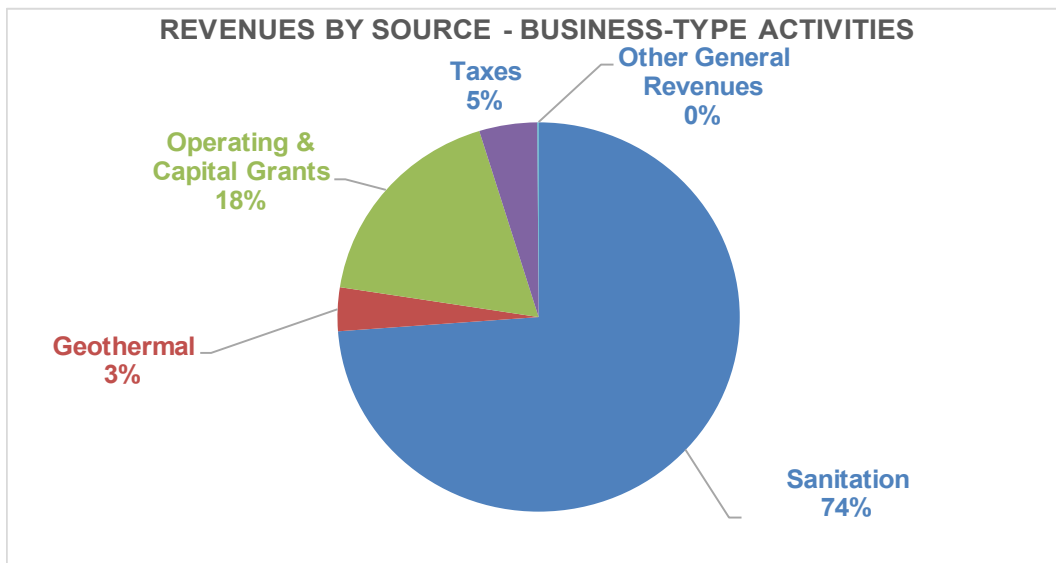
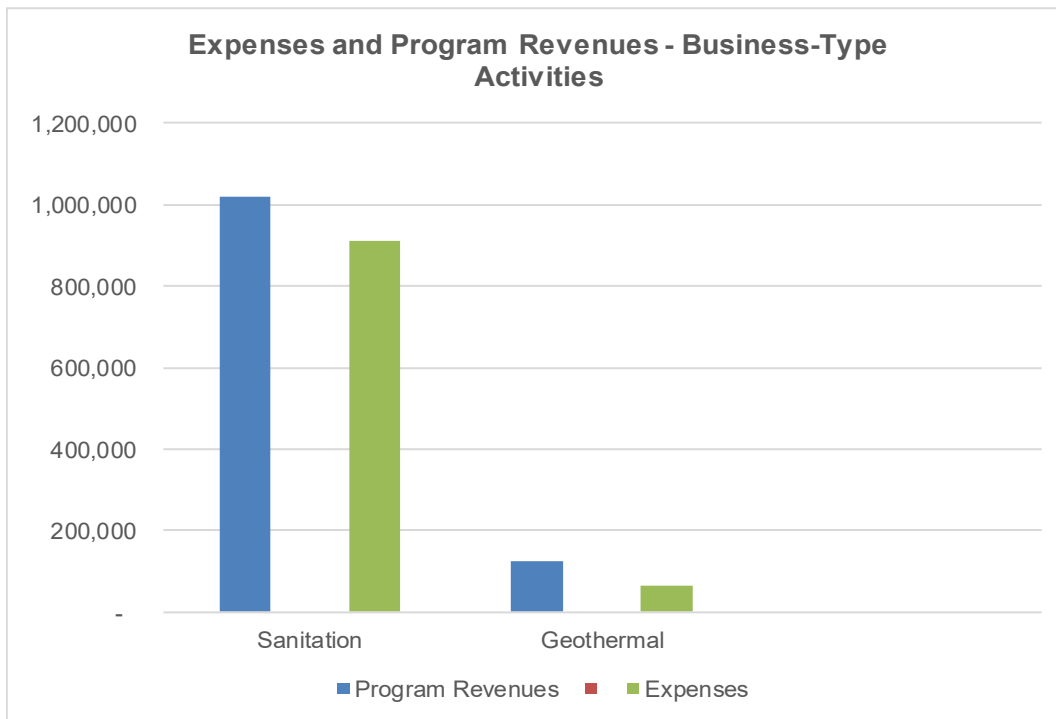
The following graphs compare program expenses to program revenues and provides a breakdown of revenues by source for all governmental activities:



**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Business Type Activities

Net position of the Business Type activities at December 31, 2021, as reflected in the Statement of Net Position was \$7,949,242. The cost of providing all Proprietary (Business-type) activities this year was \$977,222. As shown in the Statement of Changes in Net Position, the amounts paid by users of the system were \$928,739 and there was \$213,215 subsidized by capital grants and contributions. Investment earnings and tax revenues were \$57,184. The Net Position increased by \$409,771. 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.



**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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 \$9,246,422, an increase of \$2,932,452 in comparison with the prior year. Approximately 32.1%, \$4,258,262 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, 2021, unassigned fund balance in the General fund was \$4,258,262. 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 110.8% of the total General fund expenditures. The fund balance of the Town's General fund increased by \$1,414,373 for the year ended December 31, 2021. 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 (\$1,289,013). The actual change in fund balance was \$830,637.

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 \$676,225.

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, 2021 for the Town's enterprise funds (Sanitation and Geothermal) are as follows:

	<u>Sanitation</u>	<u>Geothermal</u>	<u>Total</u>
Unrestricted Net Position	\$ 940,563	166,167	\$ 1,106,730
Total Net Position	7,551,095	398,147	7,949,242
Change in Net Position	\$ 331,776	\$ 77,995	\$ 409,771

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Budgetary Highlights

General fund revenues of \$5,504,370 were higher than budgeted revenues of \$4,264,435 by \$1,239,935. The most significant factor contributing to this excess amount is related to sales taxes which exceeded budget by \$929,160. Budgeted expenditures exceeded actual expenditures by \$819,312.

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 2021, net capital assets of the government activities totaled \$31,558,426 and the net capital assets of the business-type activities were \$10,484,302. The most significant governmental capital additions were the River Walk Trail construction project. The most significant business-type capital addition was the geothermal utility line replacement. 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 \$4,899,659 in governmental-type debt, and \$3,641,789 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$1,021,064. (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 2022, 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.

**TOWN OF PAGOSA SPRINGS
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 7,483,928	\$ 1,314,836	\$ 8,798,764
Receivables (Net of Allowance)	2,051,873	193,198	2,245,071
Internal Balances	131,534	(131,534)	-
Net Pension Asset	107,742	-	107,742
Capital Assets (Net of Accumulated Depreciation)			
Land	3,149,050	16,376	3,165,426
Construction in Progress	328,548	103,187	431,735
Buildings and Improvements	8,149,229	212,836	8,362,065
Machinery and Equipment	1,043,553	215,115	1,258,668
Infrastructure and Systems	18,888,046	9,936,788	28,824,834
Total Assets	<u>41,333,503</u>	<u>11,860,802</u>	<u>53,194,305</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	<u>196,495</u>	<u>-</u>	<u>196,495</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	225,506	32,682	258,188
Interest Payable	19,423	9,762	29,185
Unearned Revenue	-	181,507	181,507
Noncurrent Liabilities			
Due Within One Year	463,991	230,605	694,596
Due in More Than One Year	<u>4,435,668</u>	<u>3,411,185</u>	<u>7,846,853</u>
Total Liabilities	<u>5,144,588</u>	<u>3,865,741</u>	<u>9,010,329</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pension	119,046	-	119,046
Property Taxes	<u>162,865</u>	<u>45,819</u>	<u>208,684</u>
Total Deferred Inflows of Resources	<u>281,911</u>	<u>45,819</u>	<u>327,730</u>
NET POSITION			
Net Investment in Capital Assets	26,837,047	6,842,512	33,679,559
Restricted For			
Emergency Reserve	348,891	-	348,891
Net Pension Asset	107,742	-	107,742
Capital Projects	2,549,568	-	2,549,568
Parks and Recreation	59,741	-	59,741
Tourism	1,598,910	-	1,598,910
Unrestricted	<u>4,601,600</u>	<u>1,106,730</u>	<u>5,708,330</u>
Total Net Position	<u>\$ 36,103,499</u>	<u>\$ 7,949,242</u>	<u>\$ 44,052,741</u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary Government							
General Government	\$ 1,964,997	\$ 498,400	\$ 86,964	\$ 14,924	\$ (1,364,709)	\$ -	\$ (1,364,709)
Public Safety	1,189,473	213,244	40,610	-	(935,619)	-	(935,619)
Public Works/Streets	2,333,284	79,965	-	-	(2,253,319)	-	(2,253,319)
Parks and Recreation	1,350,904	119,975	85,165	1,076,063	(69,701)	-	(69,701)
Community Support	1,144,602	61,200	-	-	(1,083,402)	-	(1,083,402)
Interest on Long-Term Debt	154,714	-	-	-	(154,714)	-	(154,714)
Total Government Activities	<u>8,137,974</u>	<u>972,784</u>	<u>212,739</u>	<u>1,090,987</u>	<u>(5,861,464)</u>	<u>-</u>	<u>(5,861,464)</u>
Business-Type Activities							
Sanitation	912,306	885,312	-	132,690	-	105,696	105,696
Geothermal	64,916	43,427	-	80,525	-	59,036	59,036
Total Business-Type Activities	<u>977,222</u>	<u>928,739</u>	<u>-</u>	<u>213,215</u>	<u>-</u>	<u>164,732</u>	<u>164,732</u>
Total Primary Government	<u>\$ 9,115,196</u>	<u>\$ 1,901,523</u>	<u>\$ 212,739</u>	<u>\$ 1,304,202</u>	<u>(5,861,464)</u>	<u>164,732</u>	<u>(5,696,732)</u>
		General Revenues					
		Taxes					
					96,490	56,035	152,525
					8,684,370	-	8,684,370
					121,395	-	121,395
					27,900	-	27,900
					1,015,412	-	1,015,412
					53,279	1,149	54,428
					(187,855)	187,855	-
					<u>9,810,991</u>	<u>245,039</u>	<u>10,056,030</u>
					3,949,527	409,771	4,359,298
					<u>32,153,972</u>	<u>7,539,471</u>	<u>39,693,443</u>
					<u>\$ 36,103,499</u>	<u>\$ 7,949,242</u>	<u>\$ 44,052,741</u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
BALANCE SHEET – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	General	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 4,295,668	\$ 1,708,117	\$ 1,420,402	\$ 59,741	\$ 7,483,928
Receivables, Net of Allow ance	9,639	257,629	-	-	267,268
Tax Receivables	852,466	735,495	196,644	-	1,784,605
Interfund Advances Receivable - Sanitation and Geotherr	131,534	-	-	-	131,534
Total Assets	<u>\$ 5,289,307</u>	<u>\$ 2,701,241</u>	<u>\$ 1,617,046</u>	<u>\$ 59,741</u>	<u>\$ 9,667,335</u>
LIABILITIES					
Accounts Payable	\$ 50,359	\$ 39,945	\$ 12,762	\$ -	\$ 103,066
Accrued Liabilities	93,149	23,917	5,374	-	122,440
Total Liabilities	<u>143,508</u>	<u>63,862</u>	<u>18,136</u>	<u>-</u>	<u>225,506</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	32,542	-	-	32,542
Property Taxes	107,596	55,269	-	-	162,865
Total Deferred Inflow s of Resources	<u>107,596</u>	<u>87,811</u>	<u>-</u>	<u>-</u>	<u>195,407</u>
FUND BALANCES					
Nonspendable					
Advance of Funds	131,534	-	-	-	131,534
Restricted for					
Emergency Reserve	348,891	-	-	-	348,891
Capital Outlay	-	2,549,568	-	-	2,549,568
Parks and Recreation	-	-	-	59,741	59,741
Tourism	-	-	1,598,910	-	1,598,910
Assigned for:					
Health Funds	164,419	-	-	-	164,419
Other Purposes	135,097	-	-	-	135,097
Unassigned	4,258,262	-	-	-	4,258,262
Total Fund Balances	<u>5,038,203</u>	<u>2,549,568</u>	<u>1,598,910</u>	<u>59,741</u>	<u>9,246,422</u>
Total Liabilities, Deferred Inflow s of Resources, and Fund Balances	<u>\$ 5,289,307</u>	<u>\$ 2,701,241</u>	<u>\$ 1,617,046</u>	<u>\$ 59,741</u>	<u>\$ 9,667,335</u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2021**

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

Total Fund Balances of Governmental Funds		\$ 9,246,422
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in governmental funds.		
Governmental Capital Assets	42,770,508	
Accumulated Depreciation	<u>(11,212,082)</u>	31,558,426
Long-term assets and related items are not related in the current year and, therefore, are not reported in governmental funds.		
		107,742
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.		
Lease Revenue Bond	(4,721,379)	
Interest Payable	(19,423)	
Compensated Absences	<u>(178,280)</u>	(4,919,082)
Deferred inflows related to revenue not received within 60 days after the end of the year are considered unavailable and, therefore, are not reported in governmental funds		
		32,542
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods, and therefore, are not reported in governmental funds.		
Deferred Outflows	196,495	
Deferred Inflows	<u>(119,046)</u>	<u>77,449</u>
Total Net Position of Governmental Activities		<u><u>\$ 36,103,499</u></u>

See accompanying Notes to Financial Statements.

TOWN OF PAGOSA SPRINGS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General Fund	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 4,506,467	\$ 4,423,688	\$ 1,015,412	\$ -	\$ 9,945,567
Licenses and Permits	262,650	-	-	-	262,650
Intergovernmental	151,620	580,334	523,353	85,165	1,340,472
Fines and Forfeitures	88,201	-	-	-	88,201
Charges for Services	283,935	61,576	1,013	-	346,524
Interest Income	52,764	-	-	515	53,279
Other Revenues	158,733	55,476	-	-	214,209
Total Revenues	<u>5,504,370</u>	<u>5,121,074</u>	<u>1,539,778</u>	<u>85,680</u>	<u>12,250,902</u>
EXPENDITURES					
Current					
General Government	1,855,481	15,803	-	-	1,871,284
Public Safety	1,138,577	14,344	-	-	1,152,921
Public Works/Streets	-	1,646,581	-	-	1,646,581
Parks and Recreation	549,348	455,506	-	32,463	1,037,317
Community Support	298,305	-	838,553	-	1,136,858
Capital Outlay	-	1,757,080	-	-	1,757,080
Debt Service					
Principal Retirement	-	366,844	-	-	366,844
Interest on Long-Term Debt	-	161,710	-	-	161,710
Total Expenditures	<u>3,841,711</u>	<u>4,417,868</u>	<u>838,553</u>	<u>32,463</u>	<u>9,130,595</u>
Revenues Over (Under) Expenditures	1,662,659	703,206	701,225	53,217	3,120,307
OTHER FINANCING SOURCES (USES)					
Transfers In	-	127,431	-	-	127,431
Transfers Out	(248,286)	-	(25,000)	(42,000)	(315,286)
Total Other Financing Sources (Uses)	<u>(248,286)</u>	<u>127,431</u>	<u>(25,000)</u>	<u>(42,000)</u>	<u>(187,855)</u>
Net Change in Fund Balances	1,414,373	830,637	676,225	11,217	2,932,452
Fund Balances - Beginning of Year	<u>3,623,830</u>	<u>1,718,931</u>	<u>922,685</u>	<u>48,524</u>	<u>6,313,970</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 5,038,203</u></u>	<u><u>\$ 2,549,568</u></u>	<u><u>\$ 1,598,910</u></u>	<u><u>\$ 59,741</u></u>	<u><u>\$ 9,246,422</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

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

Net Change in Fund Balances of Governmental Funds		\$ 2,932,452
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital Outlay	1,979,337	
Depreciation Expense	<u>(1,350,175)</u>	629,162
<p>Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.</p>		
		589
<p>Repayment and amortization of long-term debt principal and premium are expenditures in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.</p>		
Bond Principal	272,000	
Bond Premium	4,711	
Capital Lease Principal	<u>94,844</u>	371,555
<p>Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		
		2,285
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(10,970)
<p>Deferred inflows related to revenue not received within 60 days after the end of the year are considered unavailable and, therefore, are not reported in governmental funds.</p>		
		<u>24,454</u>
Change in Net Position of Governmental Activities		<u><u>\$ 3,949,527</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,140,223	\$ 174,613	\$ 1,314,836
Receivables (Net of Allowance)	141,743	5,636	147,379
Property Tax Receivable	45,819	-	45,819
Total Current Assets	<u>1,327,785</u>	<u>180,249</u>	<u>1,508,034</u>
Noncurrent Assets			
Land	16,376	-	16,376
Improvements and System	12,594,436	1,182,419	13,776,855
Machinery and Equipment	405,843	30,199	436,042
Construction in Progress	103,187	-	103,187
Accumulated Depreciation	(2,867,520)	(980,638)	(3,848,158)
Total Noncurrent Assets	<u>10,252,322</u>	<u>231,980</u>	<u>10,484,302</u>
Total Assets	<u>11,580,107</u>	<u>412,229</u>	<u>11,992,336</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	27,479	1,720	29,199
Accrued Liabilities	3,483	-	3,483
Interest Payable	9,762	-	9,762
Interfund Advances Payable - General Fund	119,172	12,362	131,534
Unearned Revenue	181,507	-	181,507
Loans Payable - Current	225,167	-	225,167
Compensated Absences - Current	5,438	-	5,438
Total Current Liabilities	<u>572,008</u>	<u>14,082</u>	<u>586,090</u>
Noncurrent Liabilities			
Loans Payable (Net of Current Portion)	3,411,185	-	3,411,185
Total Noncurrent Liabilities	<u>3,411,185</u>	<u>-</u>	<u>3,411,185</u>
Total Liabilities	<u>3,983,193</u>	<u>14,082</u>	<u>3,997,275</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Property Taxes	45,819	-	45,819
Total Deferred Inflows	<u>45,819</u>	<u>-</u>	<u>45,819</u>
NET POSITION			
Net Investment in Capital Assets	6,610,532	231,980	6,842,512
Unrestricted	940,563	166,167	1,106,730
Total Net Position	<u>\$ 7,551,095</u>	<u>\$ 398,147</u>	<u>\$ 7,949,242</u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
OPERATING REVENUES			
Charges for Services	\$ 871,249	\$ 43,427	\$ 914,676
Other	14,063	-	14,063
Total Operating Revenues	<u>885,312</u>	<u>43,427</u>	<u>928,739</u>
OPERATING EXPENSES			
Salaries and Wages	126,647	-	126,647
Operating System	343,221	29,672	372,893
Administrative	44,931	1,000	45,931
Professional Fees	32,339	5,000	37,339
Depreciation	293,767	28,232	321,999
Total Operating Expenses	<u>840,905</u>	<u>63,904</u>	<u>904,809</u>
Operating Income (Loss)	44,407	(20,477)	23,930
NONOPERATING REVENUES (EXPENSES)			
Interest Income	1,149	-	1,149
Interest Expense and Fiscal Charges	(71,401)	(1,012)	(72,413)
Property and Specific Ownership Tax	56,035	-	56,035
Grant Revenue	67,743	80,525	148,268
Total Nonoperating Revenues (Expenses)	<u>53,526</u>	<u>79,513</u>	<u>133,039</u>
Income Before Contributions	97,933	59,036	156,969
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers In	168,896	18,959	187,855
Capital Contributions	64,947	-	64,947
Total Transfers and Capital Contributions	<u>233,843</u>	<u>18,959</u>	<u>252,802</u>
Change in Net Position	331,776	77,995	409,771
Net Position - Beginning of Year	<u>7,219,319</u>	<u>320,152</u>	<u>7,539,471</u>
NET POSITION - END OF YEAR	<u><u>\$ 7,551,095</u></u>	<u><u>\$ 398,147</u></u>	<u><u>\$ 7,949,242</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers, Service Fees	\$ 895,312	\$ 43,957	\$ 939,269
Cash Paid to Suppliers	(410,688)	-	(410,688)
Cash Paid to Employees	(130,197)	(35,676)	(165,873)
Net Cash Provided by Operating Activities	<u>354,427</u>	<u>8,281</u>	<u>362,708</u>
CASH FLOWS FROM NONCAPITAL ACTIVITIES			
Grants Received	249,250	80,525	329,775
Property and Specific Ownership Taxes	56,035	-	56,035
Transfers From (To) Other Funds	168,896	18,959	187,855
Advanced Funds	119,172	12,362	131,534
Net Cash Provided by Noncapital Activities	<u>593,353</u>	<u>111,846</u>	<u>705,199</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(145,920)	-	(145,920)
Connection and Tap Fees	64,947	-	64,947
Principal Paid on Long-Term Debt	(410,864)	(18,787)	(429,651)
Interest Paid	(72,708)	(1,012)	(73,720)
Net Cash Used by Capital and Related Financing Activities	<u>(564,545)</u>	<u>(19,799)</u>	<u>(584,344)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	1,149	-	1,149
Net Cash Provided by Investing Activities	<u>1,149</u>	<u>-</u>	<u>1,149</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	384,384	100,328	484,712
Cash and Cash Equivalents - Beginning of Year	<u>755,839</u>	<u>74,285</u>	<u>830,124</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,140,223</u>	<u>\$ 174,613</u>	<u>\$ 1,314,836</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 44,407	\$ (20,477)	\$ 23,930
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	293,767	28,232	321,999
Changes in Asset and Liabilities			
Receivables	10,000	530	10,530
Payables	9,803	(4)	9,799
Accrued Liabilities	(3,550)	-	(3,550)
Net Cash Provided by Operating Activities	<u>\$ 354,427</u>	<u>\$ 8,281</u>	<u>\$ 362,708</u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 (the Town) is a home-rule municipality with a Mayor – Council form of government with six elected Council members. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Town. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the Town. Legally separate organizations for which the Town is financially accountable are considered part of the reporting entity. Financial accountability exists if the Town appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Town

Based on the application of these criteria, the Town includes the Pagosa Springs Sanitation General Improvement District in its reporting entity. 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. The members of the Town's Board of Trustees also serve as the governing boards for all the entities and management of the Town has operational responsibility for the entities. Therefore, the financial activity for these entities is blended into the Town's financial statements.

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Financial Statements (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 fund:

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.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

Deposits and Investments

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

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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. 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 Improvement	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.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Policies (Continued)

The Town Council has a formal fund reserve policy. This policy is adopted through resolutions each year for the purpose of maintaining a satisfactory level of unappropriated fund balance reserves to insure a continued strong financial position with the Town and to conform to the requirements of the Taxpayer's Bill of Rights (TABOR). For this financial report, the amount of the Council reserves that pertains to TABOR has been separated from the total and is considered Restricted as per the definition above. The remaining amount does not meet the GASB statement No. 54 requirements of a stabilization agreement. Instead, it is considered to be a minimum fund balance policy. Per GASB Statement No. 54, these amounts are required to be reported as part of unassigned fund balance in the General Fund and Assigned fund Balance in any other funds. The amount approved by the Council policy, excluding the TABOR portion, and included in fund balance are as follows:

General Fund	\$1,293,568
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Revenue and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

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

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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.
- 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, 2021.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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 3% of fiscal year spending (excluding bonded debt service). A portion of the General Fund’s fund balance is classified as restricted for emergencies as required by the Amendment. The Town is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations in the Amendment’s language in order to determine its compliance.

NOTE 4 CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2021 as follows:

Cash on Hand	\$	200
Cash in Bank		8,798,358
COLOTrust		206
Total		\$ 8,798,764

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 fair 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. As of December 31, 2021, the bank balance of the Town’s deposits were insured by federal depository insurance or collateralized by the PDPA as noted above.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The Town's investment policy follows Colorado statutes.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the provisions of the 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.

As of December 31, 2021, the Town had invested \$206 in the Colorado Local Government Liquid Asset Trust, which is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. As of December 31, 2021, the investments in COLOTRUST were valued at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 CAPITAL ASSETS

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

	Balance at December 31, 2020	Additions	Deletions	Transfers	Balance at December 31, 2021
Governmental Activities					
<i>Capital Assets, Not Being Depreciated</i>					
Land	\$ 2,736,550	\$ 412,500	\$ -	\$ -	\$ 3,149,050
Construction in Progress	5,223,053	1,224,931	-	(6,119,436)	328,548
Total Capital Assets, Not Being Depreciated	7,959,603	1,637,431	-	(6,119,436)	3,477,598
<i>Capital Assets, Being Depreciated</i>					
Buildings and Improvements	10,571,776	52,200	-	893,502	11,517,478
Equipment and Vehicles	2,646,570	193,631	(76,834)	-	2,763,367
Infrastructure	19,690,056	96,075	-	5,225,934	25,012,065
Total Capital Assets, Being Depreciated	32,908,402	341,906	(76,834)	6,119,436	39,292,910
<i>Less Accumulated Depreciation</i>					
Buildings and Improvements	(3,025,102)	(343,147)	-	-	(3,368,249)
Equipment and Vehicles	(1,579,885)	(216,763)	76,834	-	(1,719,814)
Infrastructure	(5,333,754)	(790,265)	-	-	(6,124,019)
Total Accumulated Depreciation	(9,938,741)	(1,350,175)	76,834	-	(11,212,082)
<i>Capital Assets, Net of Depreciation</i>	<u>22,969,661</u>	<u>(1,008,269)</u>	<u>-</u>	<u>6,119,436</u>	<u>28,080,828</u>
Total Governmental Activities Capital Assets	\$ 30,929,264	\$ 629,162	\$ -	\$ -	\$ 31,558,426

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

Governmental Activities	
General Government	\$ 83,332
Public Safety	36,552
Public Works/Streets	908,960
Parks and Recreation	313,587
Community Support	7,744
Total Depreciation by Function	\$ 1,350,175

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

	Balance at December 31, 2020	Additions	Deletions	Transfers	Balance at December 31, 2021
Business-Type Activities					
<i>Capital Assets, Not Being Depreciated</i>					
Land	\$ 16,376	\$ -	\$ -	\$ -	\$ 16,376
Construction In Progress	37,792	65,395	-	-	103,187
Total Capital Assets, Not Being Depreciated	54,168	65,395	-	-	119,563
<i>Capital Assets, Being Depreciated</i>					
Buildings and Improvements	1,182,419	-	-	-	1,182,419
Improvements and Systems	12,513,911	80,525	-	-	12,594,436
Equipment and Vehicles	436,042	-	-	-	436,042
Total Capital Assets, Being Depreciated	14,132,372	80,525	-	-	14,212,897
<i>Less Accumulated Depreciation</i>					
Buildings and Improvements	(945,935)	(23,648)	-	-	(969,583)
Improvements and Systems	(2,407,101)	(250,547)	-	-	(2,657,648)
Equipment and Vehicles	(173,123)	(47,804)	-	-	(220,927)
Total Accumulated Depreciation	(3,526,159)	(321,999)	-	-	(3,848,158)
<i>Capital Assets, Net of Depreciation</i>	10,606,213	(241,474)	-	-	10,364,739
Total Business-Type Activities Capital Assets	\$ 10,660,381	\$ (176,079)	\$ -	\$ -	\$ 10,484,302

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

Business-Type Activities	
Sanitation	\$ 293,767
Geothermal	28,232
Total Depreciation by Function	\$ 321,999

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of changes in long-term obligations for the year ended December 31, 2021:

	Balance at December 31, 2020	Additions	Deletions	Balance at December 31, 2021	Due Within One Year
Governmental Activities					
Lease Revenue Bond Direct					
Borrowings	\$ 4,918,000	\$ -	\$ (272,000)	\$ 4,646,000	\$ 281,000
Bond Premium	80,090	-	(4,711)	75,379	4,711
Capital Leases Payable	94,844	-	(94,844)	-	-
Compensated Absences	167,310	218,329	(207,359)	178,280	178,280
Total	<u>\$ 5,260,244</u>	<u>\$ 218,329</u>	<u>\$ (578,914)</u>	<u>\$ 4,899,659</u>	<u>\$ 463,991</u>
	Balance at December 31, 2020	Additions	Deletions	Balance at December 31, 2021	Due Within One Year
Business-Type Activities					
Direct Borrowings					
Water Pollution Control Fund Note	\$ 1,517,908	\$ -	\$ (97,782)	\$ 1,420,126	\$ 98,762
Note Payable to PAWSD	2,339,922	-	(123,696)	2,216,226	126,405
Capital Leases Payable	208,173	-	(208,173)	-	-
Compensated Absences	8,900	9,037	(12,499)	5,438	5,438
Total	<u>\$ 4,074,903</u>	<u>\$ 9,037</u>	<u>\$ (442,150)</u>	<u>\$ 3,641,790</u>	<u>\$ 230,605</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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Long-term liabilities for the primary government at December 31, 2021 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, 2017. Town Hall is pledged as collateral. The net book value of the assets acquired to date are \$603,389. \$ 2,160,000

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. Town Shop is pledged as collateral. The net book value of the assets acquired to date are \$5,225,934. 2,486,000

Total Bonds Payable \$ 4,646,000

NOTES PAYABLE

Business-Type Activities

Note payable to Water Pollution Control Revolving Fund in the original amount of \$2,000,000. Due in 40 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. \$ 1,420,126

Loan payable to Pagosa Area Water and Sanitation District (PAWSD) in the original amount of up to \$2,835,000. Due in 20 annual payments of \$174,940, including interest at 2.19%, maturing November 30, 2036. 2,216,226

Total Notes Payable \$ 3,636,352

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	Direct Borrowings Governmental Activities		Direct Borrowings Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 281,000	\$ 152,911	\$ 225,167	\$ 62,490
2023	287,000	144,710	228,925	58,732
2024	297,000	136,336	232,754	54,903
2025	307,000	126,569	236,655	51,002
2026	318,000	116,459	240,630	47,028
2027-2031	1,726,000	430,811	1,265,438	188,618
2032-2036	1,260,000	150,549	1,206,783	80,002
2037	170,000	6,800	-	-
Total	<u>\$ 4,646,000</u>	<u>\$ 1,265,144</u>	<u>\$ 3,636,352</u>	<u>\$ 542,776</u>

NOTE 7 EMPLOYEE RETIREMENT PLAN

State Fire and Police Pension Plan (FPPA)

The Town contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Defined Benefit Plan (SWDB) provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997 through the Statewide Death and Disability Plan, which is also administered by the FPPA. This is a noncontributory plan. All full-time, paid (firefighters/police officers) of the Town are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Local revenue sources are responsible for funding of the Death and Disability benefits for firefighters hired on or after January 1, 1997.

Colorado statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Description of Benefits

A member is eligible for a normal retirement pension once the member has completed 25 years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 EMPLOYEE RETIREMENT PLAN (CONTINUED)

State Fire and Police Pension Plan (FPPA) (Continued)

Description of Benefits (Continued)

The annual normal retirement benefit is 2% of the average of the member's highest three years' base salary for each year of credited service up to 10 years, plus 2.5% 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 the 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 Statewide Defined Benefit Plan. 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% or the Consumer Price Index or the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

A member is eligible for an early retirement at age 50 with at least five years of credited service 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% 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% of the member's average highest three years' base salary for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter.

Contributions

The Plan sets contribution 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. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

Members of the SWDB plan and their employers are contributing at the rate of 11.5% and 8.5%, respectively, of base salary for a total contribution rate of 20.0% in 2021. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of pensionable earnings. Employer contributions will increase 0.5% annually beginning in 2021 through 2030 to a total of 13% of pensionable earnings. Contributions to the SWDB plan from the Town were \$33,498 for the year ended December 31, 2021.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 EMPLOYEE RETIREMENT PLAN (CONTINUED)

State Fire and Police Pension Plan (FPPA) (Continued)

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the Town reported an asset of \$107,742 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Town's proportion of the net pension asset was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2020, the Town's proportion was 0.04963%, which was an increase of 0.00068% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Town recognized pension expense of \$32,909. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 91,375	\$ 429
Changes of Assumptions or other Inputs	45,824	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	110,666
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Share of Contributions	25,798	7,951
Contributions Subsequent to the Measurement Date	33,498	-
Total	\$ 196,495	\$ 119,046

\$33,498 in total reported as deferred outflows of resources related to pension resulting from Town contributions subsequent to measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ (8,913)
2023	5,441
2024	(13,178)
2025	5,220
2026	22,245
Thereafter	33,136

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 EMPLOYEE RETIREMENT PLAN (CONTINUED)

State Fire and Police Pension Plan (FPPA) (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Total Pension Liability</u>	<u>Actuarial Determined Contributions</u>
Actuarial Valuation Date	January 1, 2021	January 1, 2020
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 Years
Long-Term Investment Rate of Return*	7.0%	7.0%
Projected Salary Increases*	4.25 - 11.25%	4.25 - 11.25%
Cost of Living Adjustments (COLA)	0.0%	0.0%
*Includes Inflation at	2.5%	2.5%

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

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

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 EMPLOYEE RETIREMENT PLAN (CONTINUED)

State Fire and Police Pension Plan (FPPA) (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5%). 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	39.00 %	8.23 %
Equity Long/Short	8.00	6.87
Private Markets	26.00	10.63
Fixed Income - Rates	10.00	4.01
Fixed Income - Credit	5.00	5.25
Absolute Return	10.00	5.60
Cash	2.00	2.32
Total	<u>100.00</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 FPPA Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the 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 Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability (Asset)	\$ 108,425	\$ (107,742)	\$ (286,754)

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 EMPLOYEE RETIREMENT PLAN (CONTINUED)

State Fire and Police Pension Plan (FPPA) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the SWDB's fiduciary net position is available in FPPA's comprehensive annual financial report, which can be obtained at <http://www.fppaco.org>.

Changes Between the Measurement Date of the Net Pension Asset and December 31, 2020

During 2020, legislation was passed effective January 1, 2021 that amended the Statewide Defined Benefit Plan. The stabilization reserve accounts (SRA) of the Defined Benefit System became self-directed accounts with assets of \$123.6 million transferred to the FPPA Members' Self-Directed Investment Fund after the January 1, 2021 actuarial valuation date. This transfer does not impact the net pension asset of the plan as the transfer of assets will reduce both the total pension liability and the plan fiduciary net position.

NOTE 8 PENSION PLAN

The Town has adopted a 401(a)-money purchase pension plan for its employees. Full-time, permanent employees are eligible to participate in the Plan. The Board of Trustees is authorized to amend the Plan provisions, and determines the contributions made by the Town, currently 5% of eligible salaries. Contributions are made by the Town directly to each eligible employee's retirement account, and vest 20% immediately and at a rate of 20% annually thereafter. No voluntary contributions are allowed. Each employee selects their investments, and no Plan administration is performed by the Town other than transmitting contributions to the identified employee accounts. The Colorado Retirement Association provides administration for the Plan and assists employees with their self-directed investments.

During the year ended December 31, 2021, the Town's pension expense was \$138,536 to the Plan, equal to the required contributions. This amount was offset by forfeitures in the amount of \$14,835.

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).

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 9 RISK MANAGEMENT (CONTINUED)

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 coverages. 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.

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.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2021 were as follows:

Transfers Out	Transfers In			Total
	Capital Improvement Fund	Sanitation Fund	Geothermal Fund	
General Fund	\$ 60,431	\$ 168,896	\$ 18,959	\$ 248,286
Tourism Fund	25,000	-	-	25,000
Conservation Trust Fund	42,000	-	-	42,000
Total	\$ 127,431	\$ 168,896	\$ 18,959	\$ 315,286

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.

On March 18, 2021, The General Fund advanced funds at 1.25% to the Sanitation and Geothermal funds in the amounts of \$139,034 and \$18,959. Repayment of funds will be over three and six years, respectfully, at 1.25% beginning in July of 2021. Balance of advanced funds as of December 31, 2021, is \$119,172 and \$12,362 for the Sanitation and Geothermal funds.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PAGOSA SPRINGS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2021

Fiscal Year	2021	2020	2019	2018	2017	2016	2015
Plan Measurement Date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
(Entity)'s Proportion of the Net Pension Liability (Asset)	0.049627506%	0.048949656%	0.047532514%	0.058308300%	0.067448083%	0.062606691%	0.061852230%
(Entity)'s Proportionate Share of the Net Pension Liability (Asset)	\$ (107,742)	\$ (27,684)	\$ 60,094	\$ (83,886)	\$ 24,372	\$ (1,104)	\$ (69,805)
(Entity)'s Covered Payroll	\$ 398,609	\$ 360,769	\$ 318,405	\$ 341,063	\$ 345,181	\$ 303,497	\$ 278,175
(Entity)'s Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(27.0%)	(7.7%)	18.9%	(24.6%)	7.1%	(0.4%)	(25.1%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.7%	101.9%	95.2%	106.3%	98.2%	100.1%	106.8%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Covered payroll is presented based on the fiscal year. Information earlier than 2014 was not available.

**TOWN OF PAGOSA SPRINGS
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2021**

<u>Fiscal Year</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 33,498	\$ 31,889	\$ 28,862	\$ 25,472	\$ 27,285	\$ 27,615	\$ 24,280
Contributions in Relation to the Contractually Required Contribution	<u>33,498</u>	<u>31,889</u>	<u>28,862</u>	<u>25,472</u>	<u>27,285</u>	<u>27,615</u>	<u>24,280</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(Entity)'s Covered Payroll	\$ 394,089	\$ 398,609	\$ 360,769	\$ 318,405	\$ 341,063	\$ 345,181	\$ 303,497
Contributions as a Percentage of Covered Payroll	8.5%	8%	8%	8%	8%	8%	8%

*The amounts presented for each fiscal year were determined as of December 31.

**TOWN OF PAGOSA SPRINGS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

**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
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Property Tax	\$ 96,611	\$ 96,611	\$ 96,490	\$ (121)
Sales Tax	3,413,025	3,413,025	4,342,185	929,160
Franchise Tax	26,000	26,000	27,900	1,900
Other Taxes	43,000	43,000	39,892	(3,108)
Total Taxes	<u>3,578,636</u>	<u>3,578,636</u>	<u>4,506,467</u>	<u>927,831</u>
Licenses, Permits, and Fees				
Licenses, Permits, and Fees	86,700	86,700	108,141	21,441
Building Permits	75,000	75,000	154,509	79,509
Total Licenses, Permits, and Fees	<u>161,700</u>	<u>161,700</u>	<u>262,650</u>	<u>100,950</u>
Intergovernmental				
Grant Revenues	50,000	50,000	151,620	101,620
Total Intergovernmental	<u>50,000</u>	<u>50,000</u>	<u>151,620</u>	<u>101,620</u>
Fines and Forfeitures				
Fines and Forfeitures	113,500	113,500	88,201	(25,299)
Total Fines and Forfeitures	<u>113,500</u>	<u>113,500</u>	<u>88,201</u>	<u>(25,299)</u>
Charges for Services				
Charges for Services	150,750	150,750	283,935	133,185
Total Charges for Services	<u>150,750</u>	<u>150,750</u>	<u>283,935</u>	<u>133,185</u>
Interest				
Interest Revenue	28,000	28,000	52,764	24,764
Total Interest	<u>28,000</u>	<u>28,000</u>	<u>52,764</u>	<u>24,764</u>
Other Revenues				
Miscellaneous	153,748	181,849	158,733	(23,116)
Total Other Revenues	<u>153,748</u>	<u>181,849</u>	<u>158,733</u>	<u>(23,116)</u>
Total Revenue	4,236,334	4,264,435	5,504,370	1,239,935

See the accompanying Independent Auditors' Report.

**TOWN OF PAGOSA SPRINGS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
General Government				
Town Admin	\$ 1,023,377	\$ 1,023,377	\$ 946,623	\$ 76,754
Building and Planning	665,690	665,690	557,672	108,018
Municipal Court	386,760	386,760	351,186	35,574
Total General Government	<u>2,075,827</u>	<u>2,075,827</u>	<u>1,855,481</u>	<u>220,346</u>
Public Safety				
Police	1,276,601	1,488,440	1,138,577	349,863
Total Public Safety	<u>1,276,601</u>	<u>1,488,440</u>	<u>1,138,577</u>	<u>349,863</u>
Parks and Recreation				
Recreation	554,831	737,331	549,348	187,983
Total Parts and Recreation	<u>554,831</u>	<u>737,331</u>	<u>549,348</u>	<u>187,983</u>
Community Support				
Community Support	359,425	359,425	298,305	61,120
Total Community Support	<u>359,425</u>	<u>359,425</u>	<u>298,305</u>	<u>61,120</u>
Total Expenditures	<u>4,266,684</u>	<u>4,661,023</u>	<u>3,841,711</u>	<u>819,312</u>
Excess of Revenues Over (Under) Expenditures	(30,350)	(396,588)	1,662,659	2,059,247
Other Financing Sources (Uses)				
Transfers Out	-	(157,992)	(248,286)	(90,294)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(157,992)</u>	<u>(248,286)</u>	<u>(90,294)</u>
NET CHANGE IN FUND BALANCE	(30,350)	(554,580)	1,414,373	1,968,953
Fund Balance - Beginning of Year	<u>2,360,315</u>	<u>3,623,830</u>	<u>3,623,830</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,329,965</u>	<u>\$ 3,069,250</u>	<u>\$ 5,038,203</u>	<u>\$ 1,968,953</u>

See the accompanying Independent Auditors' Report.

**TOWN OF PAGOSA SPRINGS
TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual	Variance With Final Budget
REVENUES			
Lodgers Tax	\$ 699,103	\$ 1,015,412	\$ 316,309
Intergovernmental Revenue	273,500	523,353	249,853
Charges for Services	1,500	1,013	(487)
Other Revenues	25,000	-	(25,000)
Total Revenue	<u>999,103</u>	<u>1,539,778</u>	<u>540,675</u>
EXPENDITURES			
Community Support	<u>986,668</u>	<u>838,553</u>	<u>148,115</u>
Total Expenditures	<u>986,668</u>	<u>838,553</u>	<u>148,115</u>
Excess of Revenues Over (Under) Expenditures	12,435	701,225	688,790
Other Financing Sources (Uses)			
Transfers Out	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
NET CHANGE IN FUND BALANCE	12,435	676,225	663,790
Fund Balance - Beginning of Year	<u>774,701</u>	<u>922,685</u>	<u>147,984</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 787,136</u></u>	<u><u>\$ 1,598,910</u></u>	<u><u>\$ 811,774</u></u>

See the accompanying Independent Auditors' Report.

OTHER INFORMATION

**TOWN OF PAGOSA SPRINGS
BUDGETARY COMPARISON SCHEDULES
DECEMBER 31, 2021**

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
CAPITAL IMPROVEMENT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Sales Taxes	\$ 3,413,025	\$ 3,413,025	\$ 4,342,185	\$ 929,160
Highway Users Tax	68,786	68,786	81,503	12,717
Intergovernmental Revenue	958,488	958,488	580,334	(378,154)
Charges for Services	31,705	50,650	61,576	10,926
Interest Income	5,000	5,000	-	(5,000)
Other Income	15,000	15,000	55,476	40,476
Total Revenue	<u>4,492,004</u>	<u>4,510,949</u>	<u>5,121,074</u>	<u>610,125</u>
EXPENDITURES				
General Government	306,223	306,223	15,803	290,420
Public Safety	10,500	10,500	14,344	(3,844)
Public Works/Streets	1,727,622	1,981,288	1,646,581	334,707
Parks and Recreation	606,953	606,953	455,506	151,447
Debt Service				
Principal	309,883	433,841	366,844	66,997
Interest	162,000	162,000	161,710	290
Capital Outlay	<u>2,299,157</u>	<u>2,299,157</u>	<u>1,757,080</u>	<u>542,077</u>
Total Expenditures	<u>5,422,338</u>	<u>5,799,962</u>	<u>4,417,868</u>	<u>1,382,094</u>
Excess of Revenue Over (Under)				
Expenditures	(930,334)	(1,289,013)	703,206	1,992,219
Other Financing Sources (Uses)				
Transfers In	-	-	127,431	127,431
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>127,431</u>	<u>127,431</u>
NET CHANGE IN FUND BALANCE	(930,334)	(1,289,013)	830,637	2,119,650
Fund Balance - Beginning of Year	<u>1,731,287</u>	<u>1,718,931</u>	<u>1,718,931</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 800,953</u>	<u>\$ 429,918</u>	<u>\$ 2,549,568</u>	<u>\$ 2,119,650</u>

See the accompanying Independent Auditors' Report.

**TOWN OF PAGOSA SPRINGS
NONMAJOR CONSERVATION TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Charges for Services	\$ 44,197	\$ 44,197	\$ 43,427	\$ (770)
Intergovernmental Revenues	15,000	77,032	80,525	3,493
Total Revenue	59,197	121,229	123,952	2,723
EXPENSES				
Operating System	16,000	16,000	29,672	(13,672)
Administrative	13,750	13,750	1,000	12,750
Capital Outlay	25,000	25,000	-	25,000
Professional Fees	8,000	8,000	5,000	3,000
Debt Principal	6,750	6,750	18,787	(12,037)
Debt Interest and Fiscal Charges	-	-	1,012	(1,012)
Total Operating Expenses	69,500	69,500	55,471	14,029
Operating Income	(10,303)	51,729	68,481	16,752
Contributions, Transfers and Capital and Related Financing Activities				
Transfers In	-	18,959	18,959	-
Total Contributions and Transfers	-	18,959	18,959	-
CHANGE IN NET POSITION - BUDGETARY BASIS	\$ (10,303)	\$ 70,688	87,440	\$ 16,752
GAAP Basis Adjustments				
Debt Principal			18,787	
Depreciation			(28,232)	
CHANGE IN NET POSITION - GAAP BASIS			77,995	
Net Position - Beginning of Year			320,152	
NET POSITION - END OF YEAR			\$ 398,147	

See the accompanying Independent Auditors' Report.

**TOWN OF PAGOSA SPRINGS
SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Charges for Services	\$ 863,340	\$ 888,878	\$ 871,249	\$ (17,629)
Property and Specific Ownership Tax	45,790	45,790	56,035	10,245
Grant Revenue	156,024	156,024	67,743	(88,281)
Connection and Tap Fees	69,375	69,375	64,947	(4,428)
Interest Income	2,500	2,500	1,149	(1,351)
Other Revenues	24,000	24,000	14,063	(9,937)
Total Operating Revenue	<u>1,161,029</u>	<u>1,186,567</u>	<u>1,075,186</u>	<u>(111,381)</u>
EXPENSES				
Salaries and Wages	165,971	165,971	126,647	39,324
Operating System	404,628	404,628	343,221	61,407
Administrative	198,900	198,900	44,931	153,969
Capital Outlay	150,000	150,000	145,920	4,080
Professional Fees	33,000	33,000	32,339	661
Debt Principal	275,514	367,938	410,864	(42,926)
Debt Interest and Fiscal Charges	80,104	80,104	71,401	8,703
Total Operating Expenses	<u>1,308,117</u>	<u>1,400,541</u>	<u>1,175,323</u>	<u>225,218</u>
Operating Income	(147,088)	(213,974)	(100,137)	349,705
Contributions, Transfers and Capital and Related Financing Activities				
Transfers In	-	139,033	168,896	29,863
Total Contributions and Transfers	<u>-</u>	<u>139,033</u>	<u>168,896</u>	<u>29,863</u>
CHANGE IN NET POSITION - BUDGETARY BASIS	<u>\$ (147,088)</u>	<u>\$ (74,941)</u>	68,759	<u>\$ 379,568</u>
GAAP Basis Adjustments				
Capital Outlay			145,920	
Debt Principal			410,864	
Depreciation			<u>(293,767)</u>	
CHANGE IN NET POSITION - GAAP BASIS			331,776	
Net Position - Beginning of Year			<u>7,219,319</u>	
NET POSITION - END OF YEAR			<u>\$ 7,551,095</u>	

See the accompanying Independent Auditors' Report.

**TOWN OF PAGOSA SPRINGS
GEOHERMAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Charges for Services	\$ 44,197	\$ 44,197	\$ 43,427	\$ (770)
Intergovernmental Revenues	<u>15,000</u>	<u>77,032</u>	<u>80,525</u>	<u>3,493</u>
Total Revenue	59,197	121,229	123,952	2,723
EXPENSES				
Operating System	16,000	16,000	29,672	(13,672)
Administrative	13,750	13,750	1,000	12,750
Capital Outlay	25,000	25,000	-	25,000
Professional Fees	8,000	8,000	5,000	3,000
Debt Principal	6,750	6,750	18,787	(12,037)
Debt Interest and Fiscal Charges	-	-	1,012	(1,012)
Total Operating Expenses	<u>69,500</u>	<u>69,500</u>	<u>55,471</u>	<u>14,029</u>
Operating Income	(10,303)	51,729	68,481	16,752
Contributions, Transfers and Capital and Related Financing Activities				
Transfers In	-	18,959	18,959	-
Total Contributions and Transfers	<u>-</u>	<u>18,959</u>	<u>18,959</u>	<u>-</u>
CHANGE IN NET POSITION - BUDGETARY BASIS	<u>\$ (10,303)</u>	<u>\$ 70,688</u>	87,440	<u>\$ 16,752</u>
GAAP Basis Adjustments				
Debt Principal			18,787	
Depreciation			<u>(28,232)</u>	
CHANGE IN NET POSITION - GAAP BASIS			77,995	
Net Position - Beginning of Year			<u>320,152</u>	
NET POSITION - END OF YEAR			<u>\$ 398,147</u>	

See the accompanying Independent Auditors' Report.

STATE COMPLIANCE

**TOWN OF PAGOSA SPRINGS
LOCAL HIGHWAY FINANCE REPORT
DECEMBER 31, 2020**

Financial Planning 02
Form # 350-050-36

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 2021
This Information From The Records Of Town of Pagosa Springs	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)	49,998
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	462,592
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	615,650	b. Snow and ice removal	-
3. Other local imposts (from page 2)	-	c. Other	-
4. Miscellaneous local receipts (from page 2)	282	d. Total (a. through c.)	-
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)	512,589
b. Bonds - Refunding Issues	-	B. Debt service on local obligations:	
c. Notes	-	1. Bonds:	
d. Total (a. + b. + c.)	-	a. Interest	85,563
7. Total (1 through 6)	615,932	b. Redemption	100,000
B. Private Contributions	-	c. Total (a. + b.)	185,563
C. Receipts from State government (from page 2)	82,220	2. Notes:	
D. Receipts from Federal Government (from page 2)	-	a. Interest	-
E. Total receipts (A.7 + B + C + D)	698,152	b. Redemption	-
		c. Total (a. + b.)	-
		3. Total (1.c + 2.c)	185,563
		C. Payments to State for highways	-
		D. Payments to toll facilities	-
		E. Total disbursements (A.6 + B.3 + C + D.4 + E.5)	698,152

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	2,260,000	0	100,000	2,160,000
1. Bonds (Refunding Portion)		0	0	
B. Notes (Total)	-	0	0	-

V. LOCAL ROAD AND STREET FUND BALANCE

	0	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		698,152	698,152	0	-

Notes and Comments:

**TOWN OF PAGOSA SPRINGS
LOCAL HIGHWAY FINANCE REPORT (CONTINUED)
DECEMBER 31, 2020**

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2021	
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	0	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	0	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	0	g. Other Misc. Receipts	0
6. Total (1. through 5.)	0	h. Other	282
c. Total (a. + b.)	0	i. Total (a. through h.)	282
(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	82,220	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	0	d. Federal Transit Admin	0
d. Other (Specify) -	0	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	82,220	3. Total (1. + 2.g)	
(Carry forward to page 1)		(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	49,997	49,997
b. Engineering Costs	0	0	0
c. Construction:			
(1). New Facilities	0	0	0
(2). Capacity Improvements	0	0	0
(3). System Preservation	0	0	0
(4). System Enhancement & Operation	0	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	49,997	49,997
(Carry forward to page 1)		(Carry forward to page 1)	



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