

TOWN OF PAGOSA SPRINGS, COLORADO
REPORT OF EXAMINATION AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

TOWN OF PAGOSA SPRINGS, COLORADO
YEAR ENDED DECEMBER 31, 2007
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Pagosa Springs
Pagosa Springs, Colorado

I have audited the accompanying financial statements of the governmental activities and the business type activities of the Town of Pagosa Springs, Pagosa Springs, Colorado as of and for the year ended December 31, 2007 as listed in the table of contents. These financial statements are the responsibility of the Town of Pagosa Springs' management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements of the governmental activities and the business type activities referred to above present fairly, in all material respects, the financial position of the Town of Pagosa, Pagosa Springs, Colorado as of December 31, 2007 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The information included in the introductory section listed in the accompanying table of contents is not a required part of the basic financial statements of the Town of Pagosa Springs. Accordingly, I did not audit this information and express no opinion on it.



Michael C. Branch
Certified Public Accountant
March 7, 2008

TOWN OF PAGOSA SPRINGS

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Town of Pagosa Springs' annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year, which ends December 31, 2007. Please read it in conjunction with the Town's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

Sales tax revenue represents the vast majority of revenue to the Town and revenues in 2007 did not reach estimated projections utilized in the 2007 budget, but were up overall for the year. The local economy appeared to slow some in various sectors and was up in others. Residential construction numbers were off for 2007 when compared to 2005/2006. However, Commercial construction numbers were up for 2007 and set records in total construction valuation. In 2007, Archuleta County experienced major financial difficulties, which resulted in numerous employee layoffs and delays in payments to the Town for lease and tax payments. Several capital improvement projects were completed in 2007, however several other projects have been deferred till 2008. The Town passed the first Comprehensive Plan for the town and also successfully passed a new Downtown Master Plan and Design Guideline. These planning documents are essential to successfully managing growth in our community.

Sales tax collected in 2007 totaled approximately \$3,350,000 and resulted in an increase of 2.34% when compared to 2006. Sales tax collections for 2008 are estimated to be \$3,417,000 and represent an increase of 2.00% when compared to 2007 collections. The Town lodging tax rate is 4.9% and resulted in approximately \$345,000 for 2007. These revenues are restricted for tourism or tourism related capital improvements and are reflected in the Town Tourism Committee budget which is reviewed and approved by the Town Council annually. The Town mill levy remains unchanged at 1.557 mills. The County Assessor reported increases in assessed valuations, which now total \$64,325,658 and represent a \$17,677,511 increase from 2007. Grant funding was secured for numerous projects in 2007 including capital improvement projects, planning studies and other programs.

Expenditures have increased in almost every sector of the budget. Several new positions were slated to be added in 2007 and were funded in part with Archuleta County funds or entirely with Town funds. The narcotics officer position was fully funded by the Town following the County's withdrawal of funding for this position. No other positions were funded in 2007. Base employee salaries increased 3.4%, which is a cost of living adjustment derived from the Department of Labor Employee Cost Index. Employees also received a 1.0-3.0% merit salary increase based on their performance. Health insurance benefits for 2007 increased 23% due to increased insurance premiums. Capital improvement projects derive the bulk of expenditures and included Greatwest Avenue and Cemetery Road improvements, Sports Complex improvements (Phase 1), Riverwalk Trail (Phase 1) completion and various trail and sidewalk improvements.

The total General Fund revenues for 2007 are estimated at \$5,116,011 and the total Fund revenues are estimated at \$5,416,332. The total General Fund expenditures for 2007 are

\$4,792,843 and the total fund expenditures are estimated at \$5,060,914. The Town reserve balance increased in 2007 due to increased sales tax revenues and also due to deferred or incomplete capital improvement projects. The reserve balance for year-ending 2007 is estimated to be \$3,059,665 and represents an increase of \$638,302 however all of the 2007 increases are allocated for capital improvement expenditure in 2008.

The Town has closed out several grants and still has several open. The \$500,000 CDBG grant for the Seeds of Learning building and the \$250,000 GOCO grant for the Sports Complex were both closed out, as well as a CDOT CMAQ (Cemetery Road) and Enhancement (Riverwalk Trail, Phase 2) grants were also closed out.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending. Governmental funds include the General and Conservation Trust Fund.

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

Town-wide Statements

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

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

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

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

The Town-wide financial statements of the Town include all of the *Governmental activities*. Most of the Town's basic services are included here. Sales taxes finance most of these activities.

Fund Financial Statements

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

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

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

The Town has the following funds:

Governmental funds — All of the Town's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Total net assets increased by \$126,183. Cash increased \$54,239. Total current assets increased by \$184,870.

The Town's total governmental revenues were \$5,165,408. Over 64% of the Town's revenues came from sales taxes.

Governmental Activities

Property tax revenues increased about 39% from the previous year due to increased assessed valuation.

General Fund Budgetary Highlights

Actual expenditures (including reserves) were \$840,475 below budget amounts. Actual revenues received exceeded budgeted amounts.

CAPITAL ASSETS

At the end of 2007, the Town had invested in a broad range of capital assets, including land, equipment and buildings.

(See table on following page)

Town's Capital Assets

Land	\$ 1,016,376
Streets	5,456,717
Buildings	2,608,438
Equipment	735,520
Geothermal	1,824,419
Sanitation	<u>3,457,144</u>
Totals	15,098,614
Less Accumulated Depreciation	(2,400,182)
Net Capital Assets	\$12,080,080

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

TOWN OF PAGOSA SPRINGS
 Statements of Net Assets
 December 31, 2007

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Current assets			
Cash	\$ 2,435,381	\$ 633,302	\$ 3,068,683
Cash held by County	1,114		1,114
Account receivables	749,431	52,326	801,757
Tax receivables	100,155	100,155	200,310
Due from other funds	3,257	710	3,967
Total Current Assets	<u>3,289,338</u>	<u>786,493</u>	<u>4,075,831</u>
Capital Assets			
Fixed assets net of depreciation	8,962,908	3,093,523	12,056,431
Total Assets	<u>\$ 12,252,246</u>	<u>\$ 3,880,016</u>	<u>\$ 16,132,262</u>
LIABILITIES			
Current liabilities			
Accounts Payable	\$ 13,439	\$ 3,417	\$ 16,856
Deferred revenue	227,585	105,130	332,715
Current portion of long term debt	170,729	52,460	223,189
Due other funds	3,257	3,257	3,257
Total Current Liabilities	<u>411,753</u>	<u>164,264</u>	<u>576,017</u>
Long term liabilities			
Bonds payable		493,699	493,699
Capital lease	1,214,261		1,214,261
Total Liabilities	<u>\$ 1,626,014</u>	<u>\$ 657,963</u>	<u>\$ 2,283,977</u>
Net Assets			
Capital assets net of related debt	\$ 7,577,918	\$ 2,547,364	\$ 10,125,282
Reserved for emergencies	144,942		144,942
Unrestricted Designated for Impact	127,430		127,430
Unrestricted	2,775,942	679,664	3,455,606
Total Net Assets	<u>\$ 10,626,232</u>	<u>\$ 3,227,028</u>	<u>\$ 13,853,260</u>

See accompanying notes

TOWN OF PAGOSA SPRINGS
Statement of Activities
For the Year Ended December 31, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Miscellaneous Grants	Governmental Activities	Business- Type Activities	Total
Governmental Activities:						
General Government	\$ (1,397,992)	\$ 234,987	\$	\$ (1,163,005)	\$	\$ (1,163,005)
Public safety	(801,784)			(801,784)		(801,784)
Public works	(2,037,102)		1,023,954	(1,013,148)		(1,013,148)
Total	<u>(4,236,878)</u>	<u>234,987</u>	<u>1,023,954</u>	<u>(2,977,937)</u>		<u>(2,977,937)</u>
Business-type Activities:						
Enterprise funds	(548,198)	403,900	10,000		(134,298)	(134,298)
Total	<u>(548,198)</u>	<u>403,900</u>	<u>10,000</u>		<u>(134,298)</u>	<u>(134,298)</u>
Governmental and Business- Type Activities Totals	\$ <u>(4,785,076)</u>	\$ <u>638,887</u>	\$ <u>1,033,954</u>	\$ <u>(2,977,937)</u>	\$ <u>(134,298)</u>	\$ <u>(3,112,235)</u>
General revenues:						
Taxes				3,790,425	84,381	3,874,806
Other				36,421		36,421
Interest				79,621	23,427	103,048
Plant investment					34,450	34,450
Interest expense				(72,375)	(24,644)	(97,019)
Total General Revenues				<u>3,834,092</u>	<u>117,614</u>	<u>3,951,706</u>
Changes in net assets				856,152	(16,684)	839,468
Net assets, January 1, 2007				<u>9,770,080</u>	<u>3,243,712</u>	<u>13,013,792</u>
Net assets, December 31, 2007				<u>\$ 10,626,232</u>	<u>\$ 3,227,028</u>	<u>\$ 13,853,260</u>

See accompanying notes

TOWN OF PAGOSA SPRINGS, COLORADO
 Balance Sheet
 Governmental Funds
 December 31, 2007

	Governmental Fund Types		
	General	Conservation Trust	Total Governmental Funds
ASSETS			
Cash	\$ 2,269,356	\$ 166,025	\$ 2,435,381
Cash held by County	1,114		1,114
Account receivables	749,431		749,431
Taxes receivable	100,155		100,155
Due from other funds	3,257		3,257
Total Assets	<u>\$ 3,123,313</u>	<u>\$ 166,025</u>	<u>\$ 3,289,338</u>
 LIABILITIES			
Account payables	\$ 13,439	\$	\$ 13,439
Deferred revenue	227,585		227,585
Total Liabilities	<u>241,024</u>	<u></u>	<u>241,024</u>
 FUND EQUITY			
Fund Balances:			
Reserved for Parks		166,025	166,025
Reserved for emergencies	144,942		144,942
Designated for impact	127,430		127,430
Undesignated	2,609,917		2,609,917
Total Fund Equity	<u>2,882,289</u>	<u>166,025</u>	<u>3,048,314</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,123,313</u>	<u>\$ 166,025</u>	<u>\$ 3,289,338</u>

See accompanying notes

TOWN OF PAGOSA SPRINGS
 Reconciliation of the Governmental Funds Balance Sheet
 To the Statement of Net Assets
 For the Year Ended December 31, 2007

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

Total fund balance - governmental funds	\$ 3,048,314
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

	\$ 9,710,995	
The cost of capital assets is		
Accumulated depreciation is	<u>(748,087)</u>	
		8,962,908

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consists of:

Capital Lease	<u>(1,384,990)</u>
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Total net assets - governmental activities	\$ <u>10,626,232</u>
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See accompanying notes

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Revenue, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2007

	General	Conservation Trust	Total Governmental Funds
REVENUE			
Taxes	\$ 3,790,425	\$	\$ 3,790,425
Licenses & permits	119,482		119,482
Intergovernmental and grants	927,413	96,541	1,023,954
Charges for services	84,205		84,205
Fines and forfeits	31,300		31,300
Interest	77,822	1,799	79,621
Other	36,421		36,421
	5,067,068	98,340	5,165,408
General government	1,289,287		1,289,287
Public safety and Courts	801,784 ✓		801,784
Public works	315,141 ✓		315,141
Parks and recreation	482,865		482,865
Public support	108,705 ✓		108,705
Capital road maintenance, debt service	1,833,612		1,833,612
	4,831,394		4,831,394
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	235,674	98,340	334,014
FUND BALANCE BEGINNING OF YEAR	2,646,615	67,685	2,714,300
FUND BALANCE END OF YEAR	\$ 2,882,289	\$ 166,025	\$ 3,048,314

See accompanying notes

TOWN OF PAGOSA SPRINGS
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007

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

Net change in fund balances – total government funds \$ 334,014

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 583,705

The net effect of various miscellaneous transactions involving capital assets (depreciation) is to increase net assets. (225,886)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 164,319

Change in net assets of governmental activities \$ 856,152

TOWN OF PAGOSA SPRINGS, COLORADO
Proprietary Funds
Statement of Net Assets
December 31, 2007

	Business-type Activities Enterprise Funds		Totals
	Sanitation Fund	Geothermal Fund	
ASSETS			
Current Assets			
Cash	\$ 585,858	\$ 47,444	\$ 633,302
Account receivables	23,666	28,660	52,326
Taxes receivable	105,130		105,130
Cash with County	710		710
Total Current Assets	715,364	76,104	791,468
Capital Assets			
Fixed assets, net	2,514,476	579,047	3,093,523
Total Assets	3,229,840	655,151	3,884,991
LIABILITIES			
Current liabilities			
Accrued vacation	3,417		3,417
Deferred revenue	105,130		105,130
Bonds payable, current	52,460		52,460
Due to other funds		3,257	3,257
Total Current Liabilities	161,007	3,257	164,264
Long term liabilities	493,699		493,699
Total Liabilities	654,706	3,257	657,963
Net Assets			
Capital assets net of debt	1,968,317	579,047	2,547,364
Unrestricted	606,817	72,847	679,664
Total Net Assets - Fund Level	\$ 2,575,134	\$ 651,894	\$ 3,227,028

See accompanying notes

TOWN OF PAGOSA SPRINGS, COLORADO
Proprietary Funds
Statement of Revenues, Expenses and
Changes in Fund Net Assets
December 31, 2007

	Business-type Activities Enterprise Funds		
	Sanitation Fund	Geothermal Fund	Totals
Operating Revenue:			
Service fees	\$ 364,220	\$ 39,680	\$ 403,900
Total Revenue	<u>364,220</u>	<u>39,680</u>	<u>403,900</u>
Operating Expenses:			
Personnel	59,570	5,577	65,147
Commodities	110,870	8,608	119,478
Contractual	240,249	19,990	260,239
Depreciation	79,686	23,648	103,334
Total Expenses	<u>490,375</u>	<u>57,823</u>	<u>548,198</u>
Income (Loss) From Operations	<u>(126,155)</u>	<u>(18,143)</u>	<u>(144,298)</u>
Non-Operating Revenue (Expense)			
Grants	10,000		10,000
Property tax	84,381		84,381
Interest expense	(24,644)		(24,644)
Interest income	23,427		23,427
Plant investments	34,450		34,450
Total Non-Operating Revenue	127,614	-	127,614
Changes in Net Assets	1,459	(18,143)	(16,684)
Net Assets Beginning of Year	<u>2,573,675</u>	<u>670,037</u>	<u>3,243,712</u>
Net Assets End of Year	<u>\$ 2,575,134</u>	<u>\$ 651,894</u>	<u>\$ 3,227,028</u>

See accompanying notes

TOWN OF PAGOSA SPRINGS, COLORADO
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2007

	Business-type Activities Enterprise Funds		
	Sanitation	Geothermal	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 358,096	\$ 21,585	\$ 379,681
Cash Paid for Expenses	(408,686)	(34,175)	(442,861)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(50,590)	(12,590)	(63,180)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payment of Interest on Bonds	(24,644)		(24,644)
Net Change in Loans	(40,651)		(40,651)
Tap Fees	34,450		34,450
Interest and Grants	33,426		33,426
CASH FLOWS FROM (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	2,581		2,581
CASH FLOWS FROM NON CAPITAL ACTIVITIES:			
Taxes	84,381		84,381
CASH FLOWS FROM NON CAPITAL ACTIVITIES	84,381		84,381
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,372	(12,590)	23,782
CASH AND CASH EQUIVALENTS:			
Beginning of Year	549,486	60,034	609,520
End of Year	\$ 585,858	\$ 47,444	\$ 633,302

See accompanying notes

TOWN OF PAGOSA SPRINGS, COLORADO
Proprietary Funds
Combining Statement of Cash Flows
For The Year Ended December 31, 2007

(continued)

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

	<u>Sanitation</u>	<u>Geothermal</u>	<u>Totals</u>
Operating Income (Loss)	\$ (126,155)	\$ (18,143)	\$ (144,298)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Increase Cash with County	(58)		(58)
Depreciation	79,686	23,648	103,334
Decrease in Accounts Payable	2,061		2,061
(Increase) Decrease in Accounts Receivable	(6,124)	(18,095)	(24,219)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (50,590)	\$ (12,590)	\$ (63,180)

See accompanying notes

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to Financial Statements

Year Ended December 31, 2007

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Pagosa Springs, Colorado operates under the statutes governing municipalities of the State of Colorado. The Town operates under a Board form of government and provides the following services as authorized by State statutes: highway and streets, culture-recreation, public improvements, public safety (police), planning and zoning and general administrative services.

The accounting policies of the Town of Pagosa Springs, Colorado conform to generally accepted accounting principles. The following is a summary of such significant policies:

Principles Determining Scope of Reporting Entity

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

the organization is legally separate; the Town holds the corporate powers of the organization; the Town appoints a voting majority of the organization's board; the Town is able to impose its will on the organization; the organization has the potential to impose a financial benefit/burden on the Town; there is fiscal dependency by the organization on the Town. Based on the aforementioned criteria, the Town of Pagosa Springs has no component units.

Fund Accounting

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

They report the following major funds:

General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town except these required legally or by sound financial management to be accounted for in another fund.

Conservation Trust Fund is used to account for lottery revenue received from State.

Measurement Focus, Basis of Accounting, and Financial Statements Presentations

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

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to Financial Statements
December 31, 2007

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

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

As a general rule the effect of Interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

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

Property and specific ownership taxes are reported as receivables and deferred revenue when levied and as revenues when collected in the following year.

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

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

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to Financial Statements
December 31, 2007

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

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

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

Budgets and Budgetary Accounting

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

- (1) In accordance with the State statutes, prior to September 1, the Town Clerk submits to the Town Board 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 head function level.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Prior to December 31, the budget is legally adopted through passage of a resolution.
- (4) The Town Clerk is required to present a monthly report to the Town Board explaining any variance from the approved budget.
- (5) Formal budgetary integration is employed as a management control device during the year for all funds of the Town of Pagosa Springs.
- (6) Budgets for the General, Debt Service, Capital Projects, Special Revenue Funds and Fiduciary Funds are adopted on a basis consistent with generally accepted accounting principles (GAPP).
- (7) Colorado State statutes require the adoption of a budget for proprietary funds. The budgets for Sanitation Fund and Geothermal fund are prepared essentially on the modified accrual basis of accounting.
- (8) Appropriations lapse at the end of each calendar year.
- (9) The Town Board may authorize supplemental appropriations during the year.

Joint Ventures

The Town of Pagosa Springs participates in special purpose joint ventures, which are not part of the Town's reporting entity. Additional information regarding the Town's participation in joint ventures is provided in Note One. The following is the joint venture in which the Town participates:

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to Financial Statements
December 31, 2007

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

Colorado Intergovernmental Risk-Sharing Agency

The Town of Pagosa Springs is one of 98 local governments, which are members of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is an organization created in 1982 by an intergovernmental agreement solely to provide property and casualty coverage to its members. Coverage is provided through polling of self-insured losses and the purchase of stop-loss insurance coverage. In 1987, CIRSA/WC was formed as a separate pool by intergovernmental agreement to provide coverage to its members under the Colorado Workmen's Compensation Act. Both CIRSA and CIRSA/WC are governed by a seven-member board elected by and from its members. The governing board is autonomous as to budgeting and fiscal matters.

Reserves

The Town records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use.

Following is a list of all reserve accounts used by the Town and a description of each:

Reserved for Emergencies – In compliance with the Tabor Amendment to the Constitution of the State of Colorado, General Fund equity is reserved for future emergencies.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and are due and payable February 28 and July 31. All unpaid taxes levied January become delinquent on August 1. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Property taxes levied on December 31 are shown as receivable with an offsetting deferred revenue at December 31. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

Cash Deposits and Cash Equivalents

Cash deposits at December 31, 2007, consisted of certificates of deposit with banks and savings and loans and cash in demand deposit accounts. For purposes of the statements of cash flows, the Water and Garbage Funds consider all such highly liquid deposits with an original maturity of less than three months to be cash equivalents.

NOTE (2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between fund balances – total governmental funds and net assets – governmental activities as reported in government-wide statement of net assets. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net assets of governmental activities are reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the governmental fund statements during the consolidation of governmental activities.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to Financial Statements
December 31, 2007

NOTE (3) CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

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

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

Buildings	50
Furniture, machinery and equipment	5-10

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
Non-depreciable Assets:				
Land	\$ 1,000,000	\$	\$	\$ 1,000,000
Total non-depreciable Assets	<u>1,000,000</u>			<u>1,000,000</u>
Depreciable Assets:				
Buildings	2,599,516	8,922		2,608,438
Equipment and vehicles	451,644	194,196		645,840
Infrastructure	5,076,130	380,587		5,456,717
Total Depreciable Assets	<u>8,127,290</u>	<u>583,705</u>		<u>8,710,995</u>
Less Accumulated Depreciation	<u>(522,201)</u>	<u>(225,886)</u>		<u>(748,087)</u>
Total Net Assets	<u>\$ 8,605,089</u>	<u>\$ 357,819</u>	<u>\$</u>	<u>\$ 8,962,908</u>

Business-Type Activities

A summary of changes in enterprise funds capital assets is as follows:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
Sewer Fund:				
Land	\$ 16,376	\$	\$	\$ 16,376
Sewer system	3,457,144			3,457,144
Equipment and vehicles	87,426			87,426
Accumulated Depreciation	<u>(966,783)</u>	<u>(79,686)</u>		<u>(1,046,469)</u>
Total Sewer Fund, net	<u>\$ 2,594,163</u>	<u>\$ (79,686)</u>	<u>\$ 0</u>	<u>\$ 2,514,477</u>

TOWN OF PAGOSA SPRINGS, COLORADO
Notes To Financial Statements
December 31, 2007

NOTE (3) CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION (continued)

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007
Geothermal Fund:				
Geothermal System	\$ 1,182,419	\$	\$	\$ 1,182,419
Equipment & vehicles	2,254			2,254
Accumulated Depreciation	<u>(581,978)</u>		<u>(23,648)</u>	<u>(605,626)</u>
Total Geothermal Fund, net	<u>\$ 602,695</u>	<u>\$</u>	<u>\$ (23,648)</u>	<u>\$ 579,047</u>

NOTE (4) CASH AND DEPOSITS

At December 31, 2007, the District had the following cash and investments:

Deposits \$ 3,068,683

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2007, the State regulatory commissioners had indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2007, the District had bank deposits of \$3,219,231 collateralized with securities held by the financial institutions' agents but not in the District's name.

Cash and Investments

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

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

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to Financial Statements

Year Ended December 31, 2007

NOTE (5) PENSION PLANS

Policemen's Pension

The New Hire fund is administered by the Fire and Police Pension Association (of Colorado), which is a multi-employer comprehensive plan. An actuarial study is performed annually. All new hire employees are covered by the plan and contribute 8% of their base salary. The Town is required to at least match the employee contributions. As of December 31, 2007 all police are eligible and participating in the plan.

The Town's total pension contributions for 2007 were \$30,406 for a payroll of \$380,075.

The normal retirement date shall be the date on which a member has completed at least twenty-five years of active service and has attained the age of sixty. There are provisions for early retirement. The normal retirement benefit shall be two percent of the average of the member's highest three years base salary multiplied by the member's years of service prior to age sixty-five, not to exceed twenty-five years. A Deferred Vested Benefit allows a member who terminates with at least ten years of active service to leave their contributions in the fund and when they attain age sixty-five, to be eligible to receive an annual benefit equal to two percent of the average of their highest three years salary multiplied by their years of active service not to exceed twenty-five years. A member may upon termination elect to have their accumulated contributions refunded to them in a lump sum. In addition to receiving their accumulated contributions, the member shall receive five percent of their total accumulated contributions as interest. Members of this fund and their employees are currently each contributing at the rate of eight percent of base salary.

FPPA issues a publicly available report that includes financial statements and required supplementary information. That report maybe obtained by writing to Fire and Police Pension Association, Two DTC, 5290 DTC Parkway, #100, Englewood, Colorado 80111.

NOTE (6) RECEIVABLES

Receivables at December 31, 2007 consist of the following:

	General <u>Fund</u>	Enterprise <u>Fund</u>
Accounts Receivable	\$ 77,109	\$ 52,326
Property tax	100,155	
Sales tax	649,924	
Cigarette tax	2,491	
Source Gas	1,312	
Cable TV	2,701	
HUFT	4,928	
Telephone	<u>10,965</u>	
	<u>\$849,585.</u>	<u>\$ 52,326</u>

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to Financial Statements
Year Ended December 31, 2007

NOTE (7) PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1st and are payable in two installments (on or before the last day of February and June 15th) or in total by April 30th. The County bills and collects the property taxes and remits the funds to the Town. Property tax revenue is recognized when levied to the extent that it results in a current receivable with an offset to deferred revenue.

NOTE (8) RISK MANAGEMENT

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

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

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

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the Bylaws, any member of CIRSA against stated liability or loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at a reasonable cost. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. The Bylaws shall constitute the substance of the intergovernmental contract among the members. The Town of Pagosa Springs, Colorado is one member out of a total of ninety-nine towns and cities. CIRSA is directed by a seven-member board of directors composed of municipal officials from member cities and towns.

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

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes To Financial Statements
Year Ended December 31, 2007

NOTE (8) RISK MANAGEMENT (continued)

Summary of financial information:	
Balance sheet date	12/31/06 (000)
Total assets	\$50,606
Total liabilities	<u>\$32,362</u>
Total equity	\$18,364
Revenue	\$20,646
Expenses	<u>17,218</u>
Excess of revenue over expenses	<u>\$ 3,428</u>

The December 31, 2007 financial statement was not available when this report was issued.

NOTE (9) CCOERA RETIREMENT PLAN

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

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

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

Participants vest in employer contributions and in the earnings, losses, and changes in the fair market value of the Plan at 20% per year, as adopted by the Town. Participants are immediately vested 100% in their own contributions and earnings. In the event that an Association member withdraws from the Plan, the participant balances for that member shall become immediately vested 100%. Contributions by the Town to the plan were \$63,369 for a payroll of \$1,267,380.

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to Financial Statements

Year Ended December 31, 2007

NOTE (9) CCOERA RETIREMENT PLAN (continued)

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

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

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

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

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

Summary of financial information:

	Balance sheet date	06-30-07 (000)
Total assets		\$ 879,259
Total liabilities		<u>410</u>
Total availability for benefits		878,259
Revenues and contributions		\$ 182,426
Expenses and benefits		<u>62,473</u>
Excess of revenue over expenses		<u>\$ 119,953</u>

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to Financial Statements
Year Ended December 31, 2007

NOTE (10) BUDGET APPROPRIATION

There was not a supplemental budget in 2007.

NOTE (11) DEFICIT RETAINED EARNINGS

The Geothermal Fund has a negative retained earnings resulting from depreciation of the system. This will not change for many years.

NOTE (12) TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of State and local governments. The amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the amendment. However, the Town has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE (13) LEASES AND COMMITMENTS

The Town of Pagosa Springs, the Pagosa Springs Community Facilities Coalition, Archuleta County and Wells Fargo Bank have entered into a series of leases to facilitate the financing, of a multi-use community center building. They include the following:

Ground Lease Agreement

This agreement, dated May 1, 2001, is between the Town of Pagosa Springs and the Coalition. The Town has legal title to the 2.5 acre community center site. In this agreement, the Town leased to the Coalition, for a period of fifty years, this site for ten dollars a year.

This agreement, dated May 1, 2001 is between the Town of Pagosa Springs and Wells Fargo Brokerage Services, LLC. In this agreement, the Town entered into a lease purchase financing transaction through Wells Fargo Brokerage Services, LLC for consideration of \$1,717,000. This agreement is on a year-to-year basis and shall be renewable for successive periods not to exceed ten years. The Town secured this lease purchase with the 51% portion of the Community Center, for which the Town has legal title. The balance of the space was conveyed to the Coalition and the County. The Town shall pay a lease payment of \$223,682 per year.

Lease Between Coalition and Archuleta County

This agreement, dated July 17, 2001 is between the Coalition and Archuleta County. By this agreement, the County leased from the Coalition, 2,591 square feet of space in the new Community Center, including 930 feet of kitchen space.

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to Financial Statements
Year Ended December 31, 2007

NOTE (13) LEASES AND COMMITMENTS (continued)

Agreement for Construction and Use of a Community Center (as amended).

This agreement, dated May 1, 2001, and amended first on June 5, 2001 and a second time on June 20, 2001, is between the Town and the Coalition. It was entered into for the purpose of providing for the construction, operation, maintenance and use of a Community Center. It states that the Town shall pay approximately \$1,700,000 of the construction costs, a CDBG Grant will amount to \$500,000, the County will pay \$124,000 and the Coalition will pay the balance. The term of the lease is fifty years.

NOTE (14) CAPITAL LEASE

<u>Long Term Debt</u>	<u>Beginning Of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Capital Lease	\$ 15,490,309	\$	\$ 164,319	\$ 1,384,990
	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Remaining Balance</u>
	2008	\$ 170,729	\$ 65,965	\$ 1,212,694
	2009	179,197	57,497	1,032,033
	2010	188,085	48,609	842,601
	2011	197,414	39,280	649,565
	2012	207,206	29,488	442,359
	2013-2014	\$ 442,359	\$ 31,029	
		1,384,990	271,868	

The Town entered into a full pay out capital lease purchase agreement with Wells Fargo on the Town's 51% ownership in the Community Center. The amount financed was \$2,145,184 and is payable at \$118,348 semi annually including interest at 4.75%.

NOTE (15) BONDS PAYABLE

Bonds payable at December 31, 2007 are comprised of the following:

General Obligation Sewer Bonds, issued May, 1977, are due in annual installments of \$15,000 plus 5% interest through 1989. The bonds were due and payable in 1989 and were paid when coupons were turned in to Pagosa Springs Sanitation. Bonds totaling \$10,000 are still outstanding as of December 31, 2007 and are currently due and payable.

A note payable to Water Pollution Control Revolving Fund in the original amount of \$640,000. Total loan is \$520,010. Note is payable in semi-annual payments of \$25,234 including interest at 4.5%.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to Financial Statements
Year Ended December 31, 2007

NOTE (15) BONDS PAYABLE (continued)

<u>Long Term Debt</u>	<u>Beginning Of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Bonds Payable	\$ 586,810	\$	\$ 40,651	\$ 546,159
<u>Year</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2008	\$ 75,295	\$ 52,460	\$ 22,835	\$ 493,699
2009	65,295	44,350	20,945	449,349
2010	65,295	46,324	18,971	403,025
2012	65,295	48,387	16,908	354,638
2011	65,295	50,541	14,754	304,097
2013-2017	276,006	237,503	38,503	665,987
2018-2022	74,135	66,594	7,541	
	\$ 686,616	546,159	140,457	

There are a number of limitations and restrictions contained in the various bond indentures. The District believes to be in compliance with all significant limitations and restrictions.

NOTE (16) BUDGET LAW

The Geothermal Fund over spent their budget in 2007. This may be a violation of State budget law.

Supplementary Information

GEOHERMAL				TOTALS			
Budgeted Amounts		Actual	Variance-Favorable (Unfavorable)	Budgeted Amounts		Actual	Variance-Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 45,000	45,000	\$ 39,680	\$ (5,320)	\$ 422,730	\$ 422,730	\$ 403,900	\$ (18,830)
45,000	45,000	39,680	(5,320)	422,730	422,730	403,900	(18,830)
5,383	5,383	5,577	(194)	85,737	85,737	65,147	20,590
10,000	10,000	8,608	1,392	170,000	170,000	119,478	50,522
8,450	8,450	19,990	(11,540)	140,750	140,750	260,239	(119,489)
23,833	23,833	34,175	(10,342)	396,487	396,487	444,864	(48,377)
21,167	21,167	5,505	(15,662)	26,243	26,243	(40,964)	(67,207)
				500,000	500,000	10,000	(490,000)
				83,390	83,390	84,381	991
				(95,295)	(95,295)	(65,295)	30,000
				250,000	250,000	34,450	(215,550)
				7,500	7,500	23,427	15,927
				2,000,000	2,000,000		(2,000,000)
				2,500,000	(2,500,000)		2,500,000
				245,595	245,595	86,963	(158,632)
21,167		5,505	(15,662)	271,838	250,671	45,999	(225,839)
		(23,648)				(103,334)	40,651
		670,037				3,243,712	
		\$ 651,894				\$ 3,227,028	

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Revenue, Expenditures and Changes in
Fund Balance Budget and Actual
Conservation Trust
For Year Ended December 31, 2007

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUE				
Intergovernmental	\$	\$	\$ 96,541	\$ 96,541
Interest			1,799	1,799
Total Revenue	0	0	98,340	98,340
EXPENDITURES				
Public works		0		0
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	0	0	98,340	98,340
FUND BALANCE BEGINNING OF YEAR			67,685	67,685
FUND BALANCE END OF YEAR OF YEAR	\$ 0	\$ 0	\$ 166,025	\$ 166,025

See accompanying notes

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Revenue, Expenditures and Changes in
Fund Balance Budget and Actual
General Fund
Year Ended December 31, 2007

	General Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUE				
Taxes	\$ 3,975,051	\$ 3,975,051	\$ 3,790,425	\$ (184,626)
Licenses & permits	229,000	229,000	119,482	(109,518)
Intergovernmental	1,867,875	1,867,875	927,413	(940,462)
Charges for services	109,000	109,000	84,205	(24,795)
Fines and forfeits	30,000	30,000	31,300	1,300
Other	105,000	105,000	114,243	9,243
Total Revenue	6,315,926	6,315,926	5,067,068	(1,248,858)
EXPENDITURES				
General government	1,399,620	1,399,620	1,289,287	110,333
Public safety and Courts	804,731	804,731	801,784	2,947
Public works	290,941	290,941	315,141	(24,200)
Parks and recreation	515,110	505,110	482,865	22,245
Public support	101,728	101,728	108,705	(6,977)
Capital outlay and debt service	2,569,739	2,569,739	1,833,612	736,127
Total Expenditures	5,681,869	5,671,869	4,831,394	840,475
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	634,057	644,057	235,674	(408,383)
FUND BALANCE BEGINNING OF YEAR	2,646,615	2,646,615	2,646,615	-
FUND BALANCE END OF YEAR OF YEAR	\$ 3,280,672	\$ 3,290,672	\$ 2,882,289	\$ (408,383)

See accompanying notes

Other Information

Michael C. Branch
Certified Public Accountant
P.O. Box 1333
482 Lewis Street
Pagosa Springs, CO 8147

(970) 264-2135

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION
SCHEDULE OF RECEIPTS AND EXPENDITURES FOR ROADS AND STREETS

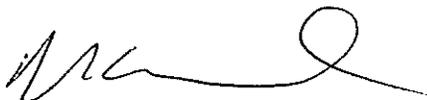
To the Board of Trustees
Town of Pagosa Springs
Pagosa Springs, Colorado

I have audited the accompanying financial statements of the governmental activities and the business type activities for the Town of Pagosa Springs, Colorado, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the accompanying financial statements of the governmental activities and the business type activities taken as a whole. The accompanying statement of "Counties, Cities, and Towns Annual Statement of Receipts and Expenditures for Roads, Bridges and Streets", is not a required part of the general-purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and is presented on a basis of accounting and format required by the Colorado Department of Highways and is not intended to comply with generally accepted accounting principles.

In my opinion, such information is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole, on a basis of accounting that is not intended to comply with generally accepted accounting principles.



Michael C. Branch
Certified Public Accountant
March 7, 2008

SUPPORTING SCHEDULE OF COUNTIES, CITIES AND TOWNS ANNUAL
STATEMENT OF RECEIPTS AND EXPENDITURES FOR ROADS,
BRIDGES AND STREETS

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

OMB No. 2125-0032

City or county:
Pagosa Springs, Colorado
YEAR ENDING:
December 2007

LOCAL HIGHWAY FINANCE REPORT

This information from the records of (example - City of_ or County) City of Pagosa Springs
Prepared By: Deanna Jaramilla
Phone: 970-264-4151

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)	276,244
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	314,137
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	435,235	b. Snow and ice removal	
3. Other local imposts (from page 2)	79,164	c. Other	403
4. Miscellaneous local receipts (from page 2)		d. Total (a. through c.)	
5. Transfers from toll facilities		4. General administration & miscellaneous	601
6. Proceeds of sale of bonds and notes:		5. High law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	591,385
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)		a. Interest	
7. Total (1 through 6)	514,399	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	
C. Receipts from State government (from page 2)	76,986	2. Notes:	
D. Receipts from Federal Government (from page 2)		a. Interest	
E. Total receipts (A.7 + B + C + D)	591,385	b. Redemption	
		c. Total (a. + b.)	
		3. Total (1.c + 2.c)	
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	591,385

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				
1. Bonds (Refunding Portion)				
B. Notes (Total)				

V. LOCAL ROAD AND STREET FUND BALANCE

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

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

State:
Colorado
YEAR ENDING (mm/yy):
December 2007

II RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Other Eagle Drive	
1. Sales Taxes		c. Transfers	
2. Traffic Fines		d. Capital Credits	
3. Specific Ownership Tax		e. Sales of Assets	
		f. Fees/Licenses/Permits	
5. From Cities/Counties	79,164	g. Service Performed	
6. Total (1. through 5.)	79,164	h. Refunds of Expenditures	
c. Total (a. + b.)	79,164	i. Total (a. through h.)	
			(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	60,831	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registration	16,155	d. Mineral Leasing	
d. (Specify) Enhancement		e. Pay Lieu of Tax	
e. (Specify) CMAQ		f. Other Federal	
f. Total (a. through e.)		g. Total (a. through f.)	
4. Total (1. + 2. + 3.f)	76,986	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREETS PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Cost			
b. Engineering Costs			
c. Construction:			
(1). Capacity Improvements			
(2). System Preservation		276,244	276,244
(3). Safety And Other			
(4). Total Construction (1)+(2)+(3)		276,244	276,244
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)		276,244	276,244
			(Carry forward to page 1)

Notes and Comments: