

Pagosa Area Water and Sanitation District

Financial Statements

December 31, 2020

Pagosa Area Water and Sanitation District
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Independent Auditor's Report

Board of Director
Pagosa Area Water and Sanitation District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Pagosa Area Water and Sanitation District (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information including the budget to actual schedules (budgetary basis) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budget to actual schedules (budgetary basis) are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

rfarmer, llc

June 10, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Pagosa Area Water and Sanitation District (the District) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended December 31, 2020.

This section provides a summary of the District's financial performance. It contains an overview and analysis of the District's financial activities for the year ended December 31, 2020. The financial statements are an integral part of this analysis and should be read in conjunction with this document.

FINANCIAL HIGHLIGHTS

1. The District's net positions total \$80,412,150; this is a increase of \$1,520,005 from the previous year.
2. Operating expenses of \$9,458,319 exceeded operating revenues of \$8,432,097 by \$1,026,222.
3. General revenues total \$2,546,227.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of four parts: management's discussion and analysis, basic financial statements including the notes to the financial statements, required supplementary information and other supplementary information.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Pagosa Area Water and Sanitation District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements present information for the governmental funds and the business-type activities.

The *Statement of Net Position* (see page 3) presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* (see page 4) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported on the accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements (beginning on page 5). However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The financial statements presented for the governmental funds are the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances*.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Pagosa Area Water and Sanitation District has two governmental funds: the General Fund and Debt Service Fund. The District considers both of these funds important to financial statement users and has presented them all as major funds.

Proprietary Funds. Proprietary fund accounting uses the same basis of accounting as private-sector business enterprises. The District uses two enterprise funds: Water Fund and Wastewater Fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The proprietary fund basic financial statements include a *Statement of Net Position*, a *Statement of Revenues, Expenses and Changes in Fund Net Position*, and a *Statement of Cash Flows* (beginning on page 9).

The *Statement of Net Position* presents information on the assets and liabilities of the District's enterprise funds, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District's enterprise funds is improving or deteriorating.

The *Statement of Revenue, Expenses and Changes in Fund Net Position* reports the operating revenues and expenses and non-operating revenues and expenses of the District's enterprise funds for the year with the difference - the net income or loss - being combined with any capital contributions to determine the net change in position for the fiscal year. That change combined with the net position at the end of the previous year total to the net position at the end of the current fiscal year.

The *Statement of Cash Flows* reports cash and cash equivalent activities of the two enterprise funds for the fiscal year resulting from operating activities, capital and related financing activities, noncapital financing activities and investing activities. The net result of these activities added to

the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current year.

The District adopts an annual appropriated budget for each of its funds. Budgetary comparison statements have been provided for the General Fund as Required Supplementary Information in the audited financial statements; budget comparisons for the Debt Service Fund, Water Fund and Wastewater Fund are presented in Other Supplementary Information in the audited financial statements to demonstrate compliance with their budgets.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13 to 33 of this report.

FINANCIAL POLICY PRIORITIES

The financial goal of the District is to operate in a cost efficient manner that is similar to the practices of private enterprise. The District annually reviews its financial policies to assess their impact upon financial activities. Policies that affected financial activities are:

1. Growth pays its own way
2. Debt service is funded from user fees and property taxes
3. Administration and operations are funded from user fees, property taxes and specific ownership taxes
4. User fees will fund a portion of capital improvement needs
5. Capital Investment Fees are earmarked for capital uses

In 2020, the District completed several construction projects and ended the year with work-in-progress carry over amounts in both of the enterprise funds. As planned, this had the effect of reducing reserves. The District expended \$406,604 in 2020 on water projects and \$73,544 on wastewater projects.

Past expansion and improvements have been paid with a combination of user fees, property taxes and bond issues. The District's policies also made it possible for the District to complete the year with cash and investments in all funds of \$12,250,793 of which \$3,452,654 is designated for future construction projects and debt retirement.

Day-to-Day Operational Control of the District

For operational control, the District had 4 funds during 2020: the General Fund, Debt Service Fund, Water Fund and Wastewater Fund.

The General Fund provides for the administration of the District and also transfers monies to other funds. A total of \$500,000 was transferred to other funds from the General Fund. The major sources of revenue are monies collected for property taxes and specific ownership taxes. In 2020, the General Fund collected \$1,116,526. There was a \$82,872 increase in fund balance over the previous year. Transfers to the Water and Wastewater Enterprise Funds have been reduced or will remain constant to preserve this fund balance in light of the District's election on a referred measure. On May 3, 2016 District voters passed a measure to subject the revenue, collection and spending limits under Article X, Section 20 of the Colorado Constitution (otherwise known as the Taxpayers Bill of Rights) by repealing the ballot issue approved by District voters on May 2, 2000. This action will impact the General Fund by limiting tax revenue while it is not

anticipated that General Fund expenses, other than the amount available for transfer to other funds, can be reduced. The ending fund balance in the General Fund at December 31, 2020, was \$1,066,372 of this amount, \$51,139 is set aside as a reserve (see note 14 on page 28 of the financial statements). Non spendable prepaids are \$16,192 and the remaining balance of \$999,041 is undesignated.

The Debt Service Fund records the collection of property taxes for debt service payments on general obligation bonds. In 2020, property taxes collected for debt service were \$1,157,789; \$1,030,000 was paid in principal payments and \$90,404 was paid for interest. The 2020 fund balance for the Debt Service Fund decreased by \$14,686 from 2019. The Debt Service Fund balance at the end of 2020 was \$11,323.

The District operates its Water and Wastewater funds as self-supporting enterprises. Revenues received from user fees and other general fund sources are sufficient to cover the day-to-day operating expenses of these funds, as well as assist in the funding of capital improvements.

The Water Fund had a increase in Net Position of \$546,606 for 2020. Of this amount, the operating income was \$16,732; non-operating revenues and expenses have a surplus of \$177,142; and \$352,732 was supplied from transfers and a gain on asset disposal. The transfers from the General Fund of \$340,000 are cash additions. At the end of 2020, the Water Fund had a net position of \$54,464,217. Of this amount, \$46,024,858 is invested in capital assets, net of related debt and is not available for future appropriations and \$8,439,359 is unrestricted.

The Wastewater Fund had a decrease in Net Position of \$125,881 for 2020. Of this amount, operating loss was (\$457,330); non-operating revenues and expenses contributed \$155,870; and \$175,579 was from transfers and a gain on asset disposal. The transfers from the General Fund of \$160,000 are cash additions. At the end of 2020, the Wastewater Fund has a net position of \$26,649,612. Of this amount, \$20,109,797 is invested in capital assets, net of related debt and is not available for future appropriations and \$6,539,815 is unrestricted.

Capital projects, including infrastructure and equipment purchases, are funded from a variety of operating and non-operating revenues including bond proceeds and Capital Investment Fees. The District is consciously trying to building reserves sufficient to handle most of the infrastructure expenses that are anticipated in the next ten years.

The District's day-to-day operational control involves many levels of planning, forecasting, and budgeting. Revenues and expenses are allocated to specific functions of the District. The staff presents quarterly financial reports to the Board of Directors. The reports contain revenues and expenditures compared to the adopted budget. It is an essential tool that is critical to the District's long-range financial planning efforts.

Financial Analysis

Condensed Statement of Net Position

A Condensed Statement of Net Position for 2020 and 2019 is shown in Table A on page VI. The District's net position (the difference between assets and liabilities) is one way to measure the financial health of the District. Increases or decreases in the District's net positions are indicators of improving or deteriorating financial health. This, coupled with factors such as population growth, legislative changes or policy changes, provide an integrated assessment of the District's health.

Net positions have increased by \$1,520,005 as a result of operations. The table also shows total restricted assets of \$5,517,862, of this amount \$3,232,224 is designated for future water and wastewater treatment, distribution and collection related capital projects that are projected to total approximately \$20,673,300. It is estimated that another \$17,866,849 will be needed to address water and wastewater system needs over the next 10 years; however, that number may undergo substantial revision as a result of changing conditions or regulations in the industry. A revised Capital Improvements Plan was completed in 2018. As of December 31, 2020, governmental activities show a deficit in unrestricted net position of (\$2,700,347), which is an increase in the deficit from 2019. The deficit is not an area of concern to the District, because this is a planned deficit due to the effects of the conversion to GASB 34 which brought in the liabilities for long term debt; future tax revenues will pay off this liability and reduce the deficit. Net Positions in the business-type activities indicate that \$14,979,175 is unrestricted and available for future appropriations. This is an increase from the prior year. Net position invested in capital assets, net of related debt, of \$66,134,655 are not available for future appropriations.

On a year-to-year basis the District plans to operate within its policies. Operations are expected to produce sufficient income to allow the District to implement its long range plans.

In the capital improvements portion of the budget, annual expenditures may, at times, exceed annual revenues. This is accounted for in the long range financial planning of the District.

TABLE A: CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$2,049,405	\$1,910,892	\$9,315,125	\$7,177,953	\$11,364,530	\$9,088,845
Restricted assets	1,580,728	1,205,305	3,937,134	3,979,852	5,517,862	5,185,157
Capital assets	-	418,192	86,690,735	89,480,721	86,690,735	89,898,913
Total assets	3,630,133	3,534,389	99,942,994	100,638,526	103,573,127	104,172,915
Current liabilities	1,129,166	1,094,877	2,030,639	1,644,921	3,159,805	2,739,798
Long-term debt outstanding	1,122,417	2,191,124	16,798,528	18,300,502	17,920,945	20,491,626
Total liabilities	2,251,583	3,286,001	18,829,167	19,945,423	21,080,750	23,231,424
Deferred Cash In-flows	2,080,225	2,049,507	-	-	2,080,225	2,049,507
Net position:						
Invested in capital assets, net of related debt	398,304	418,192	66,134,655	67,358,281	66,532,959	67,776,473
Restricted	77,148	59,310	-	-	77,148	59,310
Unrestricted	(1,177,130)	(2,278,459)	14,979,175	13,334,822	13,802,045	11,056,363
Total net position	(701,678)	(\$1,800,957)	\$81,113,830	\$80,693,103	\$80,412,152	\$78,892,146

Condensed Statement of Revenues, Expenses and Changes in Net Position

A Condensed Statement of Revenues, Expenses and Changes in Net Position are shown in Table B detailing the revenues, expenses, and changes in net positions for 2020 and 2019. An examination of Table B for 2020 shows that the District's change in net positions in the business-type activities is \$420,725; this is an increase from the prior year. Net income before contributions and transfers decreased by \$46,383; contributions and transfers decreased by \$13,000. The business-type activities show an operating loss of (\$356,527) for 2020. The business-type activities use transfers from the General Fund to partially meet their operating needs in the amount of \$520,000 in 2020. The operating loss has decreased \$116,473 from that of 2019 due to service rate revenues increasing coinciding with increased water use during the year.

The governmental funds use property taxes levied for general purposes to meet operating needs. Governmental activities show a increase in net positions of \$1,099,279.

TABLE B: CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Charges for services (Grants/Contributions)	\$ -	\$ -	\$ 8,432,097	\$ 7,532,705	\$ 8,432,097	\$ 7,532,705
Total operating expenses	<u>669,695</u>	<u>745,428</u>	<u>8,788,624</u>	<u>8,005,705</u>	<u>9,458,319</u>	<u>8,751,133</u>
Operating income (loss)	<u>(669,695)</u>	<u>(745,428)</u>	<u>(356,527)</u>	<u>(473,000)</u>	<u>(1,026,222)</u>	<u>(1,218,428)</u>
General Revenues:						
Property taxes and specific ownership taxes	2,274,315	2,240,966	-	-	2,274,315	2,240,966
Gain (Loss) on asset disposal	-	-	8,311	18,382	8,311	18,382
Investment earnings & Miscellaneous	<u>14,659</u>	<u>40,174</u>	<u>248,941</u>	<u>401,726</u>	<u>263,600</u>	<u>441,900</u>
General revenues	<u>\$ 2,288,974</u>	<u>\$ 2,281,140</u>	<u>\$ 257,252</u>	<u>\$ 420,108</u>	<u>\$ 2,546,226</u>	<u>\$ 2,701,248</u>
Net income before contributions and transfers	1,619,279	1,535,712	(99,275)	(52,892)	1,520,004	1,482,820
Capital contributions:						
Donated assets	-	-	-	-	-	-
Transfers:						
Construction projects	-	-	-	-	-	-
General Fund	(520,000)	(533,000)	520,000	533,000	-	-
Debt Service Fund	-	-	-	-	-	-
Special Revenue Fund	-	-	-	-	-	-
Change in net position	<u>1,099,279</u>	<u>1,002,712</u>	<u>420,725</u>	<u>480,108</u>	<u>1,520,004</u>	<u>1,482,820</u>
Beginning net position	(1,800,958)	(2,803,669)	80,693,104	80,212,995	78,892,146	77,409,326
Rounding and / or Adjustment	-	-	-	-	-	-
Ending net position	<u>\$ (701,679)</u>	<u>\$ (1,800,957)</u>	<u>\$ 81,113,829</u>	<u>\$ 80,693,103</u>	<u>\$ 80,412,150</u>	<u>\$ 78,892,146</u>

BUDGETARY HIGHLIGHTS

Pagosa Area Water and Sanitation District did not amend its budget in 2020.

The schedules of revenues and expenses, actual compared to final budget, for the General Fund are included in the required supplementary information. The General Fund budgeted to spend \$1,183,884 and actually spent \$1,045,516.

Budgets for the other governmental fund, the Debt Service Fund, are included in the other supplementary information along with the budgets for the proprietary funds, the Water Fund and the Wastewater Fund.

CAPITAL ASSETS AND DEBT ACTIVITIES

During 2020, the District invested \$480,148 in capital projects. Capital projects that were substantially completed in 2020 were:

- Replacement and enlargement of the Putt Hill Water Tank
- Snowball Water Treatment Plant feasibility study

The following projects were Capital projects still in process at the end of 2020:

- Upgrades to the SCADA systems

At the conclusion of 2020, the District's outstanding debt was \$20,351,153 for various bond and loan issues. The District has drawn all authorized financings. These financings were incurred for the following construction projects:

- Enlargement of Stevens Reservoir and Dutton Ditch Pipeline Extension
- Hatcher Water Treatment Plant Improvements
- Highlands Lagoon and Collection System Improvements
- Dry Gulch Water Storage Project

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors and the management of Pagosa Area Water and Sanitation District consider many factors when setting the budget for 2021. Projected user fees, growth, and Capital Investment Fees are all evaluated and considered before a final budget is adopted. The 2021 budget also attempts to project new expenses associated with operating new treatment plant processes and systems. These expenses are reconciled to projected revenues. Initial estimates shows the following additional operating increases (decreases) are anticipated for the 2021 budget year.

The General Fund has budgeted \$1,243,667; this is an increase of \$60,283 over 2020 expenditures.

The Debt Service Fund has budgeted \$1,169,106; this is a decrease of \$6,030 from the 2020 expenditures.

The Water Fund has budgeted \$6,837,148; this is an increase of \$1,111,742 from the 2020 expenditures. This increase is primarily due to the start of engineering for the Snowball Water Treatment Plant upgrade.

The Wastewater Fund has budgeted \$2,874,099; this is an increase of \$237,725 from the 2020 expenditures. This increase is primarily due to the start of a Vista Wastewater Treatment Plant needs analysis and increased allowances for lift station upgrades and maintenance.

Capital projects which are scheduled for 2021 are as follows:

- Replacement of Log Park Booster Station
- Lift Station 11 upgrade
- Transitioning the SCADA Radio System to Ethernet
- Asphalt for Mill Creek fill station
- Snowball Water Treatment Plant Engineering
- Vista Wastewater Plant Needs Assessment
- Installation of master meters at Lakeside Estates

CONTACTING THE DISTRICT'S MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with the general overview of the District's finances and demonstrates the District's accountability for the money it receives. If you have any questions concerning this report or need additional information please contact Justin Ramsey, Manager of the Pagosa Area Water and Sanitation District at 100 Lyn Avenue, Pagosa Springs, CO.

Basic Financial Statements

Pagosa Area Water and Sanitation District
Statement of Net Position
December 31, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 977,265	\$ 7,820,872	\$ 8,798,137
Receivables	1,072,136	595,558	1,667,694
Inventories	-	898,695	898,695
Non-Current Assets:			
Cash	11,404	3,441,250	3,452,654
Customer accounts receivable, net	-	437,608	437,608
Taxes receivable, current	1,154,828	-	1,154,828
Prepaid Expenses	16,192	58,276	74,468
Capital assets, net of accumulated depreciation	398,304	74,945,155	75,343,459
Construction in progress	-	31,311	31,311
Due from other governments	-	2,339,922	2,339,922
Other assets	-	9,374,348	9,374,348
Total Non-Current Assets	<u>1,580,728</u>	<u>90,627,870</u>	<u>92,208,598</u>
Total Assets	<u>3,630,129</u>	<u>99,942,995</u>	<u>103,573,124</u>
LIABILITIES			
Accounts payable and accrued expenses	50,383	375,446	425,829
Personal Time Off and retirement	23,524	100,182	123,706
Unearned revenues	-	68,312	68,312
Long-term liabilities			
Due within one year:			
Bonds and loans payable	1,050,000	1,470,562	2,520,562
Accrued interest	5,259	17,832	23,091
Deposits payable	-	(1,695)	(1,695)
Due in more than one year:			
Bonds and loans payable	1,085,000	16,745,597	17,830,597
Bond premium net of discount	37,417	52,930	90,347
Total liabilities	<u>2,251,583</u>	<u>18,829,166</u>	<u>21,080,749</u>
Deferred inflow of resources:			
Deferred Property Taxes	<u>2,080,225</u>	<u>-</u>	<u>2,080,225</u>
NET POSITION			
Net investment in capital assets	398,304	66,134,655	66,532,959
Restricted for:			
Debt Service	26,008	-	26,008
TABOR	51,139	-	51,139
Unrestricted	(1,177,130)	14,979,174	13,802,044
Total net position	<u>\$ (701,679)</u>	<u>\$ 81,113,829</u>	<u>\$ 80,412,150</u>

The accompanying notes to financial statements
are an integral part of these statements.

Pagosa Area Water and Sanitation District
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 600,273	\$ -	\$ -	\$ -	\$ (600,273)	\$ -	\$ (600,273)
Interest on Long-term debt	69,422	-	-	-	(69,422)	-	(69,422)
Total governmental activities	<u>669,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(669,695)</u>	<u>-</u>	<u>(669,695)</u>
Business-type activities:							
Water	5,965,501	5,990,154	-	-	-	24,653	24,653
Wastewater	2,823,123	2,441,943	-	-	-	(381,180)	(381,180)
Total business-type activities	8,788,624	8,432,097	-	-	-	(356,527)	(356,527)
Total primary government	<u>9,458,319</u>	<u>8,432,097</u>	<u>-</u>	<u>-</u>	<u>(669,695)</u>	<u>(356,527)</u>	<u>(1,026,222)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 888,470	\$ -	\$ 888,470
Property taxes, levied for debt service					1,157,789	-	1,157,789
Specific ownership taxes					228,056	-	228,056
Unrestricted investment earnings					9,457	140,298	149,755
Miscellaneous					5,202	108,644	113,846
Special item - gain (loss) on sale of assets					-	8,311	8,311
Transfers					(520,000)	520,000	-
Total general revenues, special items, and transfers					<u>1,768,974</u>	<u>777,253</u>	<u>2,546,227</u>
Change in net position					1,099,279	420,726	1,520,005
Net position - beginning					(1,800,958)	80,693,103	78,892,145
Net position - ending					<u>\$ (701,679)</u>	<u>\$ 81,113,829</u>	<u>\$ 80,412,150</u>

The accompanying notes to financial statements are an integral part of these statements.

Pagosa Area Water and Sanitation District
Balance Sheet
Governmental Funds
December 31, 2020

	General Fund	Debt Services Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 977,346	\$ (81)	\$ 977,265
Taxes receivable, net	925,397	-	925,397
Taxes receivable, delinquent	146,741	-	146,741
Prepaid Expenses	16,192	-	16,192
Restricted Assets:			
Cash	-	11,404	11,404
Receivables, net	-	1,154,828	1,154,828
Total assets	2,065,676	1,166,151	3,231,827
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	50,383	-	50,383
Accrued vacation and retirement	23,524	-	23,524
Total liabilities	73,907	-	73,907
Deferred inflow of resources:			
Deferred property taxes	925,397	1,154,828	2,080,225
Fund balances:			
Non spendable prepaid expense	16,192	-	16,192
Restricted - TABOR	51,139	-	51,139
Unassigned	999,041	-	999,041
Unreserved, reported in non-major:			
Restricted	-	11,323	11,323
Total fund balances	1,066,372	11,323	1,077,695
Total liabilities and fund balances	\$ 2,065,676	\$ 1,166,151	\$ 3,231,827

The accompanying notes to financial statements
are an integral part of these statements.

Pagosa Area Water and Sanitation District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2020

Total fund balance, governmental funds	\$	1,077,695
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		398,304
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(2,172,417)
Accrued interest on GO Bonds		(5,259)
Rounding		(2)
Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>(701,679)</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

Pagosa Area Water and Sanitation District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>Debt Services Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 888,470	\$ 1,157,789	\$ 2,046,259
SO Tax	228,056	-	228,056
Investment earnings	6,660	2,797	9,457
Miscellaneous	5,202	-	5,202
Total revenues	<u>1,128,388</u>	<u>1,160,586</u>	<u>2,288,974</u>
EXPENDITURES			
Audit and compilation	24,990	-	24,990
Board expense	508	-	508
Dues and permits	15,642	-	15,642
Treasurers fees	27,421	34,868	62,289
Fringe benefits	57,496	-	57,496
Insurance general	12,166	-	12,166
Legal fees	1,194	-	1,194
Office expense	35,638	-	35,638
Office maintenance and landscape	8,515	-	8,515
Outside services	41,394	-	41,394
Payroll taxes, vacation and sick pay	22,348	-	22,348
Personnel	265,223	-	265,223
Publications and recording fees	1,565	-	1,565
Repairs and maintenance	2,623	-	2,623
Telephone and utilities	21,408	-	21,408
Travel and training	1,571	-	1,571
Debt Service:			
Principal	-	1,030,000	1,030,000
Interest expense	-	90,404	90,404
Capital Outlay	5,814	-	5,814
Total Expenditures	<u>545,516</u>	<u>1,155,272</u>	<u>1,700,788</u>
Excess (deficiency) of revenues over expenditures	<u>582,872</u>	<u>5,314</u>	<u>588,186</u>
OTHER FINANCING SOURCES			
Transfers out	<u>(500,000)</u>	<u>(20,000)</u>	<u>(520,000)</u>
Total other financing sources and uses	<u>(500,000)</u>	<u>(20,000)</u>	<u>(520,000)</u>
SPECIAL ITEM			
Net change in fund balances	82,872	(14,686)	68,186
Fund balances - beginning	983,500	26,009	1,009,509
Fund balances - ending	<u>\$ 1,066,372</u>	<u>\$ 11,323</u>	<u>\$ 1,077,695</u>

The accompanying notes to financial statements
are an integral part of these statements.

Pagosa Area Water and Sanitation District
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, 2020

Net change in fund balances - total governmental funds: \$ 68,186

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$5,814 was less than depreciation of \$25,702 in the current period. (19,888)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 1,030,000

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:
 Amortization of bond premium and change in accrued interest payable 20,982

Rounding (1)
 Change in net position of governmental activities \$ 1,099,279

The accompanying notes to financial statements
 are an integral part of these statements.

Pagosa Area Water and Sanitation District
Statement of Net Position
Proprietary Funds
December 31, 2020

	Enterprise Funds		Total
	Water Fund	Wasterwater Fund	
ASSETS			
Current assets:			
	\$ 4,978,304	\$ 2,842,568	\$ 7,820,872
Accounts receivable, net	354,988	240,570	595,558
Inventories	802,546	96,149	898,695
Total current assets	<u>6,135,838</u>	<u>3,179,287</u>	<u>9,315,125</u>
Non-current assets:			
Restricted for capital projects and debt service			
Cash	2,381,328	1,059,922	3,441,250
Customer accounts receivable, net	255,315	182,293	437,608
Prepaid expenses	93,971	(35,695)	58,276
Utility system, net of accumulated depreciation	50,828,822	24,116,333	74,945,155
Construction in progress	31,311	-	31,311
Due from other governments	-	2,339,922	2,339,922
Other assets	9,374,348	-	9,374,348
Total non-current assets	<u>62,965,095</u>	<u>27,662,775</u>	<u>90,627,870</u>
Total assets	<u>69,100,933</u>	<u>30,842,062</u>	<u>99,942,995</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	231,392	144,054	375,446
Other accrued expenses	81,572	36,442	118,014
Unearned revenue	62,894	5,418	68,312
Deposits	(1,695)	-	(1,695)
Bonds and loans payable, current portion	1,069,908	400,654	1,470,562
Total current liabilities	<u>1,444,071</u>	<u>586,568</u>	<u>2,030,639</u>
Non-current liabilities:			
Bond premiums net of discount	52,930	-	52,930
Bonds and loans payable	13,139,715	3,605,882	16,745,597
Total non-current liabilities	<u>13,192,645</u>	<u>3,605,882</u>	<u>16,798,527</u>
Total liabilities	<u>14,636,716</u>	<u>4,192,450</u>	<u>18,829,166</u>
NET POSITION			
Net investment in capital assets	46,024,858	20,109,797	66,134,655
Unrestricted	8,439,359	6,539,815	14,979,174
Total net position	<u>\$ 54,464,217</u>	<u>\$ 26,649,612</u>	<u>\$ 81,113,829</u>

The accompanying notes to financial statements
are an integral part of these statements.

Pagosa Area Water and Sanitation District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2020

	Enterprise Fund		Total
	Water Fund	Wasterwater Fund	
REVENUES			
Charges for services	\$ 4,451,877	\$ 1,780,697	\$ 6,232,574
Availability charges	482,814	299,428	782,242
Customer hookups	163,657	20,805	184,462
Late charges	11,313	1,435	12,748
Other operating revenues	411,996	258,683	670,679
Total operating revenues	<u>5,521,657</u>	<u>2,361,048</u>	<u>7,882,705</u>
OPERATING EXPENSES			
Source of Supply	642,647	-	642,647
Treatment	2,167,282	1,025,761	3,193,043
Administrative and general	646,531	334,738	981,269
Maintenance department	134,971	65,746	200,717
Distribution and collection	1,913,494	1,392,133	3,305,627
Total Operating Expenses	<u>5,504,925</u>	<u>2,818,378</u>	<u>8,323,303</u>
Operating income (loss)	<u>16,732</u>	<u>(457,330)</u>	<u>(440,598)</u>
NON-OPERATING REVENUES (EXPENSES)			
System investment fees	548,650	80,896	629,546
Interest income on delinquent taxes	5,294	-	5,294
Other interest and investment income	43,971	79,719	123,690
Capital expenditures	(147,636)	(4,745)	(152,381)
Interest expense	(312,075)	-	(312,075)
Bond discount and issue costs, net of bond premium	38,938	-	38,938
Total non-operating revenue (expenses)	<u>177,142</u>	<u>155,870</u>	<u>333,012</u>
Income (loss) before contributions and transfers	193,874	(301,460)	(107,586)
Capital contributions	-	-	-
Transfers in	353,600	166,400	520,000
Gain (loss) on asset disposal	(868)	9,179	8,311
Change in net position	<u>546,606</u>	<u>(125,881)</u>	<u>420,725</u>
Total net position - beginning	53,917,611	26,775,493	80,693,104
Total net position - ending	<u>\$ 54,464,217</u>	<u>\$ 26,649,612</u>	<u>\$ 81,113,829</u>

The accompanying notes to financial statements
are an integral part of these statements.

Pagosa Area Water and Sanitation District
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2020

	Enterprise Fund		
	Water Fund	Wasterwater Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 5,533,062	\$ 2,372,217	\$ 7,905,279
Cash paid to suppliers	(1,938,016)	(1,368,889)	(3,306,905)
Cash paid for personnel costs	(1,240,544)	(430,882)	(1,671,426)
Net cash flows from Operating Activities	<u>2,354,502</u>	<u>572,446</u>	<u>2,926,948</u>
Cash flows from non-capital financing activities			
Transfers from other funds	353,600	166,400	520,000
Interest on delinquent taxes	5,294	-	5,294
Net cash flows from non-capital financing activities	<u>358,894</u>	<u>166,400</u>	<u>525,294</u>
Cash flows from capital and related financing activities			
System investment fees	548,650	80,896	629,546
Proceeds from sale of equipment	-	12,500	12,500
Bond principal (payments)	(1,044,661)	(400,654)	(1,445,315)
Payment on bond interest	(312,075)	-	(312,075)
Capital assets acquired or constructed	(406,604)	(73,544)	(480,148)
Capital expenditures	(147,636)	(4,745)	(152,381)
Net cash flows from capital and financing activities	<u>(1,362,326)</u>	<u>(385,547)</u>	<u>(1,747,873)</u>
Cash flows from investing activities			
Payments received on due from other governments	-	121,045	121,045
Interest income	43,971	79,719	123,690
Net cash flows from investing activities	<u>43,971</u>	<u>200,764</u>	<u>244,735</u>
Net increase (decrease) in cash and cash equivalents	<u>1,395,041</u>	<u>554,063</u>	<u>1,949,104</u>
Beginning of year	<u>5,964,591</u>	<u>3,348,427</u>	<u>9,313,018</u>
End of year	<u>\$ 7,359,632</u>	<u>\$ 3,902,490</u>	<u>\$ 11,262,122</u>

The accompanying notes to financial statements
are an integral part of these statements.

Pagosa Area Water and Sanitation District
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2020

	Enterprise Fund		
	Water Fund	Wasterwater Fund	Total
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ 16,732	\$ (457,330)	\$ (440,598)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	2,256,127	894,438	3,150,565
Changes in assets and liabilities (Increase) decrease in:			
Accounts receivable	643	12,986	13,629
Inventory	(67,516)	(27,131)	(94,647)
Prepaid expenses	(76,619)	12,452	(64,167)
Increase (decrease) in:			
Accounts payable	204,231	130,043	334,274
Accrued liabilities	10,142	8,805	18,947
Unearned revenues	10,762	(1,817)	8,945
Net cash flows from operating activities	<u>\$ 2,354,502</u>	<u>\$ 572,446</u>	<u>\$ 2,926,948</u>

The accompanying notes to financial statements
are an integral part of these statements.

Pagosa Area Water and Sanitation District
Notes to Financial Statements
December 31, 2020

1. Definition of Reporting Entity

A decree signed by the District Court for the Sixth Judicial District of Colorado on March 28, 1977, authorized the formation of a new special district, Pagosa Area Water and Sanitation District (the District), as a successor to the old district, Pagosa Water and Sanitation District. The organizational meeting of the new district was held on April 28, 1977. A Board of Directors meeting, held on January 12, 1978, accepted the conveyance of all properties and liabilities of the old district as required for dissolution.

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

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District.

Based on the aforementioned criteria, the District does not have any component units.

During 2013, the Board decided not to further develop the Dry Gulch project. As a result, the costs incurred through 2013 were reclassified as held for sale. Due to changes in the notes payable and the possibility of future development, the asset was reclassified as Other assets. No depreciation is being taken on Other assets.

The governmental activities net position, unrestricted is a deficit of \$1,177,130. The deficit is a result of prior Boards electing to record assets purchased with general obligation bonds as assets in the utility funds that will utilize those assets. As a result, the Water and Wastewater funds recorded the assets and a contributed capital amount. The Water and Wastewater funds are also depreciating the applicable assets.

2. Summary of Significant Accounting Policies

This summary of the Pagosa Area Water and Sanitation District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

Government-Wide and Fund Financial Statements:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities for the current year.

Basic Financial Statements:

Government-wide financial statements consist of a statement of net position and a statement of activities as well as reconciliations for these statements. These statements report all of the non-fiduciary activities of the primary government; neither fiduciary funds nor component funds that are fiduciary in nature are included. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

The effect of interfund activity has been removed from the government-wide financial statements.

Fund financial statements consist of a series of statements focusing on information about the District's major governmental and enterprise funds. Separate financial statements are presented for the governmental and the enterprise funds.

Measurement Focus, Basis of Accounting, and Basis of Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and liabilities are included on the balance sheet, and the fund balance includes only spendable resources. Under 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for property taxes, which have been levied to be collected in a subsequent year. Expenditures are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are reported only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources in governmental funds.

The District has the following governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The main source of revenues is from property taxes.

Debt Service Fund - The Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary funds. The main source of revenues is from property taxes.

Proprietary Funds reported by the District are as follows:

Enterprise Funds - Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, which are considered operating revenues. Non-operating revenues consist of charges to customers which are used to fund capital improvements, interest, and other investment income. The District's two enterprise funds are the Water Fund and the Wastewater Fund.

Cash and Cash Equivalents:

The District's cash and cash equivalents include amounts that are readily convertible to known amounts of cash, are not subject to significant risk from changes in interest rates and have a maturity of three months or less from the date of acquisition. For cash and cash equivalents, the market value approximates the carrying value. Cash and cash equivalents for purposes of the cash flow statement for the Proprietary Funds, include cash in operating accounts and balances in COLOTRUST.

Deposits are stated at cost, which approximates fair value.

Receivables and Payables:

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The District has substantial delinquent trade receivables. Options available to the District to collect delinquent accounts are disconnection, lien on property, foreclosure, and litigation. Special districts have an automatic lien that is perpetual. In addition, Senate Bill 79 substantially adds to the powers of a special district, where delinquent fees can be certified to the county treasurer and collected with property taxes. The District was first allowed to certify accounts for collection in 1990. Beginning in 2012, the District began using Colorado Central Collection Services for delinquent accounts that had not been previously "certified" to the County Treasurer for collection with property taxes. Each year, additional fees were added to the accounts that had been previously "certified" with the County. In 2017, Archuleta County Treasurer refused to accept additional certifications to those accounts. The District now utilizes Colorado Central Collection Services exclusively to collect on delinquent accounts. The District has also established a reserve for uncollectibles for any accounts not collectible under any of the above alternatives. The reserves at December 31, 2020, were \$374,346 for the Water Fund and \$427,130 for the Wastewater Fund.

Receivables for tap fees are not expected to be collected within a year of billing. Payment schedules for these fees vary. Tap fees owed the District at year-end are reported in the Proprietary Fund Types. Receivables for tap fees are part of non-current assets, customer accounts receivable.

Property tax billings are considered past due after June 16 of each year, at which time the applicable property is subject to lien, and penalties and interest are assessed. An allowance for uncollectible taxes has been estimated in the General Fund based on twenty percent of the total delinquent taxes as of December 31. The allowance at year-end was \$37,010.

Inventories:

Inventories of supplies and materials are valued at the lower of cost or market, using the first in, first out method.

Prepaid Items:

Payments made for services that will benefit periods beyond the end of the current year are recorded as prepaid items.

Restricted Assets:

Certain assets are classified as restricted on the balance sheet because their use is limited.

Assets restricted for debt service are accumulated for the purpose of retiring bond principal and interest.

Assets restricted for construction are used to fund construction projects and purchase fixed assets.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. water and wastewater lines), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets capitalized have an original cost of \$5,000 or more and are expected to last longer than three years. Such assets are stated at cost, except for donated assets, which are stated at their fair market value at the time of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed.

Depreciation of all exhaustible capital assets except infrastructure is charged as an expense against their operations or functions, whereas the infrastructure depreciation is unallocated. Property, plant, and equipment in the primary government is depreciated using the straight-line method over the estimated useful lives as follows:

	<u>Estimated Useful Lives in Years</u>
Source of supply	10 - 50
Water Treatment Plants	30 - 50
Sewage treatment plants	30 - 50
Collection, transmission and distribution system	30 - 50
Buildings	40 - 50
General equipment	5 - 10
Transportation equipment	5 - 10
Computer software	3 - 5

Personal Time Off and Retirement:

Personal Time Off (PTO) is earned and credited at the beginning of the first two pay periods of each month. Regular employees accrue PTO based on their length of continuous employment. During the first year of employment an employee earns 14 days annually with an accrual cap of 112 hours or 14 days. Upon completion of the first year of employment an employee earns 19 days annually with an accrual cap of 304 hours or 38 days. Upon completion of the fifth year of employment, an employee earns 24 days annually with an accrual cap of 384 hours or 48 days. Upon completion of tenth year of employment, an employee earns 29 days with an accrual cap of 464 hours or 59 days.

Employees who do not use their annual accrual of PTO time can carry it over from one year to the next until the employee reaches two (2) times the annual entitlement. Once the PTO balance reaches the accrual cap, accrual ceases until the balance has been reduced.

Instead of taking PTO, an employee can elect to be paid for up to 40 hours of PTO in any one year.

The amount of accrued PTO and retirement as of December 31, 2020 was \$118,623, with each fund recording their respective amount.

Long-Term Debt:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities fund. Long-term debt and other long-term liabilities are also reported as liabilities in the proprietary fund type statement of net position. Debt premiums or discounts are deferred and amortized over the life of the bonds using the bonds-outstanding method.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures in the year the debt is issued.

Net Position/Fund Balances:

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

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

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

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

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

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

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

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

Property Taxes:

In the governmental fund financial statements property tax revenue is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date. This receivable represents taxes certified by the county to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied in the governmental fund statements. In the government-wide financial statements, which are prepared using full accrual, the revenue is not deferred and is recognized in the current year financial statements.

The District's property taxes, levied by December 15, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which they are payable. The taxes are payable under two methods: 1) in full on or before April 30, or 2) one-half on or before February 28, and the remaining one-half on or before June 15. All unpaid taxes levied December 31, that are levied for collection in the subsequent calendar year, become delinquent June 16.

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 expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

3. Deposits and Investments

Deposits:

The Colorado Public Deposit Protection Act (PDPA) governs the District's cash deposits. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

The primary objective in priority order of investment activities shall be safety, liquidity, and yield.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's policy requires all deposits to be held in PDPA approved financial institutions. At year-end, the District's deposits were not exposed to custodial credit risk. Deposits are collateralized with securities held by the financial institution, pledged in accordance with the PDPA.

Investments:

The District has deposits in a local government investment pool, COLOTRUST. These investments are not subject to collateralization because they are not evidenced by physical securities.

At year-end, the District had the following investments:

COLOTRUST \$ 11,774,664

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At year-end, the District’s investments in COLOTRUST were rated AAAM by Standard & Poor’s (S&P). They are regulated by the Colorado Division of Securities, and the District’s position in the pool is the same as the value of the pool shares.

Portfolio Type – U.S. Treasury Securities, U.S. Government Agencies, Purchase Agreements.

Rating – AAAM by S&P Global Ratings.

Liquidity – Same day liquidity available.

NAV Type – Stable NAV, traditional stable \$1.00 NAV.

The District’s investment policy is to apply the prudent person rule where investments are made as a prudent person would be expected to act. The District’s investment policy limits investments in fixed income securities to U. S. Treasury Bills, Notes, and Bonds, certificates of deposit, commercial paper, money market funds and Colorado public investment pools. All investment must be made in accordance with Colorado Revised 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 District’s investment policy is to manage this risk by investing in short term maturities.

4. Cash Flow Statement

For purposes of the cash flow statement in the proprietary fund types, cash and cash equivalents are shown below:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Unrestricted Assets:			
Cash	\$ 4,978,305	\$ 2,842,567	\$ 7,820,872
Restricted Assets:			
Cash	<u>2,381,328</u>	<u>1,059,922</u>	<u>3,441,250</u>
Totals for Cash Flow Statement	<u>\$ 7,359,633</u>	<u>\$ 3,902,489</u>	<u>\$ 11,262,122</u>

5. Interfund Transactions

Transfers between funds represent the amounts used to offset allocations between assets and liabilities in any given year.

Operating transfers between funds during the year are as follows:

	<u>Transfer In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 500,000
Debt Service	-	20,000
Water Fund	353,600	-
Wastewater Fund	166,400	-
	<u>\$ 520,000</u>	<u>\$ 520,000</u>

All other transactions between funds represent “due to/from other funds” caused by cash from one fund paying for expenditures or expenses of another.

6. Commitments and Construction Work in Process

The District’s construction work in process, which is reported in the proprietary funds, consists primarily of work being done on water and wastewater lines. Construction costs that were added to construction work in process totaled \$328,610 during the year.

Each year the District has various on-going construction projects. The costs of these projects are recorded as current year expenditures in the appropriate enterprise fund. At the end of the year, the expenses associated with each construction project are aggregated and recorded in the appropriate proprietary fund type. As the projects are completed, they are transferred into capital assets in either the Water Fund or the Wastewater Fund and depreciated over the asset’s estimated useful life.

The following is a summary of the construction work in process for each enterprise fund at year-end:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Beginning balance	\$ 109,427	\$ 92,645	\$ 202,072
Additions	303,125	25,485	328,610
Less transfers to fixed assets	(381,242)	(118,130)	(499,372)
Ending balance	<u>\$ 31,310</u>	<u>\$ -</u>	<u>\$ 31,310</u>

7. **Capital Assets**

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Land and improvements	\$ 113,056	\$ -	\$ -	\$ 113,056
Buildings	596,096	-	-	596,096
Capital equipment	220,854	5,814	-	226,668
Transportation equipment	76,287	-	-	76,287
Total	1,006,293	5,814	-	1,012,107
Less accumulated depreciation	(588,101)	(25,702)	-	(613,803)
Total Governmental Fixed Assets	<u>\$ 418,192</u>	<u>\$ (19,888)</u>	<u>\$ -</u>	<u>\$ 398,304</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
Water augmentation	\$ 217,639	\$ -	\$ -	\$ 217,639
Water rights	7,334,995	-	-	7,334,995
Source of supply	12,193,610	-	-	12,193,610
Land and improvements	460,640	-	-	460,640
Treatment plants	34,715,829	-	-	34,715,829
Collection, transmission and distribution systems	62,841,190	499,722	-	63,340,912
Buildings	518,820	-	-	518,820
Capital equipment	2,181,126	46,921	(114,194)	2,113,853
Transportation equipment	601,735	109,932	-	711,667
Total	121,065,584	656,575	(114,194)	121,607,965
Less accumulated depreciation	(43,622,250)	(3,150,565)	110,005	(46,662,810)
Total Business-Type Fixed Assets	<u>\$ 77,443,334</u>	<u>\$ (2,493,990)</u>	<u>\$ (4,189)</u>	<u>\$ 74,945,155</u>

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

Governmental Activities	
Administrative services	<u>\$ 25,702</u>
Business-Type Activities	
Water	\$ 2,256,127
Wastewater	894,438
Total Depreciation Expense	<u>\$ 3,150,565</u>

8. **Accounts Payable, Accrued Liabilities and Unearned Revenues**

Accounts Payable as shown on the District's financial statements reflect amounts due to vendors for services rendered or goods purchased by year-end.

Accrued expenses consist of payroll tax liabilities, accrued personal time off, and other miscellaneous amounts due on behalf of employees.

Unearned revenues consist of capital investment fees and connection charges collected in advance for construction of residences or commercial buildings being completed.

9. **Long-Term Liabilities**

Governmental Activities:

The District issues general obligation bonds to provide for the acquisition, development, and construction of major water and wastewater projects. All general obligation bonds are collateralized by the full faith, credit and taxing power of the District and principal and interest requirements are appropriated by the Debt Service Fund when due. Long-term liabilities for the general obligation bonds are recorded as long-term debt in the government-wide statements.

During 2012, the District issued two refunding bonds, General Obligation Refunding Bonds, District Series 2012 and General Obligation Refunding Bonds, Sub-District Series 2012. Terms of repayments call for annual principle payments due December 1 and semi-annual interest payments due June 1 and December 1. The bonds are considered general obligation debt of the District payable from ad valorem taxes within the District or from other legally available moneys as set forth in the official statements dated March 27, 2012.

Repayments on General Obligation Refunding Bonds, District Series 2012 are as follows:

	<u>Principle</u>	<u>Interest</u>	<u>Debt Service Requirement</u>
2021	\$ 700,000	\$ 41,200	\$ 741,200
2022	720,000	21,600	741,600
Total	<u>\$ 1,420,000</u>	<u>\$ 62,800</u>	<u>\$ 1,482,800</u>

Repayments on General Obligation Refunding Bonds, Sub-District Series 2012 are as follows:

	<u>Principle</u>	<u>Interest</u>	<u>Debt Service Requirement</u>
2021	\$ 350,000	\$ 21,906	\$ 371,906
2022	365,000	11,406	376,406
Total	<u>\$ 715,000</u>	<u>\$ 33,312</u>	<u>\$ 748,312</u>

Business-Type Activities:

Revenue bonds are issued by the proprietary type funds to finance specific projects and are payable from availability of service charges revenues and other revenues derived from operations. Long-term liabilities are recorded in the appropriate enterprise fund.

Water Enterprise Revenue Refunding Bonds, Series 2015

The bonds are revenue obligations of the District, acting by and through its Water Activity Enterprise, payable out of Adjusted Net Revenue derived from the District's water and wastewater systems. The bonds constitute an irrevocable and first lien on Adjusted Net Revenue, but not an exclusive lien. The bonds do not constitute a debt or indebtedness within the meaning of any constitutional or statutory debt limitation or provision and are not payable in whole or in part from the proceeds of ad valorem property taxes.

The bonds are not subject to redemption prior to maturity.

Proceeds from the sale of the bonds, together with legally available moneys of the District, will be used to refund a portion of the District's outstanding revenue bonds and pay the costs of issuance of the bonds.

Interest is due on June 1 and December 1 of each year. Principle payments are due December 1 of each year.

Repayments on Water Enterprise Revenue Refunding Bonds, Series 2015 are as follows:

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Annual Debt Service Requirements
2021	\$ 480,000	3.00%	\$ 74,400	\$ 554,400
2022	490,000	4.00%	60,000	550,000
2023	515,000	4.00%	40,400	555,400
2024	495,000	4.00%	19,800	514,800
	<u>\$ 1,980,000</u>		<u>\$ 194,600</u>	<u>\$ 2,174,600</u>

Drinking Water Revenue Bond – Series 2008

On June 1, 2008, the District entered into a loan agreement with Colorado Water Resources and Power Development Authority (the Authority) for \$7,158,870 to finance the costs of drinking water facilities for the District. The Authority was created to initiate, acquire, construct, maintain, repair and operate or cause to be operated water management projects, which include water facilities, and to issue its bonds to pay the cost of such projects.

The bonds are special revenue obligations of the District, acting by and through its Water Activity Enterprise, payable from availability of service charge revenues and other revenues derived from operations.

The note constitutes an irrevocable and first lien on adjusted net revenue (net operating revenues plus availability of service charge revenues) but is not an exclusive lien.

The note is issued as a fully registered note without coupons. Interest, administrative fees, and principal are payable semiannually on each June 1 and December 1, commencing December 1, 2008.

The amount currently outstanding on this note is as follows:

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Servicing Fee	Debt Service Requirements
2021	\$ 389,008	1.75%	\$ 63,540	\$ 89,486	\$ 542,034
2022	400,202	1.75%	57,831	89,486	547,519
2023	400,203	1.75%	47,456	89,486	537,145
2024	405,800	1.75%	38,200	89,486	533,486
2025	419,793	1.75%	24,000	89,486	533,279
2026-2028	2,493,570	1.75%	(55,338)	198,658	2,636,890
	<u>\$ 4,508,576</u>		<u>\$ 175,689</u>	<u>\$ 646,088</u>	<u>\$ 5,330,353</u>

During February 2019, the Authority lowered the interest rate to 1.75%. Principal payments will remain the same. The result is an interest cost savings of \$289,399 over the remaining life of the loan.

Colorado Water Conservation Board – Dry Gulch Reservoir Project

On July 21, 2008, the District entered into a loan agreement with Colorado Water Conservation Board (CWCB) for \$11,217,000 to finance the costs of land acquisition for the Dry Gulch Reservoir Project. The CWCB is authorized to loan money for water projects from the CWCB Construction Fund for the benefit of the people of Colorado, provided that the borrower (Pagosa Area Water and Sanitation District) assures repayment of that money.

The note is a special revenue obligation of the District, acting by and through its Water Activity Enterprise, payable from availability of service charge revenues and other revenues derived from operations.

The note constitutes an irrevocable and first lien on adjusted net revenue (net operating revenues plus availability of service charge revenues) but is not an exclusive lien.

During 2015 the District and CWCB agreed to restructure the December 31, 2014 outstanding loan balance of \$8,855,935. The new agreement separates the \$8,855,930 into two separate loans. The original amount of Loan A was \$4,290,930, bears interest at 1.75% and is for 20 years with annual payments of \$256,130, which includes principle and interest. Loan B is in the amount of \$4,565,000, bears interest at 3.5% and is for 20 years with annual payments of \$321,198 with the first payment due October 1, 2035. The interest to be paid on Loan B will not begin accruing until October 1, 2034, when Loan A is paid in full.

The amount currently outstanding on Loan A is as follows:

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Debt Service Requirements
2021	\$ 200,900	1.75%	\$ 55,230	\$ 256,130
2022	204,416	1.75%	51,714	256,130
2023	207,993	1.75%	48,137	256,130
2024	211,633	1.75%	44,497	256,130
2025	215,336	1.75%	40,794	256,130
2026-2030	1,134,545	1.75%	146,107	1,280,652
2031-2034	981,225	1.75%	43,299	1,024,524
	<u>\$ 3,156,048</u>		<u>\$ 429,778</u>	<u>\$ 3,585,826</u>

The District is also required to establish a debt service reserve account. The District is required to deposit one-tenth of an annual payment into its debt service reserve account on the due date of its first annual loan payment and annually thereafter for the first ten years of repayment of this loan.

The original agreement between the District and CWCB included a grant of \$1,000,000. As a result of restructuring the original loan as noted above, the grant will also be restructured. If the project, including any changes as approved by all parties, is not constructed within the 20-year term of Loan A, or an additional 1 to 20 years of Loan B, the \$1,000,000 grant will be restructured as a loan that will have to be repaid. Interest shall be at 3.5% with 20 annual payment of \$70,361, including principle and interest. The District may construct the project; however, the construction is dependent upon assessed need. As a result, the District will not record a note payable for the \$1,000,000.

2009 ARRA Loan Agreement

On September 4, 2009, the District entered into a loan agreement with Colorado Water Resources and Power Development Authority (CWRPDA) for \$6,111,224 to finance the costs of wastewater treatment projects. The CWRPDA is authorized to loan money from the Water Pollution Control Revolving Fund subject to certain terms and conditions.

The note is a special revenue obligation of the District, acting by and through its Water and Sewer Activity Enterprise, payable from availability of service charge revenues and other revenues derived from operations. The note constitutes an irrevocable and first lien on adjusted net revenue (net operating revenues plus availability of service charge revenues) but is not an exclusive lien.

At the loan closing, CWRPDA agreed to forgive \$1,309,282 of the principal amount of the loan. This loan was amended on February 11, 2010. The principal amount was changed to \$8,345,823 with the forgiveness remaining at \$1,309,282. At December 31, 2012, the District had drawn down all available loan proceeds. In 2009, the District recognized \$669,963 as forgiveness of debt. The remaining balance of \$639,320 was recognized in 2010. At December 31, 2012, the amount due was \$7,211,762. Payment was scheduled to begin on May 1, 2012, based on the full loan principal balance. The amortization schedule provided below reflects the principal balance due on this loan, as well as the principal balance due on the 2009 Base Program Loan Agreement.

The annual interest rate is 0%.

2009 Base Program Loan Agreement

On September 4, 2009, the District entered into a loan agreement with Colorado Water Resources and Power Development Authority (CWRPDA) for \$3,211,129 to finance the costs of wastewater treatment projects. The CWRPDA is authorized to loan money from the Water Pollution Control Revolving Fund subject to certain terms and conditions.

The note is a special revenue obligation of the District, acting by and through its Water and Sewer Activity Enterprise, payable from availability of service charge revenues and other revenues derived from operations.

The note constitutes an irrevocable and first lien on adjusted net revenue (net operating revenues plus availability of service charge revenues) but is not an exclusive lien.

Payments were scheduled to begin on May 1, 2011, based on the full loan principal balance of \$976,530. The District, as of December 31, 2012, had drawn the maximum principle amount available. The amortization schedule provided below reflects the principal balance due on this loan, as well as the principal balance due on the 2009 ARRA Loan Agreement.

The annual interest rate is 0%.

Annual debt service on the 2009 ARRA Loan Agreement and the 2009 Base Program Loan agreement is as follows:

Calendar Year	2009 ARRA Loan Agreement Principal Maturities	2009 Base Program Loan Agreement Principal Maturities	Debt Service Requirements
2021	\$ 351,827	\$ 48,826	\$ 400,653
2022	351,827	48,826	400,653
2023	351,827	48,826	400,653
2024	351,827	48,826	400,653
2025	351,827	48,826	400,653
2026-2030	1,759,134	244,130	2,003,264
	<u>\$ 3,518,269</u>	<u>\$ 488,260</u>	<u>\$ 4,006,529</u>

Changes in Long-Term Debt:

	Beginning Balance	Payments	Additions (Deletions)	Ending Balance
Governmental Activities				
General Obligation Bonds				
Series 2012 dated March 27	\$ 1,060,000	\$ (345,000)	\$ -	\$ 715,000
Series 2012 dated March 27	2,105,000	(685,000)	-	1,420,000
Total	<u>3,165,000</u>	<u>(1,030,000)</u>	<u>-</u>	<u>2,135,000</u>
Business-Type Activities				
Revenue Bonds				
2015 Revenue and Refunding	2,455,000	(475,000)	-	1,980,000
2008 Revenue Bond	4,880,792	(372,216)	-	4,508,576
CWRPDA – ARRA & Base	4,407,189	(400,660)	-	4,006,529
CWCB Loan A	3,353,493	(197,445)	-	3,156,048
CWCB Loan B	4,565,000	-	-	4,565,000
Total	<u>19,661,474</u>	<u>(1,445,321)</u>	<u>-</u>	<u>18,216,153</u>
Total Long-Term Debt	<u>\$ 22,826,474</u>	<u>\$ (2,475,321)</u>	<u>\$ -</u>	20,351,153
Less Current Portion				
General Obligation Bonds				(1,050,000)
Revenue Bonds				(1,470,562)
Total				<u>\$ 17,830,591</u>

Annual Debt Requirements for all Bonds (Principal Only):

	Bonds
2021	\$ 2,520,562
2022	2,580,272
2023	1,523,850
2024	1,513,087
2025	1,035,783
2026-2030	5,631,374
2031-2035	981,225
2036-2040	1,141,250
2041-2045	1,141,250
2046-2050	1,141,250
2051-2054	1,141,250
Total	<u>\$ 20,351,153</u>

Annual debt requirements are based on maximum annual payments due.

10. Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damages to or destruction of assets; errors or omissions; injuries to employees; or acts of God. Commercial insurance is purchased by the District to cover losses or claims arising from such matters. It is not possible to estimate any losses, which would not be covered by the commercial insurance; however, settled claims have not exceeded this commercial coverage in any of the three preceding years.

11. Pension Plans

The District contributes to the Colorado County Officials and Employees Retirement Plan, a defined contribution pension plan administered by the Colorado County Officials and Employees Retirement Association. The Colorado County Officials and Employees Retirement Association (the "Association") was established in 1968 under 24-54-101 et. seq. Colorado Revised Statutes as amended, 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 Board can make changes to the plan as needed.

In the defined contribution pension plan, contributions of the employers are combined with employee contributions 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, 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 officials. Pagosa Area Water and Sanitation District requires employee participation upon employment; elected officials do not participate in their plan.

This retirement benefit is available to all employees and is funded by a 6% contribution from the District. The District reports their contribution on behalf of the employee subject to FICA and Medicare taxes; the balance is not subject to FICA and Medicare taxes.

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 his or her 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.

For the current year, the District's total salaries were \$1,795,812 and contributions were \$95,158 for both the employer and the employees, based on eligible wages of \$1,760,544. The dollar amount of forfeitures during 2020 was \$-0-. The District did not have any unpaid pension contributions as of year-end.

In addition to participating in the plan, each participant may elect to contribute to a deferred compensation plan established pursuant to IRC Section 457. 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. The District's participating employee's contributions amounted to \$14,710 for the current year.

All plan administrative expenses are borne by the participants.

12. Leasehold Agreements

On January 3, 2008, Pagosa Area Water and Sanitation District along with San Juan Water Conservancy District (collectively called the Landlord) entered into the following lease agreements as a result of their joint purchase of the property (Sale Land) owned by Running Iron Ranch, LLC, a Colorado limited liability company (the Tenant). The property was purchased to develop a water diversion and reservoir project (the Project). The Sale land and the improvements thereon and the water yielded from the Water Shares are currently being used to raise cattle and for other agricultural purposes and is subject to an existing lease for mining of sand, gravel and rock. Agricultural and mining activities are currently conducted on the Sale Land by Kathryn L. Weber and Donald L. Weber. The

Sale Land and the improvements thereon are also used as a principal residence for Kathryn L. Weber, who is manager of the Tenant and who is one of the indirect owners of the Tenant, and her husband Donald L. Weber.

Occupancy and Agriculture Lease

Pursuant to the purchase of the property owned by the Tenant, the Landlord agreed to permit the Tenant to continue to use and occupy the Sale Land from January 3, 2008 until the date that the commencement of Landlord’s physical development of the project substantially interferes with tenant’s use of the sale land. The Tenant must be given advance notice of development plans at least a year in advance and then 90 days prior to the actual commencement of development. The lease terminates after 15 years unless the Landlord and Tenant agree to extend the term by mutual written consent.

The lease agreement requires the Tenant to pay \$1 a year for the use of the Sale Property. Tenant has paid \$15 for the complete lease term. Tenant is also responsible for any property or other business taxes due along with all utilities and insurance, which shall be purchased with liability limits of not less than \$1,000,000 with Landlord, named as additional insured.

If termination of this lease occurs due to foreclosure or deed in lieu of foreclosure and successor owner of the property terminates this lease, as a condition of the termination of this lease, Tenant shall be paid \$80,000.

Sand and Gravel Lease

Landlord has agreed to purchase the Sand and Gravel Lease Contract between Donald Weber, Kathryn Weber, and Andy Weber (collectively doing business as Weber Sand and Gravel). The Sand and Gravel Lease Contract provides that, pursuant to a lease to be executed at the closing of the purchase of the Sale Land and the Sand, Gravel and Mining Lease, Tenant shall have the right to mine sand, gravel and other related materials from the ranch properties pursuant to a new lease between Landlord and Tenant.

This lease shall continue from January 3, 2008 until the date that the commencement of landlord’s physical development of the project substantially interferes with tenant’s use of the Sale Land. The Tenant must be given advance notice of development plans at least a year in advance and then 90 days prior to the actual commencement of development. The lease terminates after 15 years unless the Landlord and Tenant agree to extend the term by mutual written consent.

The lease agreement requires the Tenant to pay \$1 a year for the Sand and Gravel Lease. Tenant has paid \$15 for the complete lease term. Tenant is also responsible for any property or other business taxes due along with all utilities and insurance, which shall be purchased with liability limits of not less than \$1,000,000 with Landlord, named as additional insureds.

13. Reserves, Restrictions, and Designations of Fund Balances and Net Position

As of year-end, the District had set aside the following reserves and restrictions:

	<u>General Fund</u>
Emergency Reserve - TABOR	<u>\$ 51,139</u>

14. Taxpayer's Bill of Rights (TABOR)

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 District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes "Enterprises" from its provisions. Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the amendment. The District is of the opinion that the water and wastewater operations qualify for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves.

The amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax or implementing tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments.

The amendment requires that emergency reserves be established. These reserves must be at least three percent of Fiscal Year Spending (excluding bonded debt service) in years after 1994.

Emergency reserves as of year-end totaling \$51,139 have been presented as a reservation of fund balance in the General Fund. This emergency reserve was calculated in the District's General Fund and is not a required reserve in any other funds. Under TABOR, the District 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 is subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, certain interpretations in the amendment's language have been made in order to determine its compliance.

In May of 2000, Pagosa Area Water and Sanitation District asked its voters to allow the District to collect, retain, and spend all revenues and other funds collected from any source not excluded from fiscal year spending, effective January 1, 2000, and continuing thereafter. A permanent waiver of the 5.5% limitation was also requested. The requests were approved by the District's voters.

It is anticipated that transfers to the Water and Wastewater Enterprise Funds will be reduced at some point to preserve the General Fund's fund equity in light of the District's election on a referred measure. On May 3, 2016, the District's voters passed a measure to subject the revenue, collection, and spending limits under Article X, Section 20 of the Colorado Constitution (otherwise known as the Taxpayers Bill of Rights (TABOR)) by repealing the ballot measure previously approved by the District on May of 2000. The action may impact the General Fund by limiting tax revenues. It is not anticipated that General Fund expenses, other than transfers, can be reduced.

15. Joint Venture

The District is a participant in the Colorado Special Districts Property and Liability Pool (The Pool). The Pool is a joint venture between the Special District Association of Colorado and various special districts in Colorado. The Pool provides property and general liability, automobile physical damage and liability, public officials' liability, inland marine, money and security, and boiler and machinery coverages to its members. Pagosa Area Water and Sanitation District has not had losses of a material amount in any of the preceding three years. The District does not know its percentage share of the joint venture.

The Pool has contracted with other third parties to operate, administer, and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members. The joint venture summary audited financial information as of December 31, 2018, is as follows:

Admitted Assets	<u>\$ 63,918,422</u>
Liabilities	\$ 39,345,647
Surplus	<u>24,572,775</u>
Total Liabilities and Surplus	<u>\$ 63,918,422</u>
Revenues	\$ 20,983,559
Expenses	<u>(22,973,705)</u>
Net Income (Loss)	<u>\$ (1,990,146)</u>
Investment Income	<u>\$ 898,330</u>
Change in Non-Admitted Assets	<u>\$ (122,776)</u>

Audited Financial Statements for the Colorado Special Districts Property and Liabilities Pool can be obtained by contacting the Pool.

16. Related Party Transactions

Pagosa Area Water and Sanitation District has agreed to share the costs on specified water projects with San Juan Water Conservancy District.

Pagosa Area Water and Sanitation District has entered into three intergovernmental agreements with San Juan Water Conservancy District.

1. Memorandum of Understanding and Confidentiality Agreement – This agreement is for the acquisition, planning, permitting, design, and construction of a water resources development known as the Dry Gulch Project. As of the end of the current year, Pagosa Area Water and Sanitation District has expended funds for \$9,817,939, for this project, which includes land acquisition. Because this project depends upon the growth of the community, future water demands, and public support for the project, it is not possible to estimate future costs. There were no additional costs capitalized during the current year. This asset has been reclassified as other assets.
2. Intergovernmental Agreement concerning Colorado Water Conservation Board Loan Financing for land acquisition and development of the Dry Gulch Project – This agreement is to facilitate

the financing arrangements for the Dry Gulch Project. Pagosa Area Water and Sanitation District was awarded a loan of \$11,217,000 from the Colorado Water Conservation Board (CWCB) for land acquisition. In December 2011, an interest payment for \$322,678 was made. Pagosa Area Water and Sanitation District requested that San Juan Water Conservancy District pay a portion on the interest due in return for an increased percentage of ownership in the land. San Juan Water Conservancy agreed and paid \$20,110. This increased their equity ownership from 11.21% to 11.43% and decreased Pagosa Area Water and Sanitation District's ownership from 88.79% to 88.57%. Any future payments by San Juan Water Conservancy District will further increase their ownership and decrease Pagosa Area Water and Sanitation District's ownership.

17. Construction Commitments

The District is committed to providing the highest quality water and wastewater services and to comply with the various legal requirements. While the district does not have any immediate plans for new construction, changes in the use, in regulations, and in maintenance could require new construction in the future. As a result, there is a small amount of construction in progress at the end of 2020.

18. Intergovernmental Agreement with Pagosa Springs Sanitation General Improvement District

During January, 2012, Pagosa Area Water and Sanitation District (PAWSD) and Pagosa Springs Sanitation General Improvement District (PSSGID) entered into an agreement to do a feasibility analysis and preliminary design, design development and final design, and construction phase of two segments of pipeline and two lift stations, Segment A and Segment B, and thereafter the ongoing operation and maintenance of both segments to provide for the conveyance and treatment of PSSGID raw sewage. The project has evolved from the conceptual phase in late 2012 to one actually under construction during 2014. The intergovernmental agreement that was executed in 2012 no longer reflects the full understanding of the parties and is in the process of being amended. The initial bids received for the construction of the pipeline and lift stations exceeded the engineer's estimated and were rejected. Hammerlund Construction was selected as a contractor for this project following a formal re-bid process. Minutes of the PAWSD and PSSGID Boards reflect the revised understanding that PAWSD's financing of the portion of Segment B will not exceed \$2,835,745. It was determined that a more accurate designation of that financing would be as a long-term receivable to PAWSD and a long-term payable by PSSGID, which the audited financial statements reflect. The original terms of the intergovernmental agreement were modified by the respective Boards during 2016. Changes included interest to be charged on loan advances and final terms of repayment.

This project was completed during 2016. PAWSD is charging service fees based on usage and PSSGID is paying those fees.

The note receivable balance as of December 31, 2020, was \$2,339,922. The note bears interest at 2.19% interest with principle and interest payments of \$174,940 due November 1 of each year until paid, with the final payment due November 2036. The note was current as of December 31, 2020.

Required Supplementary Information

Pagosa Area Water and Sanitation District
Budget and Actual
General Fund
For the year ended December 31, 2020

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
REVENUES				
Property taxes	\$ 888,407	\$ 888,407	\$ 888,470	\$ 63
SO taxes	200,000	200,000	228,056	28,056
Investment earnings	22,000	22,000	6,660	(15,340)
Miscellaneous	5,300	5,300	5,202	(98)
Total revenues	<u>1,115,707</u>	<u>1,115,707</u>	<u>1,128,388</u>	<u>12,681</u>
EXPENDITURES				
Emergency fund	19,913	19,913	-	19,913
Audit	24,990	24,990	24,990	-
Board expense	30,500	30,500	508	29,992
Dues and permits	16,000	16,000	15,642	358
Employee expense	3,400	3,400	-	3,400
Fees	29,200	29,200	27,421	1,779
Fringe benefit	68,604	68,604	57,496	11,108
Insurance general	8,568	8,568	12,166	(3,598)
Legal fees	4,000	4,000	1,194	2,806
Office expense	30,000	30,000	35,638	(5,638)
Office maintenance and landscape	12,000	12,000	8,515	3,485
Outside services	61,865	61,865	41,394	20,471
Payroll taxes, vacation and sick pay	23,013	23,013	22,348	665
Personnel	308,305	308,305	265,223	43,082
Publications and recording fees	2,000	2,000	1,565	435
Repairs and maintenance	2,587	2,587	2,623	(36)
Telephone and utilities	21,350	21,350	21,408	(58)
Travel and training	7,839	7,839	1,571	6,268
Debt Service:				
Capital outlay	9,250	9,250	5,814	3,436
Total Expenditures	<u>683,384</u>	<u>683,384</u>	<u>545,516</u>	<u>137,868</u>
Excess (deficiency) of revenues over expenditures	<u>432,323</u>	<u>432,323</u>	<u>582,872</u>	<u>150,549</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(500,000)	(500,000)	(500,000)	-
Total other financing sources and uses	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balances	(67,677)	(67,677)	82,872	150,549
Fund balances - beginning	939,542	939,542	983,500	(43,958)
Fund balances - ending	<u>\$ 871,865</u>	<u>\$ 871,865</u>	<u>\$ 1,066,372</u>	<u>\$ 168,033</u>

**Pagosa Area Water and Sanitation District
Notes to Required Supplementary Information
December 31, 2020**

Budgets and Budgetary Accounting:

The Board of Directors adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, and the Water and Wastewater Enterprise Funds. The budgets for the General Fund and the Debt Service Fund are prepared on the modified accrual basis. The budgets for the two enterprise funds are prepared on the modified accrual basis and include debt principal retirements and capital outlays as expenses. Additionally, the enterprise funds do not include depreciation as a budgetary expense. The statements comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other items, which are reported in the District's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the departmental level. The District Manager has the authorization to make transfers of budgeted amounts within and among departments; however, any revisions that alter total expenditures for any of the funds must be approved by the Board of Directors.

The Budgetary Comparison Schedules included in the required supplementary information present a comparison of budgetary data to actual results of operations for the General Fund and Debt Service Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results, with the following exception:

The General Fund recognizes an expenditure for the increase in the Emergency Reserve in its budget basis expenditures. Generally accepted accounting principles treat this as a reserve of fund balance.

Annual budgets are established for all funds of the District as required by Colorado law.

Expenditures may not legally exceed appropriations at the fund level. Budget amounts included in the financial statements are based on the final amended budget. After budget approval, the District's Board of Directors may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the original budget was adopted. There was not a supplemental appropriation made during the year.

The following is a summary of the 2020 budget appropriations and expenditures by fund:

	Original Budget	Final Budget	Expenditures (Budgetary) Basis	Variance Favorable (Unfavorable)
General Fund	\$ 1,183,384	\$ 1,183,884	\$ 1,045,516	\$ 138,368
Debt Service Fund	1,175,136	1,175,136	1,175,272	(136)
Water Fund	5,725,406	5,725,406	5,170,294	555,112
Wastewater Fund	2,636,374	2,636,374	2,405,830	230,544
Totals	<u>\$ 10,720,300</u>	<u>\$ 10,720,800</u>	<u>\$ 9,796,912</u>	<u>\$ 923,888</u>

The Debt Service Fund overspent its budget, which may be a violation of Colorado revised statutes.

On or before October 15th of each year, the District's budget officer must prepare and submit a proposed budget to the Board for the next fiscal year. Thereupon, notice must be published stating, among other things, that the

budget is open to inspection by the public and that interested electors may file or register any objection to the budget. Subject to certain exceptions and exclusions discussed hereafter, the District must submit a request for property tax increases in excess of the statutory limitation to the Division of Local Government (if within TABOR limits) or submit the question of an increased levy directly to the electors of the District at a general or special election. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for the current year.

Budget appropriations lapse at the end of each year.

The encumbrance method of accounting is not used.

Other Supplementary Information

**Pagosa Area Water and Sanitation District
Budget and Actual
Debt Services Fund
For the year ended December 31, 2020**

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 1,163,600	\$ 1,163,600	\$ 1,157,789	\$ (5,811)
Investment earnings	14,000	14,000	2,797	(11,203)
Total revenues	<u>1,177,600</u>	<u>1,177,600</u>	<u>1,160,586</u>	<u>(17,014)</u>
EXPENDITURES				
Administration	34,732	34,732	34,868	(136)
Debt Service:				
Principal	1,030,000	1,030,000	1,030,000	-
Interest and other charges	90,404	90,404	90,404	-
Total Expenditures	<u>1,155,136</u>	<u>1,155,136</u>	<u>1,155,272</u>	<u>(136)</u>
Excess (deficiency) of revenues over expenditures	<u>22,464</u>	<u>22,464</u>	<u>5,314</u>	<u>(17,150)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources and uses	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balances	2,464	2,464	(14,686)	(17,150)
Fund balances - beginning	26,462	26,462	26,009	453
Fund balances - ending	<u>\$ 28,926</u>	<u>\$ 28,926</u>	<u>\$ 11,323</u>	<u>\$ (16,697)</u>

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Water Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Availability charges	\$ 500,000	\$ 500,000	482,814	\$ (17,186)
Other Water Sales	110,000	110,000	178,391	68,391
Capital investment fee	320,000	320,000	313,439	(6,561)
Service fees	4,004,856	4,004,856	4,451,877	447,021
Other Revenues/Grants	80,000	80,000	-	(80,000)
Customer hookups	200,000	200,000	163,657	(36,343)
Inclusion Fee	5,000	5,000	50,440	45,440
Affordable Housing Surcharge	-	-	42,416	
Irrigation	50,501	50,501	71,908	21,407
Raw water acquisition fee	235,000	235,000	235,212	212
Late charges and interest	15,000	15,000	11,313	(3,687)
Current tax interest	4,260	4,260	4,701	441
Interest income - RWAF	22,500	22,500	4,752	(17,748)
Interest income - CIF	17,500	17,500	8,567	(8,933)
Interest on delinquent taxes	250	250	594	344
Other interest	87,000	87,000	30,652	(56,348)
Transfer from general fund	340,000	340,000	340,000	-
Transfer from DS - Interest	13,600	13,600	13,600	-
Gain or Loss on Asset Disposal	-	-	(876)	(876)
Other revenues	-	-	68,841	68,841
Total revenues	6,005,467	6,005,467	6,472,298	424,415
Expenses				
Sources of Supply				
Ditches	1,000	1,000	1,926	(926)
Reservoirs	69,500	69,500	53,826	15,674
Raw water line - Jackson Mt	3,000	3,000	14,760	(11,760)
Raw water line - San Juan	30,000	30,000	42,000	(12,000)
Power Trujillo booster	70,000	70,000	67,141	2,859
Power SJ River booster	44,000	44,000	44,063	(63)
Power Lake Forest	3,000	3,000	1,618	1,382
Power Dutton Ditch	700	700	621	79
	221,200	221,200	225,955	(4,755)
Water Treatment Plant				
Hatcher WTR plant chemicals/lab	160,000	160,000	185,019	(25,019)
Snowball WTP chemicals/lab	72,000	72,000	66,450	5,550
San Juan WTP chemicals/lab	60,000	60,000	91,649	(31,649)
Health insurance	40,696	40,696	41,243	(547)

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Water Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Retirement	12,105	12,105	11,765	340
Hatcher WTP fuel & power	140,000	140,000	135,862	4,138
Snowball WTP fuel & power	20,000	20,000	21,798	(1,798)
San Juan WTP fuel & power	65,000	65,000	37,402	27,598
Insurance	7,219	7,219	7,518	(299)
Payroll taxes	17,668	17,668	17,841	(173)
Personnel	236,122	236,122	231,744	4,378
Vehicle maintenance	4,134	4,134	1,824	2,310
Hatcher WTP maintenance	120,000	120,000	118,563	1,437
Snowball WTP maintenance	50,000	50,000	5,618	44,382
San Juan maintenance	237,000	237,000	232,115	4,885
Training	4,424	4,424	2,094	2,330
	<u>1,246,368</u>	<u>1,246,368</u>	<u>1,208,505</u>	<u>37,863</u>
Distribution Systems				
Health insurance	90,219	90,219	91,236	(1,017)
Retirement	20,795	20,795	20,782	13
Water treatment plant upgrades	-	-	1,907	(1,907)
Transportation Equipment	-	-	74,754	(74,754)
Fire hydrant maintenance	7,500	7,500	3,525	3,975
Fuel & power mission booster	700	700	607	93
Fuel & power pump stations	32,000	32,000	34,976	(2,976)
Town fill station - fuel & power	1,100	1,100	839	261
Trails fill station - fuel & power	1,100	1,100	617	483
Insurance	12,401	12,401	17,420	(5,019)
Payroll taxes	27,634	27,634	29,756	(2,122)
Personnel	373,660	373,660	389,595	(15,935)
Town fill station - maintenance	2,000	2,000	923	1,077
Trails fill station - maintenance	1,000	1,000	3,945	(2,945)
Water tank maintenance	329,900	329,900	265,773	64,127
Vehicle maintenance	10,500	10,500	9,203	1,297
Training	7,506	7,506	2,657	4,849
Uniforms	11,410	11,410	11,560	(150)
Water line maintenance	425,100	425,100	156,105	268,995
	<u>1,354,525</u>	<u>1,354,525</u>	<u>1,116,180</u>	<u>238,345</u>
Maintenance Department				
Building maintenance	2,000	2,000	2,777	(777)
Health insurance	6,629	6,629	4,513	2,116
Retirement	2,504	2,504	1,932	572

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Water Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Vehicle maintenance	1,200	1,200	34	1,166
Equipment maintenance	13,420	13,420	23,701	(10,281)
Gas, diesel and oil	42,500	42,500	34,893	7,607
Insurance	1,489	1,489	1,465	24
Operating supplies	14,500	14,500	11,861	2,639
Payroll taxes	3,317	3,317	2,779	538
Personnel	41,726	41,726	34,000	7,726
Tools and small equipment	10,960	10,960	12,591	(1,631)
Utilities	5,900	5,900	4,932	968
	<u>146,145</u>	<u>146,145</u>	<u>135,478</u>	<u>10,667</u>
Billing				
Bad debts	50,000	50,000	49,082	918
Data processing	35,000	35,000	25,875	9,125
Health insurance	34,683	34,683	41,298	(6,615)
Retirement	6,095	6,095	7,997	(1,902)
Insurance	203	203	303	(100)
Payroll taxes	6,951	6,951	10,022	(3,071)
Personnel	106,372	106,372	140,022	(33,650)
Postage	21,000	21,000	20,745	255
Training	3,046	3,046	-	3,046
	<u>263,350</u>	<u>263,350</u>	<u>295,344</u>	<u>(31,994)</u>
Administration				
Audit	2,940	2,940	2,940	-
Water Model	-	-	175	(175)
Dues and permits	7,000	7,000	6,971	29
Employee miscellaneous	2,972	2,972	-	2,972
Health insurance	26,063	26,063	21,693	4,370
Retirement	8,924	8,924	7,576	1,348
Vehicle maintenance	950	950	846	104
Insurance - general	73,614	73,614	73,925	(311)
Legal fees	2,000	2,000	430	1,570
Office expense	22,250	22,250	24,234	(1,984)
Maintenance of office building	12,000	12,000	4,418	7,582
Landscaping	2,000	2,000	1,586	414
Payroll taxes	11,299	11,299	10,196	1,103
Publications	1,000	1,000	429	571
Vacation pay	-	-	12,543	(12,543)
Personnel	151,126	151,126	132,794	18,332

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Water Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Telephone	12,024	12,024	13,584	(1,560)
Outside services	1,020	1,020	414	606
Utilities	2,500	2,500	1,885	615
Trash removal	2,000	2,000	1,478	522
Training	4,004	4,004	265	3,739
Inclusion expense	600	600	3,460	(2,860)
Computer support & upgrades	39,008	39,008	29,683	9,325
	<u>385,294</u>	<u>385,294</u>	<u>351,525</u>	<u>33,769</u>
Capital Expenditures				
Connections	165,000	165,000	136,025	28,975
Water rights	-	-	11,610	(11,610)
CIF Water Model	-	-	175	(175)
CIF Water SCADA System	54,400	54,400	5,411	48,989
CIF WTP upgrades	20,000	20,000	30,521	(10,521)
CIF Distribution system upgrades	347,500	347,500	243,643	103,857
Water SCADA system	-	-	21,643	(21,643)
Water treatment plant upgrades	30,000	30,000	-	30,000
Capital Equipment	48,210	48,210	31,543	16,667
Transportation Equipment	91,800	91,800	-	91,800
	<u>756,910</u>	<u>756,910</u>	<u>480,571</u>	<u>276,339</u>
Debt Service				
Principle - 2015 refunding	475,000	475,000	475,000	-
Interest - 2015 refunding	88,650	88,650	94,967	(6,317)
Principal, CWPDA loan	372,217	372,217	372,216	1
Interest, CWPDA loan	70,130	70,130	69,229	901
Administrative fee - CWPDA Loan	89,486	89,486	89,486	-
Principal - CWCB loan	197,445	197,445	197,445	-
Interest, CWCB loan	58,686	58,686	58,393	-
Total debt retirement & transfers	<u>1,351,614</u>	<u>1,351,614</u>	<u>1,356,736</u>	<u>(5,122)</u>
Total expenditures	<u>5,725,406</u>	<u>5,725,406</u>	<u>5,170,294</u>	<u>555,112</u>
Excess of revenues over (under) expenses	<u>280,061</u>	<u>280,061</u>	<u>1,302,004</u>	<u>\$ 1,021,943</u>
Other Financing Sources (Uses)				
Unappropriated surplus	5,935,717	5,935,717	6,285,577	
Total Other Financing Sources (Uses)	<u>5,935,717</u>	<u>5,935,717</u>	<u>6,285,577</u>	
Change in Net Position (Budgetary Basis)	<u>6,215,778</u>	<u>\$ 6,215,778</u>	<u>7,587,581</u>	

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Water Fund
For the Year Ended December 31, 2020

	Budgeted Amounts	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	
Reconciliation of Budgetary Basis to GAAP			
Basis Financial Statements			
Increase (Decrease) in Revenues and Other Financing Sources			
Unappropriated surplus		(6,285,577)	
Net (Decrease) in Revenues and Other Financing Sources		(6,285,577)	
(Increase) Decrease in Revenues and Other Financing Uses (Sources)			
Capital outlay costs		417,130	
Principal payments on 2015 refunding bonds		475,000	
Principal payments on CWDPA loan		372,216	
Principal payments on CWCB loan		197,445	
Bond issue costs amortized		(865)	
Amortization of bond premium		39,803	
Depreciation		(2,256,127)	
Net (Decrease) in Revenues and Other Financing Sources to GAAP Basis		(755,398)	
Change in Net Position GAAP Basis		\$ 546,606	

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Wastewater Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Availability charges	\$ 310,000	\$ 310,000	\$ 299,428	\$ (10,572)
Customer hookups	27,000	27,000	20,805	(6,195)
Capital Investment fees	84,000	84,000	80,896	(3,104)
Service fees	1,740,000	1,740,000	1,780,696	40,696
Municipal wastewater treatment	220,565	220,565	122,131	(98,434)
Interest PSSGID	26,948	26,948	26,948	-
Interest PSSGID CIF	26,948	26,948	26,948	-
Inclusion fee	2,500	2,500	9,794	7,294
Waste hauling	75,000	75,000	122,011	47,011
Interest income - CIF	19,000	19,000	7,161	(11,839)
Interest on delinquent taxes	500	500	262	(238)
Penalty & interest delinquent accounts	2,500	2,500	1,435	(1,065)
Current tax interest	1,100	1,100	1,153	53
Other interest	39,000	39,000	17,248	(21,752)
Other operating revenues	7,500	7,500	4,745	(2,755)
Gain (Loss) on Asset Disposal	-	-	9,179	9,179
Transfer from general fund	160,000	160,000	160,000	-
Transfer from debt service fund	6,400	6,400	6,400	-
Total Revenues	2,748,961	2,748,961	2,697,240	(51,721)
Expenses				
Wastewater - CIF Projects				
CIF - Wastewater SCADA Systems	5,120	5,120	2,546	2,574
CIF - Collection Sys Upgrades	20,000	20,000	12,739	7,261
	<u>25,120</u>	<u>25,120</u>	<u>15,285</u>	<u>9,835</u>
Wastewater Collection				
Health insurance	48,980	48,980	48,475	505
Retirement	12,024	12,024	11,728	296
Uniforms	5,430	5,430	5,524	(94)
Fuel and power lift stations	60,000	60,000	53,402	6,598
Insurance	4,390	4,390	6,237	(1,847)
Payroll taxes	16,092	16,092	16,845	(753)
General and pumps lift stations	180,500	180,500	110,106	70,394
Personnel	216,158	216,158	219,276	(3,118)
Wastewater line maintenance/repair	365,400	365,400	306,113	59,287
Vehicle maintenance	5,839	5,839	5,007	832
Training	4,043	4,043	1,760	2,283
	<u>918,856</u>	<u>918,856</u>	<u>784,473</u>	<u>134,383</u>

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Wastewater Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Wastewater Treatment				
Health insurance	40,075	40,075	40,781	(706)
Retirement	11,287	11,287	10,979	308
Fuel, power & water Vista WWTP	245,000	245,000	255,925	(10,925)
Insurance	4,121	4,121	4,061	60
Payroll taxes	15,963	15,963	16,319	(356)
Personnel	217,932	217,932	215,605	2,327
Maintenance Vista WWTP	139,400	139,400	57,542	81,858
Lab supply & testing	52,300	52,300	73,947	(21,647)
Vehicle maintenance	3,666	3,666	1,031	2,635
Sludge removal	70,000	70,000	64,774	5,226
Training	2,336	2,336	1,918	418
	<u>802,080</u>	<u>802,080</u>	<u>742,882</u>	<u>59,198</u>
Maintenance Department				
Building maintenance	1,500	1,500	1,307	193
Vehicle maintenance	550	550	50	500
Equipment maintenance	7,280	7,280	12,269	(4,989)
Health insurance	3,119	3,119	2,126	-
Retirement	1,178	1,178	909	269
Gas, diesel and oil	20,000	20,000	16,682	3,318
Insurance	417	417	402	15
Operating supplies	7,000	7,000	5,606	1,394
Payroll taxes	1,561	1,561	1,308	253
Personnel	19,636	19,636	16,000	3,636
Tools and small equipment	4,960	4,960	5,943	(983)
Utilities	3,500	3,500	3,289	211
	<u>70,701</u>	<u>70,701</u>	<u>65,891</u>	<u>4,810</u>
Billing				
Bad debts	50,000	50,000	49,346	654
Data processing	9,000	9,000	6,321	2,679
Health insurance	16,321	16,321	19,436	(3,115)
Retirement	2,868	2,868	3,763	(895)
Insurance	96	96	142	(46)
Payroll taxes	3,271	3,271	4,716	(1,445)
Personnel	50,057	50,057	65,893	(15,836)
Postage	9,500	9,500	9,818	(318)
Training	1,434	1,434	-	1,434
	<u>142,547</u>	<u>142,547</u>	<u>159,435</u>	<u>(16,888)</u>
Administration				
Audit	1,470	1,470	1,470	-
Inclusion expense	1,000	1,000	593	407

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Wastewater Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Employee expense	1,428	1,428	-	1,428
Health insurance	12,265	12,265	10,205	2,060
Retirement	4,199	4,199	3,565	634
Dues and permits	8,500	8,500	8,671	(171)
Insurance - general	33,361	33,361	31,684	1,677
Legal fees	1,000	1,000	202	798
Office expense	10,500	10,500	11,427	(927)
Maintenance of office building	5,350	5,350	2,079	3,271
Landscaping	1,050	1,050	911	139
Outside services	480	480	4,192	(3,712)
Payroll taxes	5,317	5,317	4,798	519
Personnel	71,118	71,118	62,491	8,627
Vacation pay		-	8,805	(8,805)
Publications	500	500	202	298
Vehicle maintenance	440	440	398	42
Telephone	6,976	6,976	7,836	(860)
Utilities	1,600	1,600	887	713
Trash removal	900	900	872	28
Training	1,884	1,884	125	1,759
Computer support & upgrades	18,357	18,357	13,968	4,389
	<u>187,695</u>	<u>187,695</u>	<u>175,381</u>	<u>12,314</u>
Capital Expenditures				
Connections	8,000	8,000	4,745	3,255
Capital Equipment	17,040	17,040	11,704	5,336
Transportation Equipment	43,200	43,200	35,179	8,021
Wastewater SCADA system	20,480	20,480	10,185	10,295
Collection system upgrades		-	15	(15)
	<u>88,720</u>	<u>88,720</u>	<u>61,828</u>	<u>26,892</u>
Debt Service				
Principal - 09 base loan	48,827	48,827	48,827	-
Principal - 09 ARRA loan	351,828	351,828	351,828	-
	<u>400,655</u>	<u>400,655</u>	<u>400,655</u>	<u>-</u>
Total Expenses	<u>2,636,374</u>	<u>2,636,374</u>	<u>2,405,830</u>	<u>230,544</u>
Excess of revenues over (under) expenses	<u>112,587</u>	<u>112,587</u>	<u>291,410</u>	<u>178,823</u>
Other Financing Sources (Uses)				
Unappropriated surplus				
Total Other Financing Sources (Uses)	<u>3,140,125</u>	<u>2,806,723</u>	<u>3,110,691</u>	
Change in Net Position (Budgetary Basis)	<u>\$ 3,252,712</u>	<u>\$ 2,919,310</u>	<u>3,402,101</u>	

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Wastewater Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Reconciliation of Budgetary Basis to GAAP				
Basis Financial Statements				
Increase (Decrease) in Revenues and Other Financing Sources			(3,110,691)	
Unappropriated surplus			<u>76,493</u>	
Net (Decrease) in Revenues and Other Financing Sources			<u>(3,110,691)</u>	
(Increase) Decrease in Revenues and Other Financing Uses				
Capital outlay costs			76,493	
Principal payments on revenue bonds and loans			400,654	
Depreciation			<u>(894,438)</u>	
Net (Decrease) in revenues and Other Financing Sources to GAAP basis			<u>(417,291)</u>	
Change in Net Position GAAP Basis			<u>\$ (125,881)</u>	