

TOWN OF PAGOSA SPRINGS
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

**TOWN OF PAGOSA SPRINGS
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YEAR ENDED DECEMBER 31, 2020**

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Town Council
Town of Pagosa Springs
Pagosa Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pagosa Springs, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pagosa Springs 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 management's discussion and analysis, general fund budgetary comparison schedule, and tourism fund budgetary comparison schedule as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pagosa Springs's basic financial statements. The budgetary comparison schedules and the local highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedules, local highway finance report, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 budgetary comparison schedules, the local highway finance report, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2021, on our consideration of the City of Greenwood Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Greenwood Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Greenwood Village's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, Colorado
June 23, 2021

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

As management of the Town of Pagosa Springs (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2020. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets plus deferred outflows of resources exceeded total liabilities plus deferred inflows of resources (net position) by \$39,693,443 at close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of \$2,750,724.
- The total cost of all Town programs for 2020 was \$9,960,612.
- The General fund unassigned fund balance at the end of 2020 was \$1,938,390 which is 80% of total General fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements reporting the Town as a Whole.

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes therein. Net position, the difference between assets plus deferred outflows and liabilities plus deferred inflows, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position is an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the Town's roads to accurately assess the overall health of the Town.

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, parks and recreation, community support, and interest on long-term debt. Sales taxes, property taxes, franchise taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets plus deferred outflows exceeded liabilities plus deferred inflows by \$32,153,972 as of December 31, 2020 as shown in the following condensed statement of net position. Of this amount, \$4,742,240 is unrestricted and available to meet the Town's ongoing financial obligations.

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

By far the largest portion of net position is the net investment in capital assets of \$25,669,020 (79.83% of total net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The Town has chosen to account for its sanitation and geothermal operations in enterprise funds which are shown as Business Activities.

The following table summarizes the Town's governmental and business-type net position as of December 31, 2020 and 2019:

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and Other Assets	\$ 7,250,593	\$ 8,869,887	\$ 1,029,623	\$ 1,346,104	\$ 8,280,216	\$ 10,215,991
Capital Assets	30,929,264	26,547,797	10,660,381	10,767,959	41,589,645	37,315,756
Total Assets	38,179,857	35,417,684	11,690,004	12,114,063	49,869,861	47,531,747
DEFERRED OUTFLOWS OF RESOURCES						
Pension Outflows	208,448	246,876	-	-	208,448	246,876
LIABILITIES						
Long-Term Debt Outstanding	4,785,774	5,800,595	3,777,692	4,357,725	8,563,466	10,158,320
Other Liabilities	1,300,418	455,489	331,251	50,781	1,631,669	506,270
Total Liabilities	6,086,192	6,256,084	4,108,943	4,408,506	10,195,135	10,664,590
DEFERRED INFLOWS OF RESOURCES						
Pension Inflows	51,530	-	-	-	51,530	-
Property Taxes	96,611	129,744	41,590	41,570	138,201	171,314
	148,141	129,744	41,590	41,570	189,731	171,314
NET POSITION						
Net Investment in Capital Assets	25,337,269	20,968,024	6,585,478	6,419,700	31,922,747	27,387,724
Restricted	3,028,456	4,595,642	-	-	3,028,456	4,595,642
Unrestricted	3,788,247	3,715,066	953,993	1,244,287	4,742,240	4,959,353
Total Net Position	\$ 32,153,972	\$ 29,278,732	\$ 7,539,471	\$ 7,663,987	\$ 39,693,443	\$ 36,942,719

An additional portion of net position, \$3,028,456, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,742,240 (11.95% of total net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

The cost of all Governmental activities this year was \$8,816,209 as shown in the Changes in Net Position statement below. \$674,241 of this cost was paid for by those who directly benefited from the programs. \$2,731,755 was subsidized by grants or contributions received from other governmental organizations for both capital and operating activities. General taxes, investment earnings, gain on sale of assets and other revenues totaled \$8,312,303.

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

The Town's programs include: General Government, Public Safety, Public Works/Streets, Parks & Recreation, and Community Support. Each program's revenues and expenses are presented below.

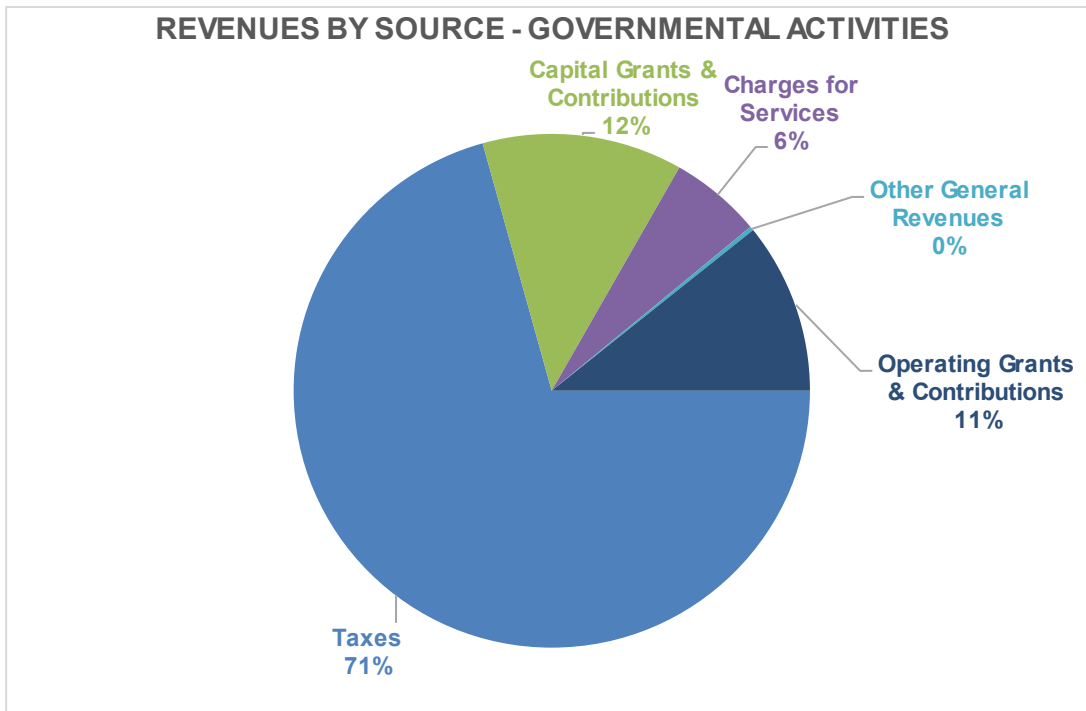
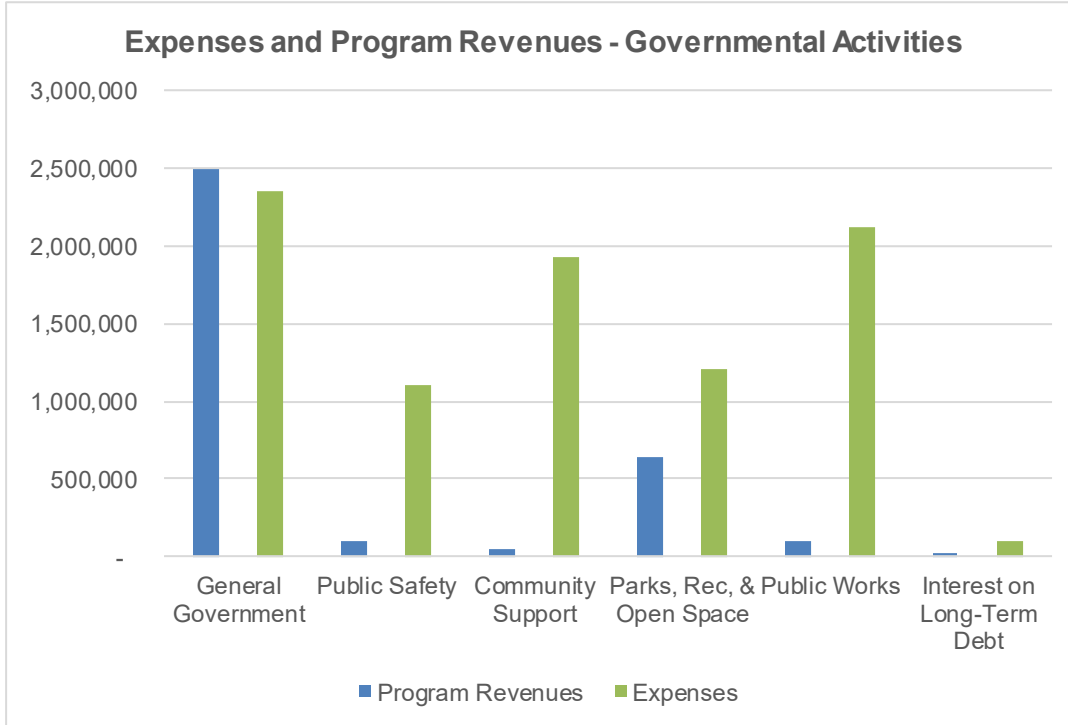
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for Services	\$ 674,241	\$ 779,602	\$ 843,671	\$ 788,748	\$ 1,517,912	\$ 1,568,350
Operating Grants & Contributions	1,261,011	304,728	-	-	-	304,728
Capital Grants & Contributions	1,470,744	590,224	94,325	41,650	1,565,069	631,874
General Revenues						
Taxes	8,282,358	7,173,541	53,275	45,772	8,335,633	7,219,313
Investment Earnings	29,845	43,238	1,866	1,647		44,885
Other General Revenues	-	32,649	-	-	-	32,649
Total Revenues	11,718,199	8,923,982	993,137	877,817	12,711,336	9,801,799
Program Expenses						
General Government	2,355,856	1,936,560	-	-	2,355,856	1,936,560
Public Safety	1,103,433	1,043,704	-	-	1,103,433	1,043,704
Public Works/Streets	2,119,682	2,071,587	-	-	2,119,682	2,071,587
Parks, Recreation, and Open Space	1,210,302	1,444,792	-	-	1,210,302	1,444,792
Community Support	1,921,869	1,172,308	-	-	1,921,869	1,172,308
Interest on Long-Term Debt	105,067	143,595	-	-	105,067	143,595
Sanitation	-	-	1,029,073	1,055,343	1,029,073	1,055,343
Geothermal	-	-	115,330	56,258	115,330	56,258
Total Expenses	8,816,209	7,812,546	1,144,403	1,111,601	9,960,612	8,924,147
Other Financing Sources (Uses)						
Transfers	(26,750)	(3,000)	26,750	3,000	-	-
CHANGE IN NET POSITION	2,875,240	1,108,436	(124,516)	(230,784)	2,750,724	877,652
Net Position - Beginning of Year	29,278,732	28,170,296	7,663,987	7,894,771	36,942,719	36,065,067
NET POSITION - END OF YEAR	32,153,972	29,278,732	7,539,471	7,663,987	39,693,443	36,942,719

Total resources available during the year to finance governmental operations were \$32,153,972 consisting of net position at January 1, 2020 of \$29,278,732, Program Revenues of \$3,405,996, and General Revenues of \$7,249,428. Total Governmental Activities expenses during the year were \$8,312,203 and transfers out were \$26,750; thus, Governmental Net Position increased by \$2,875,240 to \$32,153,972.

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

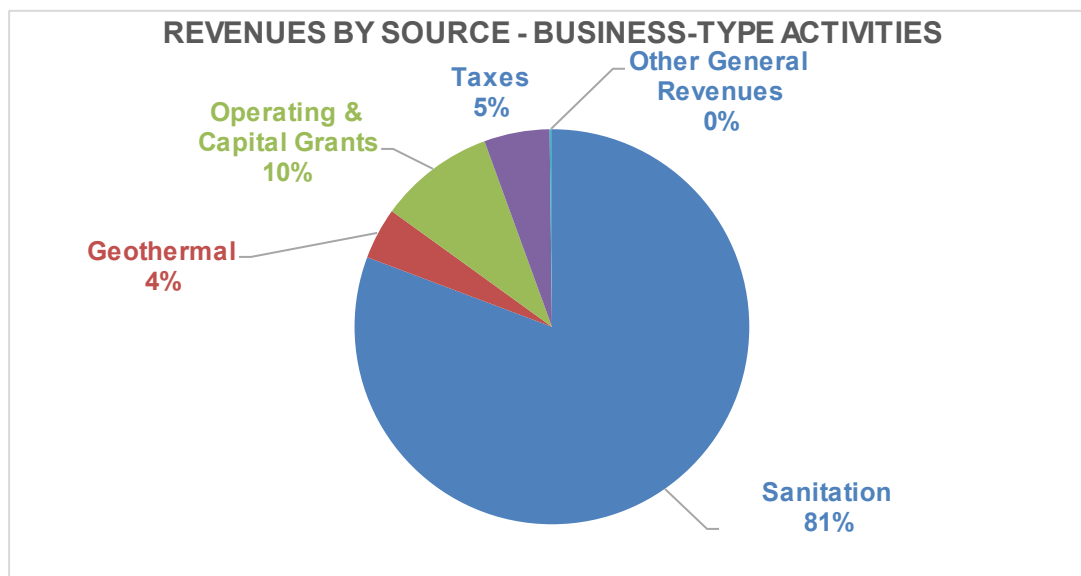
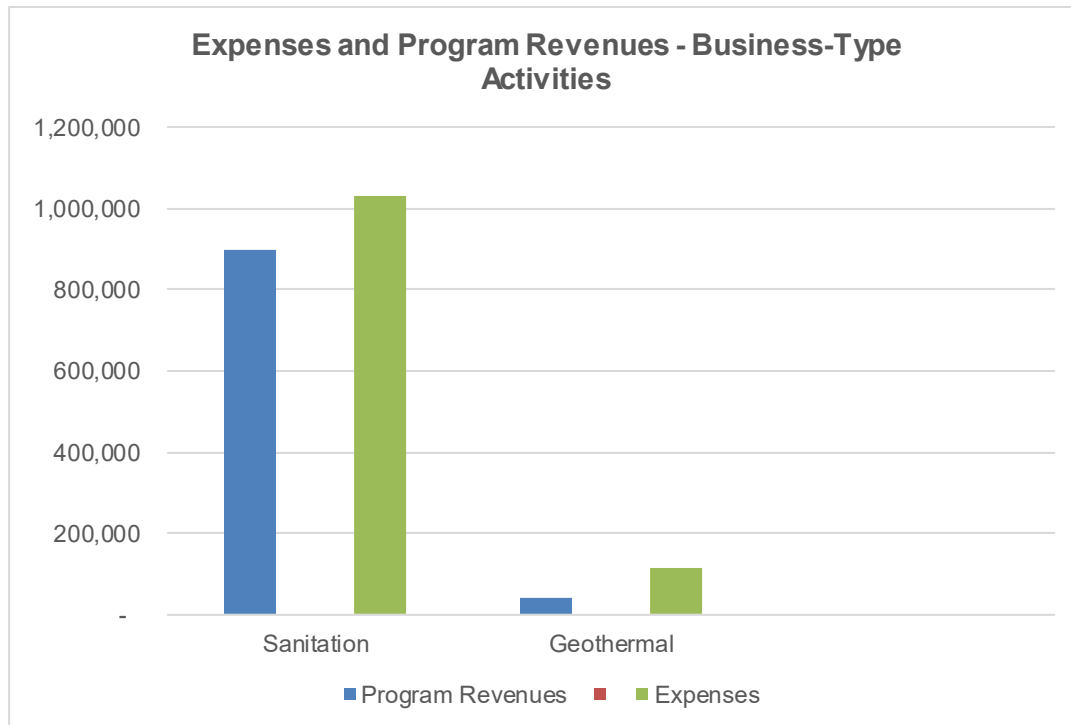
The following graphs compare program expenses to program revenues and provides a breakdown of revenues by source for all governmental activities:



**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Business Type Activities

Net position of the Business Type activities at December 31, 2020, as reflected in the Statement of Net Position was \$7,539,471. The cost of providing all Proprietary (Business-type) activities this year was \$1,144,403. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$843,671 and there was \$94,325 subsidized by capital grants and contributions. Investment earnings and tax revenues were \$55,141. The Net Position decreased by \$124,516. The following graphs compare the total business-type activity expenses by service to the charges for those services and the graph at the bottom of the page provides a breakdown of the total revenues for business-type activities.



**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6,313,970, a decrease of (\$2,000,813) in comparison with the prior year. Approximately 31%, \$1,938,390 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The Town has three major governmental funds, the general fund, the capital improvement fund, and the tourism fund.

The General fund is the primary operating fund for the Town. At December 31, 2020, unassigned fund balance in the General fund was \$1,938,390. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 54% of the total General fund expenditures. The fund balance of the Town's General fund increased by \$658,354 for the year ended December 31, 2020. As compared to the prior year, the General fund revenues increased due to increased tax, and charges for services. General fund expenses increased due to increased expenses in general government, parks and recreation and community support.

The Capital Improvement fund budgeted for and completed several projects during the year. The expected reduction in fund balance was (\$139,702). The actual change in fund balance was (\$2,894,962).

The Tourism fund is used to account for tax on lodging establishments and the related community support expenditures. Actual revenues were more than budgeted revenues, and actual expenditures were less than budgeted expenditures which resulted in an increase in fund balance of \$255,616.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and changes in net position for the year-ended December 31, 2020 for the Town's enterprise funds (Sanitation and Geothermal) are as follows:

	Sanitation	Geothermal	Total
Unrestricted Net Position	\$ 875,266	78,727	\$ 953,993
Total Net Position	7,219,319	320,152	7,539,471
Change in Net Position	\$ (55,153)	\$ (69,363)	\$ (124,516)

**TOWN OF PAGOSA SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Budgetary Highlights

General fund revenues of \$4,940,901 were higher than budgeted revenues of \$4,292,113 by \$648,788. The most significant factor contributing to this excess amount is related to sales taxes which exceeded budget by \$723,434. Budgeted expenditures exceeded actual expenditures by \$639,305.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of 2020, net capital assets of the government activities totaled \$25,669,020 and the net capital assets of the business-type activities were \$6,585,478. The most significant governmental capital additions were the Town Maintenance Shop construction project and the Eagle-Pike Extension. The most significant business-type capital addition was the pipeline odor system. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the Town had \$5,260,244 in governmental-type debt, and \$4,074,903 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$736,079. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2021, the Town Council and management were cautious as to the growth of revenues and expenditures due to a slow economy.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk at: PO Box 1859, Pagosa Springs, CO 81147.

**TOWN OF PAGOSA SPRINGS
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 4,930,913	\$ 830,124	\$ 5,761,037
Receivables (Net of Allowance)	2,291,996	199,499	2,491,495
Net Pension Asset	27,684	-	27,684
Capital Assets (Net of Accumulated Depreciation)			
Land	2,736,550	16,376	2,752,926
Construction in Progress	5,223,053	37,792	5,260,845
Buildings and Improvements	7,546,674	236,484	7,783,158
Machinery and Equipment	1,066,685	262,919	1,329,604
Infrastructure and Systems	14,356,302	10,106,810	24,463,112
Total Assets	<u>38,179,857</u>	<u>11,690,004</u>	<u>49,869,861</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	<u>208,448</u>	<u>-</u>	<u>208,448</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	765,740	22,971	788,711
Interest Payable	21,708	11,069	32,777
Customer Deposits	38,500	-	38,500
Noncurrent Liabilities			
Due Within One Year	474,470	297,211	771,681
Due in More Than One Year	4,785,774	3,777,692	8,563,466
Total Liabilities	<u>6,086,192</u>	<u>4,108,943</u>	<u>10,195,135</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pension	51,530	-	51,530
Property Taxes	96,611	41,590	138,201
Total Deferred Inflows of Resources	<u>148,141</u>	<u>41,590</u>	<u>189,731</u>
NET POSITION			
Net Investment in Capital Assets	25,337,269	6,585,478	31,922,747
Restricted For			
Emergency Reserve	310,632	-	310,632
Net Pension Asset	27,684	-	27,684
Capital Projects	1,718,931	-	1,718,931
Parks and Recreation	48,524	-	48,524
Tourism	922,685	-	922,685
Unrestricted	3,788,247	953,993	4,742,240
Total Net Position	<u>\$ 32,153,972</u>	<u>\$ 7,539,471</u>	<u>\$ 39,693,443</u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary Government							
General Government	\$ 2,355,856	\$ 350,573	\$ 1,157,289	\$ 990,334	\$ 142,340	\$ -	\$ 142,340
Public Safety	1,103,433	82,726	22,851	-	(997,856)	-	(997,856)
Public Works/Streets	2,119,682	75,709	-	29,415	(2,014,558)	-	(2,014,558)
Parks and Recreation	1,210,302	112,233	80,871	450,995	(566,203)	-	(566,203)
Community Support	1,921,869	53,000	-	-	(1,868,869)	-	(1,868,869)
Interest on Long-Term Debt	105,067	-	-	-	(105,067)	-	(105,067)
Total Government Activities	8,816,209	674,241	1,261,011	1,470,744	(5,410,213)	-	(5,410,213)
Business-Type Activities							
Sanitation	1,029,073	801,704	-	94,325	-	(133,044)	(133,044)
Geothermal	115,330	41,967	-	-	-	(73,363)	(73,363)
Total Business-Type Activities	1,144,403	843,671	-	94,325	-	(206,407)	(206,407)
Total Primary Government	<u>\$ 9,960,612</u>	<u>\$ 1,517,912</u>	<u>\$ 1,261,011</u>	<u>\$ 1,565,069</u>	<u>(5,410,213)</u>	<u>(206,407)</u>	<u>(5,616,620)</u>
General Revenues							
Taxes							
Property Taxes					99,544	53,275	152,819
Sales Tax					7,256,486	-	7,256,486
Other Taxes					111,381	-	111,381
Franchise Tax					27,608	-	27,608
Lodgers Tax					787,339	-	787,339
Unrestricted Investment Earnings					29,845	1,866	31,711
Transfers					(26,750)	26,750	-
Total General Revenues					8,285,453	81,891	8,367,344
Change in Net Position					2,875,240	(124,516)	2,750,724
Net Position - Beginning of Year					29,278,732	7,663,987	36,942,719
NET POSITION - END OF YEAR					<u>\$ 32,153,972</u>	<u>\$ 7,539,471</u>	<u>\$ 39,693,443</u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
BALANCE SHEET – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	General	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,979,849	\$ 1,164,942	\$ 737,598	\$ 48,524	\$ 4,930,913
Receivables, Net of Allowance	202,914	441,012	-	-	643,926
Tax Receivables	772,233	673,936	201,901	-	1,648,070
Total Assets	<u>\$ 3,954,996</u>	<u>\$ 2,279,890</u>	<u>\$ 939,499</u>	<u>\$ 48,524</u>	<u>\$ 7,222,909</u>
LIABILITIES					
Accounts Payable	\$ 108,148	\$ 530,812	\$ 10,381	\$ -	\$ 649,341
Accrued Liabilities	87,907	22,059	6,433	-	116,399
Customer Deposits	38,500	-	-	-	38,500
Total Liabilities	<u>234,555</u>	<u>552,871</u>	<u>16,814</u>	<u>-</u>	<u>804,240</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	8,088	-	-	8,088
Property Taxes	96,611	-	-	-	96,611
Total Deferred Inflows	<u>96,611</u>	<u>8,088</u>	<u>-</u>	<u>-</u>	<u>104,699</u>
FUND BALANCES					
Restricted for:					
Emergency Reserve	310,632	-	-	-	310,632
Capital Outlay	-	1,718,931	-	-	1,718,931
Parks and Recreation	-	-	-	48,524	48,524
Tourism	-	-	922,685	-	922,685
Assigned for:					
Health funds	127,973	-	-	-	127,973
Other Purposes	149,814	-	-	-	149,814
Budgetary Purposes	1,097,021	-	-	-	1,097,021
Unassigned	1,938,390	-	-	-	1,938,390
Total Fund Balances	<u>3,623,830</u>	<u>1,718,931</u>	<u>922,685</u>	<u>48,524</u>	<u>6,313,970</u>
Total Liabilities, Deferred Inflows					

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2020**

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

Total Fund Balances of Governmental Funds		\$ 6,313,970
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in governmental funds.		
Governmental Capital Assets	40,868,005	
Accumulated Depreciation	<u>(9,938,741)</u>	30,929,264
Long-term assets and related items are not related in the current year and, therefore, are not reported in governmental funds.		27,684
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.		
Capital Leases Payable	(94,844)	
Lease Revenue Bond	(4,998,090)	
Interest Payable	(21,708)	
Compensated Absences	<u>(167,310)</u>	(5,281,952)
Deferred inflows related to revenue not received within 60 days after the end of the year are considered unavailable and, therefore, are not reported in governmental funds		8,088
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods, and therefore, are not reported in governmental funds.		
Deferred Outflows	208,448	
Deferred Inflows	<u>(51,530)</u>	<u>156,918</u>
Total Net Position of Governmental Activities		<u><u>\$ 32,153,972</u></u>

See accompanying Notes to Financial Statements.

TOWN OF PAGOSA SPRINGS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General Fund	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 3,798,801	\$ 3,696,218	\$ 787,339	\$ -	\$ 8,282,358
Licenses and Permits	178,316	-	-	-	178,316
Intergovernmental	576,678	1,734,559	392,759	80,871	2,784,867
Fines and Forfeitures	82,726	-	-	-	82,726
Charges for Services	191,755	21,109	891	-	213,755
Interest Income	27,516	1,990	-	339	29,845
Other Revenues	85,109	7,535	45,600	-	138,244
Total Revenues	4,940,901	5,461,411	1,226,589	81,210	11,710,111
EXPENDITURES					
Current					
General Government	1,657,030	602,909	-	-	2,259,939
Public Safety	1,052,231	8,255	-	-	1,060,486
Public Works/Streets	-	1,257,358	-	-	1,257,358
Parks and Recreation	429,984	389,562	-	51,031	870,577
Community Support	943,152	-	970,973	-	1,914,125
Capital Outlay	-	5,722,004	-	-	5,722,004
Debt Service					
Principal Retirement	-	482,128	-	-	482,128
Interest on Long-Term Debt	-	117,557	-	-	117,557
Total Expenditures	4,082,397	8,579,773	970,973	51,031	13,684,174
Revenues Over (Under) Expenditures	858,504	(3,118,362)	255,616	30,179	(1,974,063)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	223,400	-	-	223,400
Transfers Out	(200,150)	-	-	(50,000)	(250,150)
Total Other Financing Sources (Uses)	(200,150)	223,400	-	(50,000)	(26,750)
Net Change in Fund Balances	658,354	(2,894,962)	255,616	(19,821)	(2,000,813)
Fund Balances - Beginning of Year	2,965,476	4,613,893	667,069	68,345	8,314,783
FUND BALANCES - END OF YEAR	\$ 3,623,830	\$ 1,718,931	\$ 922,685	\$ 48,524	\$ 6,313,970

See accompanying Notes to Financial Statements.

TOWN OF PAGOSA SPRINGS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

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

Net Change in Fund Balances of Governmental Funds \$ (2,000,813)

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

Capital Outlay	5,722,004	
Net book value of disposed assets	(135,376)	
Depreciation Expense	(1,205,161)	4,381,467

Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities (1,538)

Repayment and amortization of long-term debt principal and premium are expenditures in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.

Bond principal	482,128	
Bond premium	4,711	486,839

Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities. 7,779

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (6,582)

Deferred inflows related to revenue not received within 60 days after the end of the year are considered unavailable and, therefore, are not reported in governmental funds 8,088

Change in Net Position of Governmental Activities \$ 2,875,240

**TOWN OF PAGOSA SPRINGS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 755,839	\$ 74,285	\$ 830,124
Receivables (Net of Allowance)	151,743	6,166	157,909
Property Tax Receivable	41,590	-	41,590
Total Current Assets	949,172	80,451	1,029,623
Noncurrent Assets			
Land	16,376	-	16,376
Improvements and System	12,513,911	1,182,419	13,696,330
Machinery and Equipment	405,843	30,199	436,042
Construction in Progress	37,792	-	37,792
Accumulated Depreciation	(2,573,753)	(952,406)	(3,526,159)
Total Noncurrent Assets	10,400,169	260,212	10,660,381
Total Assets	11,349,341	340,663	11,690,004
LIABILITIES			
Current Liabilities			
Accounts Payable	17,676	1,724	19,400
Accrued Liabilities	3,571	-	3,571
Interest Payable	11,069	-	11,069
Loans Payable - Current	221,478	-	221,478
Capital Leases Payable - Current	60,802	6,031	66,833
Compensated Absences - Current	8,900	-	8,900
Total Current Liabilities	323,496	7,755	331,251
Noncurrent Liabilities			
Loans Payable (Net of Current Portion)	3,636,352	-	3,636,352
Capital Leases Payable (Net of Current Portion)	128,584	12,756	141,340
Total Noncurrent Liabilities	3,764,936	12,756	3,777,692
Total Liabilities	4,088,432	20,511	4,108,943
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Property Taxes	41,590	-	41,590
NET POSITION			
Net Investment in Capital Assets	6,344,053	241,425	6,585,478
Unrestricted	875,266	78,727	953,993
Total Net Position	\$ 7,219,319	\$ 320,152	\$ 7,539,471

See accompanying Notes to Financial Statements.

TOWN OF PAGOSA SPRINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
OPERATING REVENUES			
Charges for Services	\$ 790,086	\$ 41,967	\$ 832,053
Other	11,618	-	11,618
Total Operating Revenues	<u>801,704</u>	<u>41,967</u>	<u>843,671</u>
OPERATING EXPENSES			
Salaries and Wages	133,738	-	133,738
Operating System	449,962	77,056	527,018
Administrative	38,803	1,150	39,953
Professional Fees	32,600	8,231	40,831
Depreciation	291,733	27,963	319,696
Total Operating Expenses	<u>946,836</u>	<u>114,400</u>	<u>1,061,236</u>
Operating Income (Loss)	(145,132)	(72,433)	(217,565)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	1,866	-	1,866
Interest Expense and Fiscal Charges	(82,237)	(930)	(83,167)
Property and Specific Ownership Tax	53,275	-	53,275
Grant Revenue	30,225	-	30,225
Connection and Tap Fees	64,100	-	64,100
Total Nonoperating Revenues (Expenses)	<u>67,229</u>	<u>(930)</u>	<u>66,299</u>
Income (Loss) Before Contributions	(77,903)	(73,363)	(151,266)
TRANSFERS			
Transfers In	22,750	4,000	26,750
	<u>22,750</u>	<u>4,000</u>	<u>26,750</u>
Change in Net Position	(55,153)	(69,363)	(124,516)
Net Position - Beginning of Year	<u>7,274,472</u>	<u>389,515</u>	<u>7,663,987</u>
NET POSITION - END OF YEAR	<u><u>\$ 7,219,319</u></u>	<u><u>\$ 320,152</u></u>	<u><u>\$ 7,539,471</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers, Service Fees	\$ 789,903	\$ 41,191	\$ 831,094
Cash Paid to Suppliers	(543,459)	-	(543,459)
Cash Paid to Employees	(133,738)	(84,713)	(218,451)
Net Cash Provided(Used) by Operating Activities	<u>112,706</u>	<u>(43,522)</u>	<u>69,184</u>
CASH FLOWS FROM NONCAPITAL ACTIVITIES			
Grants Received	30,225	-	30,225
Property and Specific Ownership Taxes	53,275	-	53,275
Transfers From (To) Other Funds	22,750	4,000	26,750
Net Cash Provided by Non-Capital Activities	<u>106,250</u>	<u>4,000</u>	<u>110,250</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(212,118)	-	(212,118)
Connection and Tap Fees	64,100	-	64,100
Principal Paid on Long Term Debt	(276,444)	(5,812)	(282,256)
Interest Paid	(79,174)	(931)	(80,105)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(503,636)</u>	<u>(6,743)</u>	<u>(510,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	1,866	-	1,866
Net Cash Provided by Investing Activities	<u>1,866</u>	<u>-</u>	<u>1,866</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(282,814)</u>	<u>(46,265)</u>	<u>(439,329)</u>
Cash and Cash Equivalents - Beginning of Year	<u>1,038,652</u>	<u>120,550</u>	<u>1,159,202</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 755,838</u></u>	<u><u>\$ 74,285</u></u>	<u><u>\$ 830,123</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (145,132)	\$ (72,433)	\$ (217,565)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	291,733	27,963	319,696
Changes in Asset and Liabilities			
Receivables	(11,801)	(776)	(12,577)
Payables	(22,409)	1,724	(20,685)
Accrued Liabilities	315	-	315
Net Cash Provided(Used) By Operating Activities	<u><u>\$ 112,706</u></u>	<u><u>\$ (43,522)</u></u>	<u><u>\$ 69,184</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity

The Town of Pagosa Springs is a home-rule municipality with a Mayor – Council form of government with six elected Council members. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. However, there are no blended or discretely presented component units that are applicable in defining the Town's reporting entity.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Improvement Fund accounts for maintenance, acquisition or construction of major capital facilities (other than those belonging to enterprise funds).

The Tourism Fund accounts for the tax collected from lodging establishments to be used for community support services.

The Town reports the following major enterprise funds:

The Sanitation Fund accounts for the activities related to the Town's sanitation treatment and distribution operations.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Deposits and Investments

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

Receivables and Payables

All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectible accounts. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include; property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	15 - 50 years
Utility Plant and Improvement	50 years
Machinery, Equipment, and Vehicles	5 - 20 years
Infrastructure	20 - 50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. This item is pension related items reported on the government-wide financial statements. See Note 8 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which qualify for reporting in this category. Accordingly, the item, deferred revenue – property taxes, is reported in both the governmental funds balance sheet and the statement of net position. The second item is pension related items reported on the government-wide financial statements. See Note 8 for more information.

Net Position Flow Assumption

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

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Town Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Town Manager is authorized to assign amounts to a specific purpose in accordance with the Town's budget policy. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenue and Expenditures/Expenses

Program Revenues

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

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes levied in the current year and not collected within 60 days of year-end are not deemed available to pay current liabilities and therefore the receivable is recorded as a deferred inflow in the governmental funds. Property taxes for the current year are levied by the Town and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The Town also levies various personal property taxes during the year.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

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

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and Budgetary Accounting

The Town Council adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with State statutes, prior to October 15, the Town Manager submits to the Town Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the department level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- The Town Clerk is required to present a quarterly report to the Town Council explaining any variance from the approved budget.
- Formal budgetary integration is employed as a management control device during the year for all funds of the Town.
- Appropriations lapse at the end of each calendar year.
- The Town Council may authorize supplemental appropriations during the year.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budget amounts included in the financial statements report both the original and final amended budget. There were revisions made to the original budget during the year.

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for long-term receivables and advances and capital lease financing which are budgeted when liquidated rather than when the receivable/liability is incurred. Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.

Expenditures over Appropriations

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Town Council. The Council by Resolution has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports as listed in the table of contents report those funds that exceeded approved budget appropriations. There were no individual funds that exceeded approved budget appropriations for the year ended December 31, 2020.

Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, excluding "enterprises."

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending (excluding bonded debt service). A portion of the General Fund's fund balance is classified as restricted for emergencies as required by the Amendment. The Town is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2020 as follows:

Cash on Hand	\$ 200
Cash in Bank	5,760,631
Money Market Fund	206
Total	<u>\$ 5,761,037</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk; however, the Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. As of December 31, 2020, the bank balance of the Town's deposits were insured by federal depository insurance or collateralized by the PDPA as noted above.

Investments

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

Interest rate risk

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

TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Credit risk

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

Fair value measurements

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

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

NOTE 5 CAPITAL ASSETS

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

	Balance at December 31, 2019	Additions	Deletions	Transfers	Balance at December 31, 2020
Governmental Activities					
Capital Assets, <i>Not Being Depreciated</i>					
Land	\$ 2,736,550	-	-	-	\$ 2,736,550
Construction in Progress	743,593	5,417,831	-	(938,371)	5,223,053
Total Capital Assets, <i>Not Being Depreciated</i>	3,480,143	5,417,831	-	(938,371)	7,959,603
Capital Assets, <i>Being Depreciated</i>					
Buildings and Improvements	10,748,445	24,385	(201,054)	-	10,571,776
Equipment and Vehicles	2,397,743	279,788	(30,961)	-	2,646,570
Infrastructure	18,751,685	-	-	938,371	19,690,056
Total Capital Assets, <i>Being Depreciated</i>	31,897,873	304,173	(232,015)	938,371	32,908,402
Less Accumulated Depreciation					
Buildings and Improvements	(2,725,315)	(365,465)	65,678	-	(3,025,102)
Equipment and Vehicles	(1,387,818)	(223,028)	30,961	-	(1,579,885)
Infrastructure	(4,717,086)	(616,668)	-	-	(5,333,754)
Total Accumulated Depreciation	(8,830,219)	(1,205,161)	96,639	-	(9,938,741)
Capital Assets, <i>Net of Depreciation</i>	23,067,654	(900,988)	(135,376)	938,371	22,969,661
Total Governmental Activities Capital Assets	\$ 26,547,797	\$ 4,516,843	\$ (135,376)	\$ -	\$ 30,929,264

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
General Government	\$ 87,797
Public Safety	42,947
Public Works/Streets	726,948
Parks and Recreation	339,725
Community Support	7,744
Total Depreciation by Function	<u>\$ 1,205,161</u>

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

	Balance at December 31, 2019	Additions	Deletions	Transfers	Balance at December 31, 2020
Business-Type Activities					
Capital Assets, <i>Not Being Depreciated</i>					
Land	\$ 16,376	\$ -	\$ -	\$ -	\$ 16,376
Construction In Progress	-	37,792	-	-	37,792
Total Capital Assets, <i>Not Being Depreciated</i>	<u>16,376</u>	<u>37,792</u>	<u>-</u>	<u>-</u>	<u>54,168</u>
Capital Assets, <i>Being Depreciated</i>					
Buildings and Improvements	1,182,419	-	-	-	1,182,419
Improvements and Systems	12,339,585	174,326	-	-	12,513,911
Equipment and Vehicles	436,042	-	-	-	436,042
Total Capital Assets, <i>Being Depreciated</i>	<u>13,958,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,132,372</u>
Less Accumulated Depreciation					
Buildings and Improvements	(922,287)	(23,648)	-	-	(945,935)
Improvements and Systems	(2,158,857)	(248,244)	-	-	(2,407,101)
Equipment and Vehicles	(125,319)	(47,804)	-	-	(173,123)
Total Accumulated Depreciation	<u>(3,206,463)</u>	<u>(319,696)</u>	<u>-</u>	<u>-</u>	<u>(3,526,159)</u>
Capital Assets, <i>Net of Depreciation</i>	<u>10,751,583</u>	<u>(319,696)</u>	<u>-</u>	<u>-</u>	<u>10,606,213</u>
Total Business-Type Activities Capital Assets	<u>\$ 10,767,959</u>	<u>\$ (281,904)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,660,381</u>

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

Business-Type Activities	
Sanitation	\$ 291,733
Geothermal	27,963
Total Depreciation by Function	<u>\$ 319,696</u>

TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of changes in long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Deletions	Balance at December 31, 2020	Due Within One Year
Governmental Activities					
Lease Revenue Bond Direct					
Borrowings	\$ 5,185,000	\$ -	\$ (267,000)	\$ 4,918,000	\$ 272,000
Bond Premium	84,801	-	(4,711)	80,090	4,711
Capital Leases Payable	309,972	-	(215,128)	94,844	30,449
Compensated Absences	160,728	160,801	(154,219)	167,310	167,310
Total	<u>\$ 5,740,501</u>	<u>\$ 160,801</u>	<u>\$ (641,058)</u>	<u>\$ 5,260,244</u>	<u>\$ 474,470</u>
Business-Type Activities					
Direct Borrowings					
Water Pollution Control Fund Note	\$ 1,614,720	\$ -	\$ (96,812)	\$ 1,517,908	\$ 97,782
Note Payable to PAWSD	2,460,967	-	(121,045)	2,339,922	123,696
Capital Leases Payable	272,572	-	(64,399)	208,173	66,833
Compensated Absences	9,466	9,331	(9,897)	8,900	8,900
Total	<u>\$ 4,357,725</u>	<u>\$ 9,331</u>	<u>\$ (292,153)</u>	<u>\$ 4,074,903</u>	<u>\$ 297,211</u>

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

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

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

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Long-term liabilities for the primary government at December 31, 2020 are comprised of the following:

BONDS PAYABLE

Governmental Activities

Lease Revenue Bonds, Series 2016, due in annual principal and semi-annual interest installments ranging from \$176,800 to \$195,563, bearing interest at 3.0% to 4.0%, maturing November 1, 2017. Town Hall is pledged as collateral. The net book value of the assets acquired to date are \$625,995

\$ 2,260,000

Lease Revenue Bonds, Series 2019, due in annual principal and semi-annual interest installments ranging from \$248,878 to \$247,917, bearing interest at 2.87%, maturing December 1, 2033. Town Shop is pledged as collateral. The net book value of the assets acquired to date are \$4,898,224

2,658,000

Total Bonds Payable \$ 4,918,000

NOTES PAYABLE

Business-Type Activities

Note payable to Water Pollution Control Revolving Fund in the original amount of \$2,000,000. Due in forty semi-annual payments of \$9,215 for the first payment and then 39 payments of \$56,359, including interest at 1% maturing May 1, 2035

\$ 1,517,908

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

2,339,922

Total Notes Payable \$ 3,857,830

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Debt service requirements to maturity are as follows:

Year Ended December 31	Direct Borrowings Governmental Activities		Direct Borrowings Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 272,000	\$ 161,847	\$ 221,478	\$ 66,180
2022	281,000	152,911	225,167	62,490
2023	287,000	144,710	228,925	58,732
2024	297,000	136,336	232,754	54,903
2025	307,000	126,569	236,655	51,002
2026-2030	1,676,000	483,293	1,244,412	193,875
2031-2035	1,463,000	201,125	1,297,247	84,681
2036-2037	335,000	20,200	171,191	3,749
	<u>\$ 4,918,000</u>	<u>\$ 1,426,991</u>	<u>\$ 3,857,830</u>	<u>\$ 575,611</u>

NOTE 7 CAPITAL LEASES PAYABLE

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

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

Year Ended December 31	Governmental Activities	Business-Type Activities
2021	\$ 34,034	\$ 74,702
2022	34,034	74,702
2023	34,034	74,702
Total Remaining Lease Payments	102,103	224,105
Less: Amount Representing Interest	<u>(7,259)</u>	<u>(15,932)</u>
Present Value of net Remaining Minimum Lease Payments	<u>\$ 94,844</u>	<u>\$ 208,173</u>

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 EMPLOYEE RETIREMENT PLAN

State Fire and Police Pension Plan (FPPA)

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

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

Description of Benefits

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

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index or the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

A member is eligible for an early retirement at age 50 with at least five years of credited service or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 EMPLOYEE RETIREMENT PLAN (CONTINUED)

Contributions

The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

Members of the SWDB plan and their employers are contributing at the rate of 11.0 percent and 8.0 percent, respectively, of base salary for a total contribution rate of 19.0 percent in 2020. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of pensionable earnings. Employer contributions will increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13 percent of pensionable earnings. Contributions to the SWDB plan from the Town were \$31,889 for the year ended December 31, 2020.

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

At December 31, 2020, the Town reported an asset of \$27,684 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Town's proportion of the net pension asset was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2019, the Town's proportion was 0.04895 percent, which was a decrease of 0.00142 percent from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Town recognized pension expense of \$1,538. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 93,688	\$ 542
Changes of Assumptions or other Inputs	52,566	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	43,520
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Share of Contributions	30,305	7,468
Contributions Subsequent to the Measurement Date	31,889	-
Total	<u>\$ 208,448</u>	<u>\$ 51,530</u>

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 EMPLOYEE RETIREMENT PLAN (CONTINUED)

\$31,889 in total reported as deferred outflows of resources related to pension resulting from Town contributions subsequent to measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 13,107
2022	9,338
2023	23,496
2024	5,132
2025	23,271
Thereafter	50,685

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Total Pension Liability</u>	<u>Actuarial Determined Contributions</u>
Actuarial Valuation Date	January 1, 2020	January 1, 2019
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 Years
Long-term Investment Rate of Return*	7.0%	7.0%
Projected Salary Increases*	4.25 - 11.25%	4.25 - 11.25%
Cost of Living Adjustments (COLA)	0.0%	0.0%
*Includes Inflation at	2.5%	2.5%

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

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	38.00 %	7.00 %
Equity Long/Short	8.00	6.00
Illiquid Alternatives	25.00	9.20
Fixed Income	15.00	5.20
Absolute Return	8.00	5.50
Managed Futures	4.00	5.00
Cash	2.00	2.52
Total	<u>100.00</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the FPPA Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 EMPLOYEE RETIREMENT PLAN (CONTINUED)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability (Asset)	\$ 167,855	\$ (27,684)	\$ (189,858)

Pension Plan Fiduciary Net Position

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

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

House Bill 20-1044 was signed into law on April 1, 2020. Included in the bill is a provision to increase the benefits of the members of the Statewide Defined Benefit Plan through a Rule of 80 provision effective January 1, 2021. This provision provides for a normal retirement as early as age 50 if the member's age combined with years of service totals at least 80. The impact of this change was not included in the Total Pension Liability or the Collective Pension Expense as of the December 31, 2019 measurement period. This will be reflected in the December 31, 2020 measurement period. The impact of the benefit adjustment is approximately \$53 million to the SWBD Plan.

NOTE 9 PENSION PLAN

The Town has adopted a 401(a)-money purchase pension plan for its employees. Full-time, permanent employees are eligible to participate in the Plan. The Board of Trustees is authorized to amend the Plan provisions, and determines the contributions made by the Town, currently 5% of eligible salaries. The Town does not contribute to social security on behalf of its full-time employees. Contributions are made by the Town directly to each eligible employee's retirement account, and vest 20% immediately and at a rate of 20% annually thereafter. No voluntary contributions are allowed. Each employee selects their investments, and no Plan administration is performed by the Town other than transmitting contributions to the identified employee accounts. The Colorado Retirement Association provides administration for the Plan and assists employees with their self-directed investments.

During the year ended December 31, 2020, the Town's pension expense was \$112,127 to the Plan, equal to the required contributions.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Claims have not exceeded coverage in any of the last three fiscal years.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by an intergovernmental agreement by member municipalities pursuant to the provision of 24-10-1155, Colorado Revised Statutes (1982 Replacement Volume) and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA is to provide members defined liability and property coverage's and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against liability or loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage's at reasonable costs. All income and assets of CIRSA shall at all times be dedicated to the exclusive benefit of its members.

The Town recognizes an expense for coverage for the amount paid to CIRSA annually for these coverages. Contingent liability claims for the coverage have not been recognized to date after reviewing claim history and the remoteness of potential loss in excess of actual contributions by the Town.

CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA. The Board of Directors of the Agency is composed of seven directors elected by the members at the annual meeting to be scheduled in December each year.

NOTE 11 INTERGOVERNMENTAL AGREEMENT

On January 3, 2012, the Pagosa Springs Sanitation General Improvement District (PSSGID) and Pagosa Area Water and Sanitation District (PAWSD) entered into an intergovernmental agreement for PSSGID to extend their sewer lines to connect with the PAWSD line. PAWSD would then do the sewer treatment. The construction contract of this extended line was for a bid price of \$6,853,000. PAWSD has agreed to loan PSSGID up to \$2,835,000 for the construction. This loan will be repaid over 20 years at an interest rate equal to PAWSD lost opportunity on investment funds.

**TOWN OF PAGOSA SPRINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 12 INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2020 were as follows:

Transfers Out	Transfers In			Total
	Capital Improvement Fund	Sanitation Fund	Geothermal Fund	
General Fund	\$ 173,400	\$ 22,750	\$ 4,000	\$ 200,150
Conservation Trust Fund	50,000	-	-	50,000
	<u>\$ 223,400</u>	<u>\$ 22,750</u>	<u>\$ 4,000</u>	<u>\$ 250,150</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PAGOSA SPRINGS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2020

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

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

**TOWN OF PAGOSA SPRINGS
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2020**

Fiscal Year	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 31,889	\$ 28,862	\$ 25,472	\$ 27,285	\$ 27,615	\$ 24,280	\$ 22,254
Contributions in Relation to the Contractually Required Contribution	<u>31,889</u>	<u>28,862</u>	<u>25,472</u>	<u>27,285</u>	<u>27,615</u>	<u>24,280</u>	<u>22,254</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(Entity)'s Covered Payroll	\$ 398,609	\$ 360,769	\$ 318,405	\$ 341,063	\$ 345,181	\$ 303,497	\$ 278,175
Contributions as a Percentage of Covered Payroll	8%	8%	8%	8%	8%	8%	8%

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

See the accompanying Independent Auditors' Report.

TOWN OF PAGOSA SPRINGS
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

**BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS:**

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

The **Tourism Fund** accounts for the tax collected from lodging establishments to be used for community support services.

**TOWN OF PAGOSA SPRINGS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Property Tax	\$ 97,077	\$ 97,077	\$ 99,544	\$ 2,467
Sales Tax	2,904,809	2,904,809	3,628,243	723,434
Franchise Tax	22,900	22,900	27,608	4,708
Other Taxes	125,000	125,000	43,406	(81,594)
Total Taxes	3,149,786	3,149,786	3,798,801	649,015
Licenses, Permits, and Fees				
Licenses, Permits, and Fees	86,600	86,600	87,396	796
Building Permits	81,000	81,000	90,920	9,920
Total Licenses, Permits, and Fees	167,600	167,600	178,316	10,716
Intergovernmental				
Grant Revenues	49,700	49,700	576,678	526,978
Total Intergovernmental	49,700	49,700	576,678	526,978
Fines and Forfeitures				
Fines and Forfeitures	115,000	115,000	82,726	(32,274)
Total Fines and Forfeitures	115,000	115,000	82,726	(32,274)
Charges for Services				
Charges for Services	81,000	81,000	191,755	110,755
Total Charges for Services	81,000	81,000	191,755	110,755
Interest				
Interest Revenue	25,000	25,000	27,516	2,516
Total Interest	25,000	25,000	27,516	2,516
Other Revenues				
Miscellaneous	161,897	661,897	85,109	(576,788)
Total Other Revenues	161,897	661,897	85,109	(576,788)
Total Revenue	3,749,983	4,249,983	4,940,901	690,918

See the accompanying Independent Auditors' Report.

**TOWN OF PAGOSA SPRINGS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
General Government				
Town Admin	896,876	896,876	842,151	54,725
Building and Planning	546,205	546,205	494,923	51,282
Municipal Court	366,489	366,489	319,956	46,533
Total General Government	1,809,570	1,809,570	1,657,030	152,540
Public Safety				
Police	1,156,565	1,156,565	1,052,231	104,334
Total Public Safety	1,156,565	1,156,565	1,052,231	104,334
Parks and Recreation				
Recreation	532,285	532,285	429,984	102,301
Total Parts and Recreation	532,285	532,285	429,984	102,301
Community Support				
Community Support	212,144	436,359	943,152	(506,793)
Total Community Support	212,144	436,359	943,152	(506,793)
Other Expenditure				
Other Expenditures	4,000	479,000	-	479,000
Total Other Expenditures	4,000	479,000	-	479,000
Total Expenditures	3,714,564	4,413,779	4,082,397	331,382
Excess of Revenues Over (Under) Expenditures	35,419	(163,796)	858,504	1,022,300
Other Financing Sources (Uses)				
Transfers Out	-	-	(200,150)	(200,150)
Total Other Financing Sources (Uses)	-	-	(200,150)	(200,150)
NET CHANGE IN FUND BALANCE	35,419	(163,796)	658,354	822,150
Fund Balance - Beginning of Year	1,854,207	1,854,207	2,965,476	(1,111,269)
FUND BALANCE - END OF YEAR	<u>\$ 1,889,626</u>	<u>\$ 1,690,411</u>	<u>\$ 3,623,830</u>	<u>\$ 1,933,419</u>

See the accompanying Independent Auditors' Report.

**TOWN OF PAGOSA SPRINGS
TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual	Variance With Final Budget
REVENUES			
Lodgers Tax	\$ 665,000	\$ 787,339	\$ 122,339
Intergovernmental Revenue	273,500	392,759	119,259
Charges for Services	1,500	891	(609)
Other Revenues	45,000	45,600	600
Total Revenue	<u>985,000</u>	<u>1,226,589</u>	<u>241,589</u>
 EXPENDITURES			
Community Support	<u>989,289</u>	<u>970,973</u>	<u>18,316</u>
Total Expenditures	<u>989,289</u>	<u>970,973</u>	<u>18,316</u>
 Excess of Revenues Over (Under) Expenditures	(4,289)	255,616	223,273
 Fund Balance - Beginning of Year	<u>667,069</u>	<u>667,069</u>	<u>223,273</u>
 FUND BALANCE - END OF YEAR	<u><u>\$ 662,780</u></u>	<u><u>\$ 922,685</u></u>	<u><u>\$ 259,905</u></u>

See the accompanying Independent Auditors' Report.

Other Supplementary Information

See the accompanying Independent Auditors' Report.

**TOWN OF PAGOSA SPRINGS
BUDGETARY COMPARISON SCHEDULES
DECEMBER 31, 2020**

Major Capital Project Fund

The **Capital Improvement Fund** accounts for maintenance, acquisition or construction of major capital facilities (other than those belonging to enterprise funds).

Nonmajor Special Revenue Fund

The **Conservation Trust Fund** accounts for the State of Colorado lottery funds to be used for parks and recreation services and capital investment.

Major and Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The budgets for the enterprise funds have been prepared and presented on a modified accrual basis which is an accounting basis other than GAAP for enterprise funds.

The **Sanitation Fund** accounts for the activities related to the Town's sanitation treatment and distribution operations.

The **Geothermal Fund** is used to account for the Town's geothermal services.

**TOWN OF PAGOSA SPRINGS
CAPITAL IMPROVEMENT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Sales Taxes	\$ 2,904,809	\$ 2,904,809	3,628,243	\$ 723,434
Highway Users Tax	74,071	74,071	67,975	(6,096)
Intergovernmental Revenue	2,053,687	2,845,487	1,734,559	(1,110,928)
Charges for Services	31,705	31,705	21,109	(10,596)
Interest Income	-	-	1,990	1,990
Other Income	30,000	30,000	7,535	(22,465)
Total Revenue	5,094,272	5,886,072	5,461,411	(424,661)
EXPENDITURES				
General Government	311,101	911,101	602,909	308,192
Public Safety	71,200	71,200	8,255	62,945
Public Works/Streets	929,250	929,250	1,257,358	(328,108)
Parks and Recreation	1,294,200	424,200	389,562	34,638
Debt Service				
Principal	1,918,523	1,918,523	482,128	1,436,395
Interest	-	-	117,557	(117,557)
Capital Outlay	3,231,500	4,771,500	5,722,004	(950,504)
Total Expenditures	7,755,774	9,025,774	8,579,773	446,001
Excess of Revenue Over (Under) Expenditures	(2,661,502)	(3,139,702)	(3,118,362)	(870,662)
Other Financing Sources (Uses)				
Transfers In	-	-	223,400	223,400
Debt Issuance Proceeds	2,250,000	3,000,000	-	(3,000,000)
Total Other Financing Sources (Uses)	2,250,000	3,000,000	223,400	(2,776,600)
NET CHANGE IN FUND BALANCE	(411,502)	(139,702)	(2,894,962)	(3,647,262)
Fund Balance - Beginning of Year	4,613,893	4,613,893	4,613,893	-
FUND BALANCE - END OF YEAR	<u>\$ 4,202,391</u>	<u>\$ 4,474,191</u>	<u>\$ 1,718,931</u>	<u>\$ (3,647,262)</u>

See the accompanying Independent Auditors' Report.

TOWN OF PAGOSA SPRINGS
NONMAJOR CONSERVATION TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental Revenue	\$ 77,000	\$ 80,871	\$ 3,871
Interest Income	-	339	339
Total Revenues	<u>77,000</u>	<u>81,210</u>	<u>4,210</u>
EXPENDITURES			
Parks and Recreation	<u>103,427</u>	<u>51,031</u>	<u>52,396</u>
Total Expenditures	<u>103,427</u>	<u>51,031</u>	<u>52,396</u>
Excess of Revenue Over (Under) Expenditures	(26,427)	30,179	(48,186)
Other Financing Sources (Uses)			
Transfers Out	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
NET CHANGE IN FUND BALANCE	(26,427)	(19,821)	56,606
Fund Balance - Beginning of Year	<u>68,345</u>	<u>68,345</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 41,918</u>	<u>\$ 48,524</u>	<u>\$ 56,606</u>

See the accompanying Independent Auditors' Report.

**TOWN OF PAGOSA SPRINGS
SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for Services	\$ 792,600	\$ 792,600	\$ 790,086	\$ (2,514)
Property and Specific Ownership Tax	45,770	45,770	53,275	7,505
Grant Revenue	123,401	123,401	30,225	(93,176)
Connection and Tap Fees	45,500	45,500	64,100	18,600
Interest Income	2,500	2,500	1,866	(634)
Other Revenues	25,000	25,000	11,618	(13,382)
Total Operating Revenue	1,034,771	1,034,771	951,170	(83,601)
Expenses				
Salaries and Wages	148,013	148,013	133,738	14,275
Operating System	369,504	191,086	449,962	(258,876)
Administrative	199,500	199,500	38,803	160,697
Capital Outlay	110,000	191,086	212,118	(21,032)
Professional Fees	43,000	43,000	32,600	10,400
Debt Principal	275,514	275,514	276,444	(930)
Debt Interest and Fiscal Charges	80,104	80,104	82,237	(2,133)
Total Operating Expenses	1,225,635	1,128,303	1,225,902	(97,599)
Operating Income	(190,864)	(93,532)	(274,732)	49,403
Contributions, Transfers and Capital and Related Financing Activities				
Transfers In	-	-	22,750	22,750
Total Contributions and Transfers	-	-	22,750	22,750
CHANGE IN NET POSITION - BUDGETARY BASIS	(190,864)	(93,532)	(251,982)	72,153
GAAP Basis Adjustments				
Capital Outlay			212,118	
Debt Principal			276,444	
Depreciation			(291,733)	
CHANGE IN NET POSITION - GAAP BASIS			(55,153)	
Net Position - Beginning of Year			7,274,472	
NET POSITION - END OF YEAR			\$ 7,219,319	

See the accompanying Independent Auditors' Report.

**TOWN OF PAGOSA SPRINGS
GEOTHERMAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for Services	\$ 46,197	\$ 46,197	\$ 41,967	\$ (4,230)
Total Revenue	46,197	46,197	41,967	(4,230)
Expenses				
Operating System	34,000	44,000	77,056	(33,056)
Administrative	13,750	13,750	1,150	12,600
Capital Outlay	25,000	25,000	-	25,000
Professional Fees	8,000	8,000	8,231	(231)
Debt Principal	6,740	6,740	5,812	928
Debt Interest and Fiscal Charges	-	-	930	(930)
Total Operating Expenses	87,490	97,490	93,179	4,311
Operating Income	(41,293)	(51,293)	(51,212)	81
Contributions, Transfers and Capital and Related Financing Activities				
Transfers In	-	-	4,000	4,000
Total Contributions and Transfers	-	-	4,000	4,000
CHANGE IN NET POSITION - BUDGETARY BASIS	\$ (41,293)	\$ (51,293)	(47,212)	\$ 4,081
GAAP Basis Adjustments				
Debt Principal			5,812	
Depreciation			(27,963)	
CHANGE IN NET POSITION - GAAP BASIS			(69,363)	
Net Position - Beginning of Year			389,515	
NET POSITION - END OF YEAR			\$ 320,152	

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See the accompanying Independent Auditors' Report.

STATE COMPLIANCE

See the accompanying Independent Auditors' Report.

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

Financial Planning 02/
Form # 350-050-36

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Pagosa Springs, CO YEAR ENDING : December 2020
This Information From The Records Of Town of Pagosa Springs	Prepared By: April Hessman, Town Clerk Phone: 1-970-264-4151 ext 237

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	698,504
3. Other local imposts (from page 2)	-
4. Miscellaneous local receipts (from page 2)	29,415
5. Transfers from toll facilities	-
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	-
b. Bonds - Refunding Issues	-
c. Notes	-
d. Total (a. + b. + c.)	-
7. Total (1 through 6)	727,919
B. Private Contributions	69,329
C. Receipts from State government (from page 2)	67,975
D. Receipts from Federal Government (from page 2)	-
E. Total receipts (A.7 + B + C + D)	865,223

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	294,957
2. Maintenance:	314,561
3. Road and street services:	
a. Traffic control operations	-
b. Snow and ice removal	-
c. Other	66,142
d. Total (a. through c.)	66,142
4. General administration & miscellaneous	-
5. Highway law enforcement and safety	-
6. Total (1 through 5)	675,660
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	89,563
b. Redemption	100,000
c. Total (a. + b.)	189,563
2. Notes:	
a. Interest	-
b. Redemption	-
c. Total (a. + b.)	-
3. Total (1.c + 2.c)	189,563
C. Payments to State for highways	-
D. Payments to toll facilities	-
E. Total disbursements (A.6 + B.3 + C + D)	865,223

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	2,360,000	0	100,000	2,260,000
1. Bonds (Refunding Portion)		0	0	
B. Notes (Total)	-	0	0	-

V. LOCAL ROAD AND STREET FUND BALANCE

	0	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		865,223	865,223	0	-

Notes and Comments:

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

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2020	

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	0	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	0	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	0	g. Other Misc. Receipts	0
6. Total (1. through 5.)	0	h. Other	29,415
c. Total (a. + b.)	0	i. Total (a. through h.)	29,415
(Carry forward to page 1)		(Carry forward to page 1)	
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	67,975	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	0	d. Federal Transit Admin	0
d. Other (Specify) -	0	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	67,975	3. Total (1. + 2.g)	
		(Carry forward to page 1)	
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs	0	0	0
b. Engineering Costs	0	294,957	294,957
c. Construction:			
(1). New Facilities	0	0	0
(2). Capacity Improvements	0	0	0
(3). System Preservation	0	0	0
(4). System Enhancement & Operation	0	0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	294,957	294,957
(Carry forward to page 1)			



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Town Council
Town of Pagosa Springs
Pagosa Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Pagosa Springs, (the Town) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies

may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Town of Pagosa Springs's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Broomfield, Colorado
June 23, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Town Council
Town of Pagosa Springs
Pagosa Springs, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Town of Pagosa Springs' (the Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2020. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, and 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

The Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Broomfield, Colorado
June 23, 2021

**TOWN OF PAGOSA SPRINGS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020**

**Town of Pagosa Springs
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development				
Passed through the Colorado Department of Local Affairs				
CDBG-Pagosa Peak Open School	14.228	148245	600,000	600,000
Total Community Development Block Grant			<u>600,000</u>	<u>600,000</u>
Department of the Treasury				
Passed through the Colorado Department of Local Affairs				
Corona Virus Relief Funds	21.019		-	601,754
Total Department of the Treasury			<u>-</u>	<u>601,754</u>
Department of Transportation				
Passed through the Colorado Department of Transportation				
Federal-Aid Highway Program	20.205		-	41,192
Total Department of Transportation			<u>-</u>	<u>41,192</u>
Total Expenditures of Federal Awards			<u>\$ 600,000</u>	<u>\$ 1,242,946</u>

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The Town does not charge a de minimis indirect cost rate.

**TOWN OF PAGOSA SPRINGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

CFDA Number(s)

14.228

Name of Federal Program or Cluster

CDBG – Pagosa Peak Open School

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000/\$187,500

Auditee qualified as low-risk auditee?

 yes x no

**TOWN OF PAGOSA SPRINGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020**

Section II – Financial Statement Findings

2020 – 001 Construction Payables

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: Construction invoices received after year end applicable to the year under audit were not accrued as expense and payables in the year of service.

Criteria: Governmental Accounting Standards Board Statement No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements – An Interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; And GASB Statements No. 10, 16, and 18*, and subsequent amendments to this guidance define accrual accounting and provide guidance for proper accounting of these liabilities.

Context: During testing of accounts payable, it was noted that a construction invoice applicable to work performed in 2020 for an ongoing construction in progress project was received after year-end and not recorded to accounts payable as of 12/31/20. It was also noted that the retainage payable associated with the project was also not accrued as a payable as of the end of the year.

Effect: As a result of this issue, the following adjustments were required to be posted by the Town:

- Capital Improvement Fund – An adjustment to increase Accounts Payable and Expenditures by \$499,061. Also, adjustment to allocate accounts payable to other funds besides the General fund in the amount of \$75,125.

Cause: Invoices received after year-end were not properly reviewed for applicable service period.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Town increase its review of invoices received in the months following December, especially from Construction related vendors.

**TOWN OF PAGOSA SPRINGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020**

2020 – 002 Reconciliation of Cash and Investments

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: The amount of cash and investments presented by the Town did not agree to the total reconciled amount of cash and investments held in bank accounts.

Criteria: Governmental Accounting Standards Board Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, and subsequent amendments to this guidance define cash and investments and provide guidance for proper valuation of these assets.

Context: Errors were noted between the reconciliation from the financial management system used by the Town to the bank balances held at institutions. These errors were noted during testing performed over cash including external confirmation of amounts held by banks and institutions.

Effect: As a result of this issue, the following adjustments were required to be posted by the Town:

- Capital Improvement Fund – An adjustment to decrease Cash and Other Financing Sources and Uses by \$3,015,961

Cause: The Town's process for recording cash receipts and identifying the related revenue resulted in an incorrect ending cash and investment balance. This was due primarily to the 2019 proceeds from the revenue bonds which were recorded in 2019

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Town improve the process for identifying errors during the cash reconciliation process over balances at year end and improve the review process to ensure that cash is being recorded properly.

**TOWN OF PAGOSA SPRINGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020**

2020 – 003 Accrued Payroll

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Accrued liabilities related to payroll expenditures were not accrued as expense and accrued liabilities in the year of service.

Criteria: Governmental Accounting Standards Board Statement No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements – An Interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; And GASB Statements No. 10, 16, and 18*, and subsequent amendments to this guidance define accrual accounting and provide guidance for proper accounting of these liabilities.

Context: During testing of accrued payroll, it was noted accrued payroll is not recorded by the Town. This error was noted by review of the last payroll period crossing fiscal years which was not recorded during 2020.

Effect: As a result of this issue, the following adjustments were required to be posted by the Town:

- General Fund – An adjustment to increase Accrued Liabilities and Expenditures by \$39,199
- Capital Improvement Fund – An adjustment to increase Accrued Liabilities and Expenditures by \$16,937
- Tourism Fund – An adjustment to increase Accrued Liabilities and Expenditures by \$5,439

Cause: Accrued liabilities for services performed during the audit period were not recorded at the end of the year.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Town increase its review of year end controls to properly report on an accrual basis of accounting