TOWN OF PAGOSA SPRINGS, COLORADO

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF PAGOSA SPRINGS, COLORADO

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HINTONBURDICK
CPAs & ADVISORS

Independent Auditors' Report

The Honorable Mayor and Council
Town of Pagosa Springs, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pagosa Springs, Colorado, as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Town of Pagosa Springs, Colorado's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pagosa Springs, Colorado, as of December 31, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Pagosa Springs, Colorado and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2022, the Town of Pagosa Springs, Colorado implemented the provisions of GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Town of Pagosa Springs, Colorado's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Pagosa Springs, Colorado's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pagosa Springs, Colorado's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Pagosa Springs, Colorado's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension related schedules, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pagosa Springs, Colorado's basic financial statements. The budgetary comparison schedules and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and the Local Highway Finance Report are fairly stated, in all material respects, in relation to the 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 26, 2023 on our consideration of the Town of Pagosa Springs, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pagosa Springs, Colorado's internal control over financial reporting and compliance.

HintonBurdick, PLLC

St. George, Utah
June 26, 2023

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TOWN OF PAGOSA SPRINGS, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022

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, 2022. 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 $48.9 million at the close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of $4.1 million.
- The total cost of all Town programs for 2022 was $10,220,438.
- The General fund unassigned fund balance at the end of 2022 was $5,363,024 which is 109% of total General fund expenditures.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

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

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

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

- Proprietary activities/Business type activities – The Town charges a fee to customers to cover most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

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

- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets plus deferred outflows exceeded liabilities plus deferred inflows by $48.9 million as of December 31, 2022, as shown in the following condensed statement of net position. Of this amount, $10,304,319 is unrestricted and available to meet the Town's ongoing financial obligations.

By far the largest portion of net position is the net investment in capital assets of $36,326,810 (74.31% 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, 2022 and 2021:

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Current and other assets	$ 13,888,246	$ 9,775,077	$ 1,154,598	$ 1,376,500	$ 15,042,844	$ 11,151,577
Capital assets	32,926,760	31,558,426	11,070,904	10,484,302	43,997,664	42,042,728
Total assets	46,815,006	41,333,503	12,225,502	11,860,802	59,040,508	53,194,305
Deferred outflows of resources	176,459	196,495	-	-	176,459	196,495
Long-term liabilities outstanding	4,448,440	4,435,668	3,414,817	3,411,185	7,863,257	7,846,853
Other liabilities	686,508	708,920	55,081	454,556	741,589	1,163,476
Total liabilities	5,134,948	5,144,588	3,469,898	3,865,741	8,604,846	9,010,329
Deferred inflows of resources	1,679,103	281,911	46,213	45,819	1,725,316	327,730
Net position:						
Net investment in capital assets	28,667,092	26,837,047	7,659,718	6,842,512	36,326,810	33,679,559
Restricted	2,255,676	4,664,852	-	-	2,255,676	4,664,852
Unrestricted	9,254,646	4,601,600	1,049,673	1,106,730	10,304,319	5,708,330
Total net position	$ 40,177,414	$ 36,103,499	$ 8,709,391	$ 7,949,242	$ 48,886,805	$ 44,052,741

An additional portion of net position, $2,255,676, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $10,304,319 (21.08% 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 $8,873,387 as shown in the Changes in Net Position statement below. $844,507 of this cost was paid for by those who directly benefited from the programs. $483,257 was subsidized by grants or contributions received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were $1,327,764. General taxes, investment earnings, gain on sale of assets and other revenues totaled $10,916,958.

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

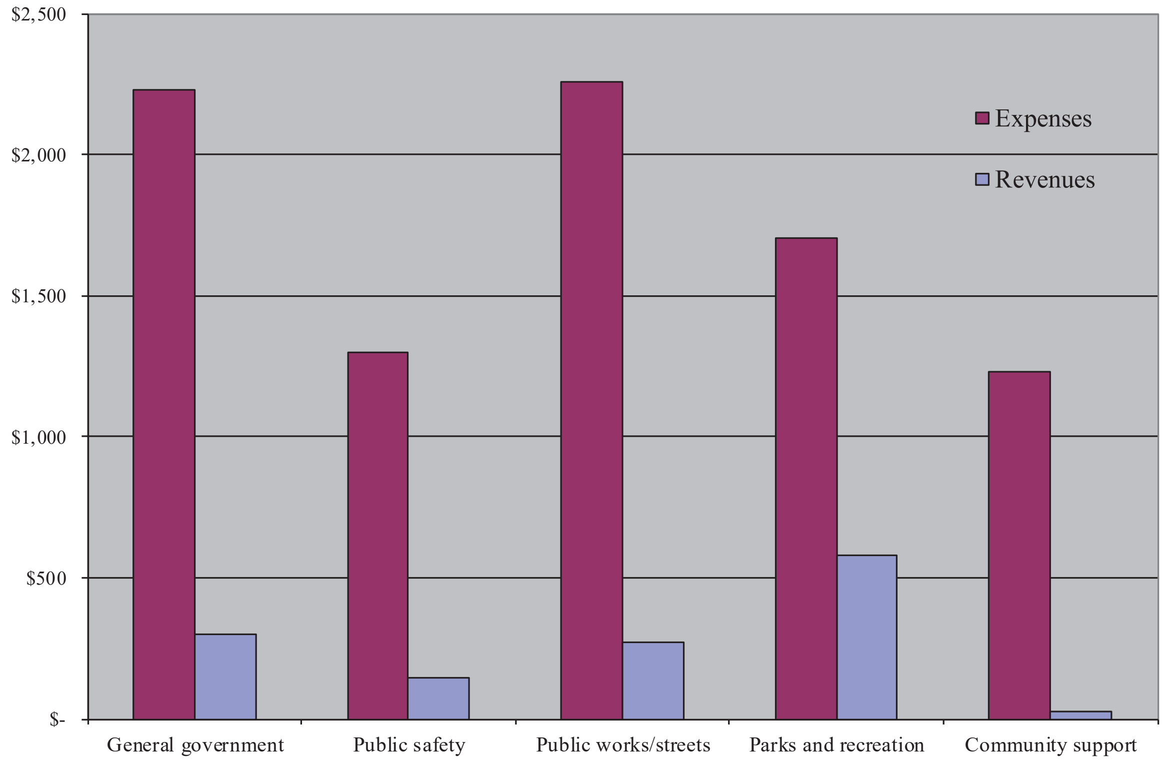
TOWN OF PAGOSA SPRINGS, COLORADO
Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Revenues:						
Program revenues:						
Charges for services	$ 844,507	$ 972,784	$ 1,002,611	$ 928,739	$ 1,847,118	$ 1,901,523
Operating grants and contributions	238,441	212,739	-	-	238,441	212,739
Capital grants and contributions	244,816	1,090,987	1,018,765	213,215	1,263,581	1,304,202
General revenues:						
Taxes	10,727,795	9,945,567	59,480	56,035	10,787,275	10,001,602
Investment earnings	141,256	53,279	14,219	1,149	155,475	54,428
Other revenue/(expense)	47,907	-	-	-	47,907	-
Total revenues	12,244,722	12,275,356	2,095,075	1,199,138	14,339,797	13,474,494
Expenses:						
General government	2,226,494	1,964,997	-	-	2,226,494	1,964,997
Public safety	1,300,308	1,189,473	-	-	1,300,308	1,189,473
Public works/streets	2,258,008	2,333,284	-	-	2,258,008	2,333,284
Parks and recreation	1,704,324	1,350,904	-	-	1,704,324	1,350,904
Community support	1,230,932	1,144,602	-	-	1,230,932	1,144,602
Interest on long-term debt	153,321	154,714	-	-	153,321	154,714
Sanitation	-	-	1,258,889	912,306	1,258,889	912,306
Geothermal	-	-	88,162	64,916	88,162	64,916
Total expenses	8,873,387	8,137,974	1,347,051	977,222	10,220,438	9,115,196
Increase (decrease) in net position before transfers	3,371,335	4,137,382	748,024	221,916	4,119,359	4,359,298
Transfers	(12,125)	(187,855)	12,125	187,855	-	-
Net position, beginning	36,103,499	32,153,972	7,949,242	7,539,471	44,052,741	39,693,443
Prior period adjustment	714,705	-	-	-	714,705	-
Net position, ending	$ 40,177,414	$ 36,103,499	$ 8,709,391	$ 7,949,242	$ 48,886,805	$ 44,052,741

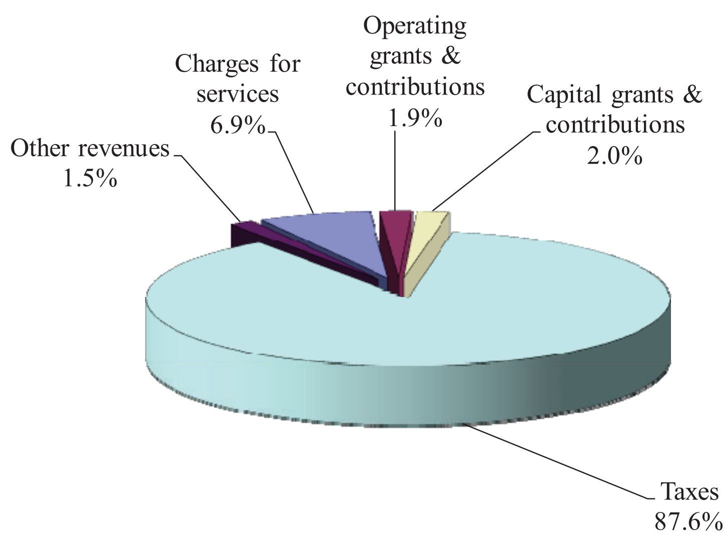
Total resources available during the year to finance governmental operations were $48,380,763 consisting of net position at January 1, 2022 of $36,818,204, Program Revenues of $1,327,764, and General Revenues of $10,916,958. Total Governmental Activities expenses during the year were $8,873,387 and transfers out were $12,125; thus Governmental Net Position increased by $3,359,210 to $40,177,414.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



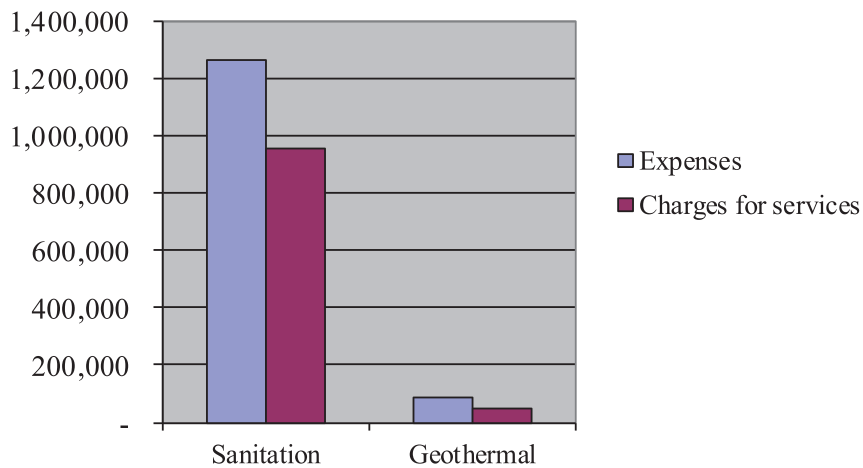
Revenue By Source - Governmental Activities



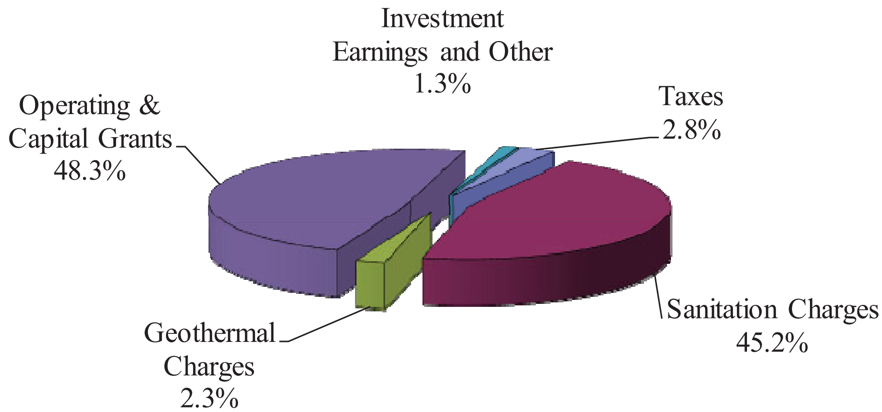
Business Type Activities

Net position of the Business Type activities at December 31, 2022, as reflected in the Statement of Net Position was $8.7 million. The cost of providing all Proprietary (Business-type) activities this year was $1,347,051. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were $1,002,611 and there was $1,018,765 subsidized by capital grants and contributions. Investment earnings and tax revenues were $73,699. The Net Position increased by $760,149, which includes a transfer in of $12,125. The following graphs compare the total business-type activity expenses by service to the charges for those services and the graph at the bottom of the page provides a breakdown of the total revenues for business-type activities.

Expenses and Charges for Services - Business- type Activities



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $11,459,120, an increase of $2,212,698 in comparison with the prior year. Approximately $5,363,024 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, 2022, unassigned fund balance in the General fund was $5,363,024. 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 109% of the total General fund expenditures. The fund balance of the Town's General fund increased by $1,143,578 for the year ended December 31, 2022. As compared to the prior year, the General fund revenues increased due to increased tax, and fines and forfeitures. General fund expenses increased due to increased expenses in general government, public safety, and parks and recreation.

The Capital Improvement fund budgeted for and completed several projects during the year. Several projects are still ongoing as well. The expected reduction in fund balance was ($325,233). The actual change in fund balance was an increase of $1,183,487.

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. A transfer out of the fund of $673,000 led to a decrease in fund balance of $(115,045).

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, 2022 for the Town's enterprise funds (Sanitation and Geothermal) are as follows:

	Sanitation	Geothermal	Total
Unrestricted net position	$ 973,276	$ 76,397	$ 1,049,673
Total net position	8,350,059	359,332	8,709,391
Change in net position	$ 798,964	$ (38,815)	$ 760,149

Budgetary Highlights

General fund revenues of $5,714,336 were higher than budgeted revenues of $5,412,492 by $301,844. The most significant factor contributing to this excess amount is related to sales taxes which exceeded budget by $99,951. Budgeted expenditures exceeded actual expenditures by $974,401.

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 2022, net capital assets of the government activities totaled $32.9 million and the net capital assets of the business-type activities were $11.07 million. The most significant governmental capital additions were workforce housing, Yamaguchi Park South, Mary Fisher restroom, paving of various streets, the visitor center roof replacement, and equipment upgrades including a new skid steer and other vehicles. The most significant business-type capital additions were the pump station upgrades. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the Town had $4,448,440 in governmental-type debt, and $3,414,817 in proprietary debt. During the current fiscal year, the Town's total debt increased by $678,192. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The 2023 budget reflects the spending priorities of the Town Council and the Pagosa Springs community. Revenues are anticipated to remain stable in 2023, with moderate growth in some areas, compared to 2022 figures. The local economy continues to show steady growth and 2023 is anticipated to be healthy as well.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 10,396,571	$ 1,070,842	$ 11,467,413
Receivables (net of allowance)	1,829,663	188,833	2,018,496
Internal balances	105,077	(105,077)	-
Lease Receivable	1,291,634	-	1,291,634
Net pension asset	265,301	-	265,301
Capital assets (net of accumulated depreciation):			
Land	3,166,907	16,376	3,183,283
Construction in progress	1,638,926	124,777	1,763,703
Buildings and improvements	9,011,264	189,187	9,200,451
Machinery and equipment	1,045,293	1,055,664	2,100,957
Infrastructure and systems	18,064,370	9,684,900	27,749,270
Total assets	46,815,006	12,225,502	59,040,508
Deferred Outflows of Resources			
Deferred outflows related to pensions	176,459	-	176,459
Total deferred outflows of resources	176,459	-	176,459
Liabilities			
Accounts payable and other current liabilities	436,879	45,319	482,198
Interest payable	18,044	9,762	27,806
Customer deposits	231,585	-	231,585
Noncurrent liabilities:			
Due within one year	480,483	232,559	713,042
Due in more than one year	3,967,957	3,182,258	7,150,215
Total liabilities	5,134,948	3,469,898	8,604,846
Deferred Inflows of Resources			
Deferred inflows related to pensions	183,742	-	183,742
Deferred revenue - property taxes	217,931	46,213	264,144
Deferred inflows related to leases	1,277,430	-	1,277,430
Total deferred inflows of resources	1,679,103	46,213	1,725,316
Net Position			
Net investment in capital assets	28,667,092	7,659,718	36,326,810
Restricted for:			
Emergency reserve	388,311	-	388,311
Parks and recreation	60,419	-	60,419
Tourism	1,483,865	-	1,483,865
Other purposes	323,081	-	323,081
Unrestricted	9,254,646	1,049,673	10,304,319
Total net position	$ 40,177,414	$ 8,709,391	$ 48,886,805

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Activities
For the Year Ended December 31, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	$ 2,226,494	$ 302,027	$ -	$ -	$ (1,924,467)	$ -	$ (1,924,467)
Public safety	1,300,308	145,665	-	-	(1,154,643)	-	(1,154,643)
Public works/streets	2,258,008	165,851	-	104,465	(1,987,692)	-	(1,987,692)
Parks and recreation	1,704,324	205,408	236,277	140,351	(1,122,288)	-	(1,122,288)
Community support	1,230,932	25,556	2,164	-	(1,203,212)	-	(1,203,212)
Interest on long-term debt	153,321	-	-	-	(153,321)	-	(153,321)
Total governmental activities	8,873,387	844,507	238,441	244,816	(7,545,623)	-	(7,545,623)
Business-type activities:							
Sanitation	1,258,889	953,264	-	1,018,765	-	713,140	713,140
Geothermal	88,162	49,347	-	-	-	(38,815)	(38,815)
Total business-type activities	1,347,051	1,002,611	-	1,018,765	-	674,325	674,325
Total primary government	$ 10,220,438	$ 1,847,118	$ 238,441	$ 1,263,581	(7,545,623)	674,325	(6,871,298)
		General Revenues:					
		Taxes:					
		Property tax			109,096	59,480	168,576
		Sales tax			9,001,178	-	9,001,178
		Other taxes			126,964	-	126,964
		Franchise tax			23,811	-	23,811
		Lodgers tax			1,466,746	-	1,466,746
		Unrestricted investment earnings			141,256	14,219	155,475
		Other revenues			47,907	-	47,907
		Transfers			(12,125)	12,125	-
		Total general revenues & transfers			10,904,833	85,824	10,990,657
		Change in net assets			3,359,210	760,149	4,119,359
		Net position - beginning			36,103,499	7,949,242	44,052,741
		Prior period adjustments			714,705	-	714,705
		Net position - ending			$ 40,177,414	$ 8,709,391	$ 48,886,805

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

TOWN OF PAGOSA SPRINGS, COLORADO
Balance Sheet
Governmental Funds
December 31, 2022

Assets	General Fund	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Cash and cash equivalents	$ 5,851,189	$ 3,166,914	$ 1,318,049	$ 60,419	$ 10,396,571
Receivables, net of allowances:	11,164	-	-	-	11,164
Property tax receivable	107,862	-	-	-	107,862
Lease receivable	1,291,634	-	-	-	1,291,634
Due from other governments	758,035	763,431	189,171	-	1,710,637
Due from other funds	105,077	-	-	-	105,077
Total assets	$ 8,124,961	$ 3,930,345	$ 1,507,220	$ 60,419	$ 13,622,945
Liabilities					
Accounts payable	$ 121,876	$ 117,682	$ 14,536	$ -	$ 254,094
Accrued liabilities	149,627	24,339	8,819	-	182,785
Customer deposits	231,585	-	-	-	231,585
Total liabilities	503,088	142,021	23,355	-	668,464
Deferred inflows of resources					
Deferred revenue - property taxes	162,662	55,269	-	-	217,931
Deferred inflows related to leases	1,277,430	-	-	-	1,277,430
Total deferred inflows of resources	1,440,092	55,269	-	-	1,495,361
Fund balances					
Restricted for:					
Emergency reserve	388,311	-	-	-	388,311
Parks and recreation	-	-	-	60,419	60,419
Tourism	-	-	1,483,865	-	1,483,865
Other purposes	323,081	-	-	-	323,081
Assigned for:					
Health funds	107,365	-	-	-	107,365
Capital outlay	-	3,733,055	-	-	3,733,055
Unassigned	5,363,024	-	-	-	5,363,024
Total fund balances	6,181,781	3,733,055	1,483,865	60,419	11,459,120
Total liabilities, deferred inflows of resources, and fund balances	$ 8,124,961	$ 3,930,345	$ 1,507,220	$ 60,419	$ 13,622,945

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

TOWN OF PAGOSA SPRINGS, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2022

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

Total fund balances - governmental funds		$ 11,459,120
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	$ 45,611,960	
Accumulated depreciation	(12,685,200)	32,926,760
Net pension asset is not an available resource and, therefore, is not reported in the funds.		265,301
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Lease revenue bond	(4,189,000)	
Net unamortized premiums	(70,668)	
Interest payable	(18,044)	
Compensated absences	(188,772)	(4,466,484)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows	176,459	
Deferred inflows	(183,742)	(7,283)
Net position of governmental activities		$ 40,177,414

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Revenues					
Taxes	$ 4,682,886	$ 4,578,163	$ 939,144	$ -	$ 10,200,193
Licenses and permits	265,147	-	-	-	265,147
Intergovernmental	49,000	115,113	527,602	180,169	871,884
Fines and forfeitures	119,615	-	-	-	119,615
Charges for services	257,077	53,320	1,436	-	311,833
Interest revenue	115,155	25,667	-	434	141,256
Contributions and donations	56,108	100,000	-	-	156,108
Other revenues	169,348	39,695	2,164	-	211,207
Total revenues	5,714,336	4,911,958	1,470,346	180,603	12,277,243
Expenditures					
Current:					
General government	2,714,721	12,116	-	-	2,726,837
Public safety	1,306,892	12,633	-	-	1,319,525
Public works/streets	1,030	1,325,035	-	-	1,326,065
Parks and recreation	634,067	623,981	-	-	1,258,048
Community support	243,044	66,931	912,391	-	1,222,366
Capital outlay	-	1,558,682	-	24,507	1,583,189
Debt service:					
Principal retirement	-	457,000	-	-	457,000
Interest on long-term debt	-	159,411	-	-	159,411
Total expenditures	4,899,754	4,215,789	912,391	24,507	10,052,441
Excess of revenues over (under) expenditures	814,582	696,169	557,955	156,096	2,224,802
Other financing sources (uses):					
Transfers in	343,000	487,318	-	-	830,318
Transfers out	(14,025)	-	(673,000)	(155,418)	(842,443)
Impact fees	21	-	-	-	21
Total other financing sources (uses)	328,996	487,318	(673,000)	(155,418)	(12,104)
Net change in fund balances	1,143,578	1,183,487	(115,045)	678	2,212,698
Fund balance, beginning of year	5,038,203	2,549,568	1,598,910	59,741	9,246,422
Fund balance, end of year	$ 6,181,781	$ 3,733,055	$ 1,483,865	$ 60,419	$ 11,459,120

The accompanying notes are an integral part of the financial statements

TOWN OF PAGOSA SPRINGS, COLORADO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities
For the Year Ended December 31, 2022

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 2,212,698
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	$ 2,105,260	
Depreciation expense	(1,451,631)	653,629
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outlows and inflows of resources related to pensions, is reported in the statement of activities.		
Pension contribution	43,144	
Pension expense	29,683	72,827
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal payments on bonds payable	457,000	
Amortization of bond premiums	4,711	461,711
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.		1,379
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.		(10,492)
Deferred inflows related to revenue not received within 60 days after the end of the year are considered unavailable and, therefore, are not reported in governmental funds.		(32,542)
Change in net position of governmental activities		$ 3,359,210

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2022

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
Assets			
Current assets:			
Cash	$ 993,273	$ 77,569	$ 1,070,842
Receivables (net of allowance)	134,403	8,217	142,620
Property tax receivable	46,213	-	46,213
Total current assets	1,173,889	85,786	1,259,675
Noncurrent assets:			
Land	16,376	-	16,376
Construction in progress	124,777	-	124,777
Buildings and improvements	-	1,182,419	1,182,419
Improvements and system	12,513,909	80,527	12,594,436
Machinery and equipment	1,322,464	30,199	1,352,663
Accumulated depreciation	(3,189,557)	(1,010,210)	(4,199,767)
Total noncurrent assets	10,787,969	282,935	11,070,904
Total assets	$ 11,961,858	$ 368,721	$ 12,330,579
Liabilities			
Current liabilities:			
Accounts payable	$ 37,134	$ 3,622	$ 40,756
Accrued liabilities	4,563	-	4,563
Due to other funds	99,310	5,767	105,077
Interest payable	9,762	-	9,762
Notes payable - current	228,928	-	228,928
Compensated absences - current	3,631	-	3,631
Total current liabilities	383,328	9,389	392,717
Noncurrent liabilities:			
Notes payable (net of current portion)	3,182,258	-	3,182,258
Total long-term debt	3,182,258	-	3,182,258
Total liabilities	3,565,586	9,389	3,574,975
Deferred inflows of resources			
Deferred revenue - property taxes	46,213	-	46,213
Total deferred inflows of resources	46,213	-	46,213
Net position			
Net investment in capital assets	7,376,783	282,935	7,659,718
Unrestricted	973,276	76,397	1,049,673
Total net position	$ 8,350,059	$ 359,332	$ 8,709,391

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
Operating revenues			
Charges for services	$ 940,840	$ 47,847	$ 988,687
Other revenues	12,424	1,500	13,924
Total operating revenues	953,264	49,347	1,002,611
Operating expenses			
Salaries and wages	209,015	-	209,015
Operating system	575,075	52,409	627,484
Administrative	59,843	1,000	60,843
Professional fees	30,430	5,000	35,430
Depreciation	322,036	29,573	351,609
Total operating expenses	1,196,399	87,982	1,284,381
Operating income (loss)	(243,135)	(38,635)	(281,770)
Non-operating revenues (expenses)			
Interest income	14,219	-	14,219
Interest expense and fiscal charges	(62,490)	(180)	(62,670)
Property and specific ownership tax	59,480	-	59,480
Grant revenue	880,139	-	880,139
Connection and tap fees	138,626	-	138,626
Total non-operating revenues (expenses)	1,029,974	(180)	1,029,794
Income before contributions and transfers	786,839	(38,815)	748,024
Contributions and transfers:			
Transfers in	12,125	-	12,125
Change in net position	798,964	(38,815)	760,149
Total net position, beginning of year	7,551,095	398,147	7,949,242
Total net position, end of year	$ 8,350,059	$ 359,332	$ 8,709,391

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Sanitation Fund	Non-Major Geothermal Fund	Combined Total
Cash flows from operating activities:			
Cash received from customers, service fees	$ 779,096	$ 46,766	$ 825,862
Cash paid to suppliers	(655,691)	(56,508)	(712,199)
Cash paid to employees	(209,742)	-	(209,742)
Net cash flows from operating activities	(86,337)	(9,742)	(96,079)
Cash flows from noncapital financing activities:			
Transfers from/(to) other funds	12,125	-	12,125
Advances from/(to) other funds	(19,862)	(6,595)	(26,457)
Net cash flows from noncapital financing activities	(7,737)	(6,595)	(14,332)
Cash flows from capital and related financing activities:			
Purchase of capital assets	(938,211)	-	(938,211)
Principal paid on long-term debt	(225,166)	-	(225,166)
Interest paid	(62,490)	(180)	(62,670)
Property and specific ownership tax	59,480	-	59,480
Capital grants	880,139	-	880,139
Connection and tap fees	138,626	-	138,626
Net cash flows from capital and related financing activities	(147,622)	(180)	(147,802)
Cash flows from investing activities:			
Interest on investments	14,219	-	14,219
Net cash flows from investing activities	14,219	-	14,219
Net change in cash and cash equivalents	(227,477)	(16,517)	(243,994)
Cash and cash equivalents, including restricted cash, beginning of year, as restated	1,220,750	94,086	1,314,836
Cash and cash equivalents, including restricted cash, end of year	$ 993,273	$ 77,569	$ 1,070,842
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income (loss)	$ (243,135)	$ (38,635)	$ (281,770)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation/amortization	322,036	29,573	351,609
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	6,945	(2,581)	4,364
Increase/(decrease) in payables	9,657	1,901	11,558
Increase/(decrease) in accrued liabilities	(727)	-	(727)
Increase/(decrease) in unearned revenue	(181,507)	-	(181,507)
Increase/(decrease) in deferred revenue	394	-	394
Net cash flows from operating activities	$ (86,337)	$ (9,742)	$ (96,079)

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

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.

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

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

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

Note 1. Summary of Significant Accounting Policies, Continued

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise funds:

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

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

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

Measurement Focus and Basis of Accounting

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

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

Note 1. Summary of Significant Accounting Policies, Continued

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

Note 1. Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets are tangible and intangible 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 (except for intangible right-to-use lease assets). Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 to 50 years
Utility plant and improvements	50 years
Machinery, equipment and vehicles	5 to 20 years
Infrastructure	20 to 50 years

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three types of items, which qualify for reporting in this category. Accordingly, the items, *deferred revenue – property taxes* and deferred inflows related to leases is reported in both the governmental funds balance sheet and the statement of net position. The third item is pension related items reported on the government-wide financial statements. See Note 7 for more information regarding the leases and Note 8 for more information regarding the pensions.

Note 1. Summary of Significant Accounting Policies, Continued

Net Position Flow Assumption

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

Fund Balance Flow assumptions

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

Fund Balance Policies

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

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

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

Note 1. Summary of Significant Accounting Policies, Continued

Leases

Lessor: The Town is a lessor for a noncancellable ground leases. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

Note 1. Summary of Significant Accounting Policies, Continued

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.

New Pronouncements

For the year ended December 31, 2022, the Town implemented the provisions of GASB Statement No. 87, *Leases*. GASB Statement No. 87 improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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.

Note 3. Stewardship, Compliance, and Accountability, Continued

- Appropriations lapse at the end of each calendar year.

- The Town Council may authorize supplemental appropriations during the year.

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

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for long-term receivables and advances and 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, 2022.

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.

Note 4. Deposits and Investments

A summary of cash and investments as shown on the statement of net position follows:

Cash on hand	$ 400
Cash in bank	4,376,971
COLOTRUST	7,090,042
Total cash and investments	$ 11,467,413

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, 2022 all of the bank balance of the Town's deposits was 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. As of December 31, 2022 the Town's investments included funds held in the Colorado Government Liquid Asset Trust (COLOTRUST).

The COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. These pools are not required to and are not registered with the SEC.

Note 4. Deposits and Investments, Continued

As of December 31, 2022, the Town had invested $7,090,042 in the COLOTRUST and maturities of less than one year. The COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

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.

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 hierarch, 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.

During the year, the Town invested in COLOTRUST, a local government investment pool. The valuation is measured at net asset value and is designed to approximate the share value. The pool's Board of Trustees, elected by the participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. COLOTRUST is designed to provide local governments with a convenient method for investing in short-term investments carefully chosen to provide maximum safety and liquidity, while still maximizing interest earnings.

Note 5. Capital Assets

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

Governmental Activities:	Balance 12/31/2021	Adjustments*	Additions	Deletions	Balance 12/31/2022
Capital assets, not being depreciated:					
Land	$ 3,149,050	$ -	$ 17,857	$ -	$ 3,166,907
Construction in progress	328,548	44,236	1,266,142	-	1,638,926
Total capital assets, not being depreciated	3,477,598	44,236	1,283,999	-	4,805,833
Capital assets, being depreciated:					
Buildings & improvements	11,517,478	691,956	594,200	-	12,803,634
Equipment & vehicles	2,763,367	-	227,061	-	2,990,428
Infrastructure	25,012,065	-	-	-	25,012,065
Total capital assets, being depreciated	39,292,910	691,956	821,262	-	40,806,127
Less accumulated depreciation for:					
Buildings & improvements	(3,368,249)	(32,926)	(391,195)	-	(3,792,370)
Equipment & vehicles	(1,719,814)	13,305	(238,626)	-	(1,945,135)
Infrastructure	(6,124,019)	(1,866)	(821,810)	-	(6,947,695)
Total accumulated depreciation	(11,212,082)	(21,487)	(1,451,631)	-	(12,685,200)
Total capital assets, being depreciated, net	28,080,828	670,469	(630,369)	-	28,120,927
Governmental activities capital assets, net	$ 31,558,426	$ 714,705	$ 653,630	$ -	$ 32,926,760

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

Governmental Activities:	
General government	$ 88,337
Public safety	31,628
Public works/streets	990,614
Parks & recreation	333,308
Community support	7,744
Total depreciation expense - governmental activities	$ 1,451,631

* See Note 12 regarding prior period adjustment.

Note 5. Capital Assets, Continued

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

Business Type Activities:	**Balance 12/31/2021**	**Additions**	**Deletions**	**Balance 12/31/2022**
Capital assets not being depreciated:				
Land	$ 16,376	$ -	$ -	$ 16,376
Construction in progress	103,187	811,001	(789,411)	124,777
Total capital assets, not being depreciated	119,563	811,001	(789,411)	141,153
Capital assets being depreciated:				
Buildings and improvements	1,182,419	-	-	1,182,419
Improvements and systems	12,594,436	-	-	12,594,436
Equipment and vehicles	436,042	916,621	-	1,352,663
Total capital assets, being depreciated	14,212,897	916,621	-	15,129,518
Less accumulated depreciation for:				
Buildings and improvements	(969,583)	(23,649)	-	(993,232)
Improvements and systems	(2,657,648)	(251,888)	-	(2,909,536)
Equipment and vehicles	(220,927)	(76,072)	-	(296,999)
Total accumulated depreciation	(3,848,158)	(351,609)	-	(4,199,767)
Total capital assets, being depreciated, net	10,364,739	565,012	-	10,929,751
Business-type activities capital assets, net	$ 10,484,302	$ 1,376,013	$ (789,411)	$ 11,070,904

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

Business-Type Activities:	
Sanitation	$ 322,036
Geothermal	29,573
Total depreciation expense - business-type activities	$ 351,609

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the year ended December 31, 2022:

	Balance 12/31/2021	Additions	Retirements	Balance 12/31/2022	Current Portion
Governmental Activities:					
Direct Borrowings:					
2016 Lease Revenue Bond	$ 2,160,000	$ -	$ (105,000)	$ 2,055,000	$ 105,000
2019 Lease Revenue Bond	2,486,000	-	(352,000)	2,134,000	182,000
Bond premium	75,379	-	(4,711)	70,668	4,711
Compensated Absences	178,280	128,365	(117,873)	188,772	188,772
Total Governmental activity Long-term liabilities	$ 4,899,659	$ 128,365	$ (579,584)	$ 4,448,440	$ 480,483
Business-Type Activities:					
Direct Borrowings:					
Water Pollution Control Fund Note	$ 1,420,126	$ -	$ (98,762)	$ 1,321,364	$ 99,755
Note Payable to PAWSD	2,216,226	-	(126,405)	2,089,821	129,173
Compensated Absences	5,438	2,469	(4,276)	3,631	3,631
Total Business-type activity Long-term liabilities	$ 3,641,790	$ 2,469	$ (229,443)	$ 3,414,817	$ 232,559

For governmental activities, compensated absences and net pension liabilities, when present, 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.

Note 6. Long-Term Liabilities, Continued

Long-term liabilities for the primary government at December 31, 2022 are comprised of the following:

Bonds payable:	
Governmental Activities:	
Lease Revenue Bonds, Series 2016, due in annual principal and semi-annual interest installments ranging from $176,800 to $195,563, bearing interest at 3.0% to 4.0%, maturing November 1, 2037.	$ 2,055,000
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.	2,134,000
Total Bonds Payable	$ 4,189,000
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.	$ 1,321,364
Loan payable to Pagosa Area Water and Sanitation District (PAWSD) in the orignal amount of up to $2,835,000. Due in twenty annual payments of $174,940, including interest at 2.19%, maturing November 30, 2036.	2,089,821
Total Notes Payable	$ 3,411,185

Debt service requirements to maturity are as follows:

Year ended	Direct Borrowings Governmental Activities		Direct Borrowings Business-Type Activities	
December 31:	Principal	Interest	Principal	Interest
2023	$ 287,000	$ 144,709	$ 228,928	$ 58,732
2024	297,000	136,337	232,756	54,903
2025	307,000	126,569	236,657	51,002
2026	318,000	116,459	240,632	47,028
2027	323,000	106,866	244,681	42,978
2028-2032	1,782,000	375,766	1,286,874	151,422
2033-2037	875,000	105,517	940,657	40,916
	$ 4,189,000	$ 1,112,222	$ 3,411,185	$ 446,981

Note 7. Leases

Lease Receivable

During the current fiscal year, the Town began recording four ground leases for telecommunications to third parties due to the implementation of GASB 87. The leases range from 5 years to 18 years and the Town will receive annual payments from each third party ranging from $10,958 to $70,170. The Town recognized $99,948 in lease revenue and $5,853 in interest revenue during the current fiscal year related to these leases. As of December 31, 2022, the Town's receivable for lease payments was $1,291,634. Also, the Town has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was $1,277,430.

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Note 8. Pension Plans

Fire and Police Pension Association of Colorado

Plan description – The Town contributes to the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on the FPPA's website at www.fppaco.org.

Benefits provided – A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. 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 that amount of social security income payable to the member annually. Effective January 1, 2007, members currently covered under social security will receive half the benefit when compared to the SWDB. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index 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.

Contributions – The Plan sets contributions rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. 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.

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase by 0.5 percent annually through 2022 to a total of 12 percent of pensionable earnings. Employer contributions increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13.0 percent of pensionable earnings. Members of the SWDB plan and their employers are contributing at the rate of 11.5 percent and 8.5 percent, respectively, of base salary for a total contribution rate of 20.0 percent in 2022.

Note 8. Pension Plans, Continued

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

Year ended December 31,	Retirement Fund
2020	$ 31,889
2021	33,498
2022	43,144

Pension liability/asset – At December 31, 2022, the Town reported an asset of $265,301 for its proportionate share of the SWDB net pension liability/asset. The net pension liability/asset was measured as of December 31, 2021. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2022. The Town's proportion of the net pension liability/asset was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2021. The Town's proportion measured as of December 31, 2021, was 0.048954 percent for police, which was a decrease of 0.000673 percent from the proportions measured as of December 31, 2020.

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2022, the Town recognized pension expense for SWDB of $(29,683). At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 75,970	$ 6,188
Changes in assumptions	37,834	-
Net difference between projected and actual earnings on pension plan investments	-	177,554
Changes in proportion and differences between contributions and proportional share of contributions	19,512	-
Contributions subsequent to the measurement date	43,144	-
Total	$ 176,459	$ 183,742

Note 8. Pension Plans, Continued

The $43,144 reported as deferred outflows of resources related to SWDB pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SWDB pensions will be recognized in pension expense as follows:

	Police
Year ended December 31,	Deferred Outflows (Inflows) of Resources
2023	$ (21,787)
2024	(40,153)
2025	(21,581)
2026	(4,503)
2027	17,982
Thereafter	19,615

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

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

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 pre-retirement off-duty mortality tables are adjusted to 50 percent of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

Note 8. Pension Plans, 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 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 SWDB pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	39%	8.23%
Equity Long/Short	8%	6.87%
Private Markets	26%	10.63%
Fixed Income - Rates	10%	4.01%
Fixed Income- Credit	5%	5.25%
Absolute Return	10%	5.60%
Cash	2%	2.32%
Total	100%	

Discount Rate – The discount rate used to measure the SWDB total pension liability was 7.0 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 SWDB Board's funding policy, which establishes the contractually required rate under Colorado statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8. Pension Plans, Continued

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Police			
Net pension (asset) / liability	$ (36,587)	$ (265,301)	$ (454,777)

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

<u>Colorado Retirement Association</u>

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, which is currently 5% of eligible salaries, for both employees and employers. Contributions are made by the Town directly to each eligible employee's retirement account, and vest 20% immediately and a rate of 20% annually thereafter. No voluntary contributions are allowed. Employees are eligible to make additional contributions to a 457(b) plan. If the employee (excluding sworn officer participating in FFPA) contributes to the 457(b) plan, the town will match up to 2% of the employee's salary in additional contributions to the 401(a) plan. 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, 2022, the Town's pension expense was $164,108. This amount was offset by forfeiture in the amount of $0.

Note 9. Risk Management

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

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

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

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

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

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

Note 10. Intergovernmental Agreement

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

Note 11. Interfund Transfers

Interfund transfers for the year ended December 31, 2022 were as follows:

Transfer in:	Transfers out: General	Tourism	Conservation Trust	Total Transfers in
General Fund	$ -	$ 343,000	$ -	$ 343,000
Capital Improvement	1,900	330,000	155,418	487,318
Sanatation Fund	12,125	-	-	12,125
Total transfers out	$ 14,025	$ 673,000	$ 155,418	$ 842,443

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.

Interfund balances as of December 31, 2022 were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ 105,077	$ -
Sanitation	-	99,310
Geothermal	-	5,767
Total	$ 105,077	$ 105,077

On March 18, 2021, The General Fund advanced funds at 1.25% to the Sanitation and Geothermal funds in the amounts of $139,034 and $18,959. Repayment of funds will be over three and six years, respectfully, at 1.25% beginning in July of 2021.

Note 12. Prior Period Adjustments

Beginning balances have been restated to correct capital asset activity. On the Government-wide financial statements governmental activities capital assets were understated by $736,192, accumulated depreciation was understated by $21,487, and net position was understated by $714,705. In the proprietary fund financial statements, a capital asset was recorded in the sanitation fund instead of the geothermal fund. This resulted in the sanitation fund capital assets being overstated by $80,527 and cash being understated by $80,527 and in the geothermal fund capital assets being understated by $80,527 and cash being overstated by $80,527.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PAGOSA SPRINGS, COLORADO
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
December 31, 2022

	Police							
	Reporting Fiscal Year (Measurement Date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.048954%	0.049628%	0.048950%	0.047533%	0.049628%	0.067448%	0.062607%	0.061858%
Proportionate share of the net pension liability (asset)	(265,301)	(107,742)	(27,684)	$ 60,094	$ (83,886)	$ 24,372	$ (1,104)	$ (69,812)
Covered payroll	$ 394,089	$ 398,609	$ 360,769	318,405	341,063	345,181	303,497	278,175
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-67.32%	-27.0%	-7.7%	18.87%	-24.60%	7.06%	-0.36%	-25.10%
Plan fiduciary net position as a percentage of the total pension liability	116.20%	106.70%	101.90%	95.20%	106.30%	98.21%	100.10%	106.80%

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

TOWN OF PAGOSA SPRINGS, COLORADO
Required Supplementary Information
Schedule of Contributions
December 31, 2022

	Police								
	Reporting Fiscal Year								
Last 10 fiscal years	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	43,144	33,498	31,889	$ 28,862	$ 25,472	$ 27,285	$ 27,615	$ 24,280	$ 22,254
Contributions in relation to the contractually required contribution	(43,144)	(33,498)	(31,889)	(28,862)	(25,472)	(27,285)	(27,615)	(24,280)	(22,254)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 479,379	$ 394,089	$ 398,609	$ 360,769	$ 318,405	$ 341,063	$ 345,181	$ 303,497	$ 278,175
Contributions as a percentage of covered payroll	9.00%	8.50%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

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

Note 1. Actuarially Determined Contribution Rates

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

- Actuarial cost method — Entry age normal
- Amortization method — Level % of payroll, open
- Remaining amortization period — 30 years
- Actuarial assumptions:
  - Investment rate of return: 7.0%.
  - Projected salary increase: 4.25%-11.25%.
  - Inflation: 2.5%
  - COLA: 0.0%

TOWN OF PAGOSA SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

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

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

TOWN OF PAGOSA SPRINGS, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget
Taxes:				
Property tax	$ 107,596	$ 107,596	$ 109,096	$ 1,500
Sales tax	4,400,638	4,400,638	4,500,589	99,951
Franchise tax	23,500	23,500	23,811	311
Other taxes	41,000	41,000	49,390	8,390
Total taxes	4,572,734	4,572,734	4,682,886	110,152
Licenses, permits and fees:				
Licenses, permits and fees	98,000	98,000	108,935	10,935
Building permits	114,000	114,000	156,212	42,212
Total licenses, permits and fees	212,000	212,000	265,147	53,147
Intergovernmental:				
Grant revenues	49,000	49,000	49,000	-
Total intergovernmental	49,000	49,000	49,000	-
Fines and forfeitures:				
Fines and forfeitures	125,630	125,630	119,615	(6,015)
Total fines and forfeitures	125,630	125,630	119,615	(6,015)
Charges for services:				
Charges for services	240,750	240,750	257,077	16,327
Total charges for services	240,750	240,750	257,077	16,327
Interest:				
Interest revenue	62,878	62,878	115,155	52,277
Total interest	62,878	62,878	115,155	52,277
Contributions and donations:				
Contributions and donations	32,000	48,000	56,108	8,108
Total contributions and donations	32,000	48,000	56,108	8,108
Other revenues:				
Miscellaneous	101,500	101,500	169,348	67,848
Total other revenues	101,500	101,500	169,348	67,848
Total revenues	5,396,492	5,412,492	5,714,336	301,844

(continued)

TOWN OF PAGOSA SPRINGS, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, (Continued)
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
Expenditures	Original	Final	Amounts	Final Budget
General Government:				
Town manager/admin	61,787	61,787	67,205	(5,418)
Town clerk/town hall	1,191,273	1,191,273	1,115,527	75,746
Building and planning	725,217	738,074	599,048	139,026
Housing Division	553,275	1,107,111	561,500	545,611
Municipal court	399,964	399,964	371,441	28,523
Total General Government	2,931,516	3,498,209	2,714,721	783,488
Public Safety:				
Police	1,458,316	1,458,316	1,306,892	151,424
Total Public Safety	1,458,316	1,458,316	1,306,892	151,424
Public Works:				
Streets	1,025	1,025	1,030	(5)
Total Public Works	1,025	1,025	1,030	(5)
Parks & Recreation:				
Recreation	683,586	699,586	634,067	65,519
Total Public Works	683,586	699,586	634,067	65,519
Community Support:	217,019	217,019	243,044	(26,025)
Total Community Support	217,019	217,019	243,044	(26,025)
Total expenditures	5,291,462	5,874,155	4,899,754	974,401
Excess of revenues over (under) expenditures	105,030	(461,663)	814,582	1,276,245
Other financing sources (uses):				
Transfers in	-	388,000	343,000	(45,000)
Transfer out	(10,369)	(10,369)	(14,025)	(3,656)
Impact fees	-	-	21	21
Total other financing sources (uses)	(10,369)	377,631	328,996	(48,635)
Net change in fund balance	94,661	(84,032)	1,143,578	1,227,610
Fund balance, beginning of year	5,038,203	5,038,203	5,038,203	-
Fund balance, end of year	$ 5,132,864	$ 4,954,171	$ 6,181,781	$ 1,227,610

TOWN OF PAGOSA SPRINGS, COLORADO
Tourism Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Lodgers tax	$ 925,000	$ 925,000	$ 939,144	$ 14,144
Intergovernmental revenue	430,000	430,000	527,602	97,602
Charges for services	1,500	1,500	1,436	(64)
Other revenues	-	-	2,164	2,164
Total revenues	1,356,500	1,356,500	1,470,346	113,846
Expenditures				
Community support	1,632,468	1,632,468	912,391	720,077
Total expenditures	1,632,468	1,632,468	912,391	720,077
Excess of revenue and other sources over (under) expenditures and other uses	(275,968)	(275,968)	557,955	833,923
Other financing sources (uses):				
Transfers out	-	-	(673,000)	(673,000)
Total other financing sources (uses):	-	-	(673,000)	(673,000)
Net change in fund balance	(275,968)	(275,968)	(115,045)	160,923
Fund balance, beginning of year	1,598,910	1,598,910	1,598,910	-
Fund balance, end of year	$ 1,322,942	$ 1,322,942	$ 1,483,865	$ 160,923

TOWN OF PAGOSA SPRINGS, COLORADO

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING FUNDS:

Major Capital Project Fund

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

Nonmajor Special Revenue Fund

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

Major and Nonmajor Enterprise Funds

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

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

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

TOWN OF PAGOSA SPRINGS, COLORADO
Capital Improvement Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Sales taxes	$ 4,400,638	$ 4,400,638	$ 4,500,589	$ 99,951
Highway users tax	75,383	75,383	77,574	2,191
Intergovernmental revenue	993,950	993,950	115,113	(878,837)
Charges for services	33,655	33,655	53,320	19,665
Interest income	-	-	25,667	25,667
Contributions and donations	100,000	100,000	100,000	-
Other income	35,000	35,000	39,695	4,695
Total revenue	5,638,626	5,638,626	4,911,958	(726,668)
Expenditures				
General governement	14,500	14,500	12,116	2,384
Public safety	12,100	12,100	12,633	(533)
Public works/streets	1,460,045	1,460,045	1,325,035	135,010
Parks and recreation	741,832	773,250	623,981	149,269
Community support	60,000	60,000	66,931	(6,931)
Debt service				
Principal	613,911	613,911	457,000	156,911
Interest	-	-	159,411	(159,411)
Capital outlay	3,406,035	3,493,687	1,558,682	1,935,005
Total expenditures	6,308,423	6,427,493	4,215,789	2,211,704
Excess of revenue and other sources over (under) expenditures and other uses	(669,797)	(788,867)	696,169	1,485,036
Other financing sources (uses):				
Transfers in	432,216	463,634	487,318	23,684
Total other financing sources (uses):	432,216	463,634	487,318	23,684
Net change in fund balance	(237,581)	(325,233)	1,183,487	1,508,720
Fund balance, beginning of year	2,549,568	2,549,568	2,549,568	-
Fund balance, end of year	$ 2,311,987	$ 2,224,335	$ 3,733,055	$ 1,508,720

TOWN OF PAGOSA SPRINGS, COLORADO
Nonmajor Conservation Trust Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental revenue	$ 180,000	$ 180,000	$ 180,169	$ 169
Interest income	-	-	434	434
Total revenues	180,000	180,000	180,603	603
Expenditures				
Capital outlay	165,500	189,500	24,507	164,993
Total expenditures	165,500	189,500	24,507	164,993
Excess of revenue and other sources over (under) expenditures and other uses	14,500	(9,500)	156,096	165,596
Other financing sources (uses):				
Transfers out	-	-	(155,418)	(155,418)
Total other financing sources (uses):	-	-	(155,418)	(155,418)
Net change in fund balance	14,500	(9,500)	678	10,178
Fund balance, beginning of year	59,741	59,741	59,741	-
Fund balance, end of year	$ 74,241	$ 50,241	$ 60,419	$ 10,178

TOWN OF PAGOSA SPRINGS, COLORADO
Sanitation Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Operating revenues				
Charges for services	$ 938,000	$ 938,000	$ 940,840	$ 2,840
Other revenues	6,500	6,500	12,424	5,924
Total operating revenues	944,500	944,500	953,264	8,764
Operating expenses				
Salaries and wages	167,678	167,678	209,015	(41,337)
Operating system	395,415	395,415	575,075	(179,660)
Administrative	36,850	36,850	59,843	(22,993)
Professional fees	33,000	33,000	30,430	2,570
Total operating expenses	632,943	632,943	874,363	(241,420)
Operating income	311,557	311,557	78,901	(232,656)
Non-operating revenues (expenses)				
Interest income	2,500	2,500	14,219	11,719
Property and specific ownership tax	59,619	59,619	59,480	(139)
Connection and tap fees	72,750	72,750	138,626	65,876
Capital outlay	(966,603)	(1,261,603)	(938,211)	323,392
Debt service	(287,657)	(287,657)	(287,657)	-
Grant revenue	609,500	609,500	880,139	270,639
Total non-operating revenues (expenses)	(509,891)	(804,891)	(133,404)	671,487
Income before contributions, transfers and capital and related financing activities				
Contributions, transfers and capital and related financing activities				
Transfers in	48,500	48,500	12,125	(36,375)
Total contributions and transfers	48,500	48,500	12,125	(36,375)
Change in net position-budget basis	$ (149,834)	$ (444,834)	(42,378)	$ 402,456
GAAP Basis Adjustments				
Capital outlay			938,211	
Depreciation			(322,036)	
Debt Principal			225,167	
Change in net position - GAAP basis			798,964	
Net position, beginning of year			7,551,095	
Net position, end of year			$ 8,350,059	

TOWN OF PAGOSA SPRINGS, COLORADO
Geothermal Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Operating revenues				
Charges for services	$ 44,197	$ 44,197	$ 47,847	$ 3,650
Other revenues	15,000	15,000	1,500	(13,500)
Total operating revenues	59,197	59,197	49,347	(9,850)
Operating expenses				
Operating system	40,500	58,000	52,409	5,591
Administrative	1,300	1,300	1,000	300
Professional fees	7,000	7,000	5,000	2,000
Total operating expenses	48,800	66,300	58,409	7,891
Operating income (loss)	10,397	(7,103)	(9,062)	(1,959)
Non-operating revenues (expenses)				
Debt service	(6,775)	(6,775)	(180)	6,595
Grant revenue	62,032	62,032	-	(62,032)
Total non-operating revenues (expenses)	55,257	55,257	(180)	(55,437)
Change in net position-budget basis	$ 65,654	$ 48,154	(9,242)	$ (57,396)
GAAP Basis Adjustments				
Depreciation			(29,573)	
Change in net position - GAAP basis			(38,815)	
Net position, beginning of year			398,147	
Net position, end of year			$ 359,332	

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SUPPLEMENTARY INFORMATION

LOCAL HIGHWAY FINANCE REPORT

Section 43-2-132 of the Colorado Revised Statutes requires municipalities receiving Highway User Tax Funds to include a schedule of highway receipts and expenditures with the audit report. The said report is presented on the following two pages.

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Pagosa Springs, CO
	YEAR ENDING : December 2022
	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	0
3. Other local imposts (from page 2)	1,711,872
4. Miscellaneous local receipts (from page 2)	0
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.)	0
7. Total (1 through 6)	1,711,872
B. Private Contributions	
C. Receipts from State government (from page 2)	134,831
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	1,846,703

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	642,451
2. Maintenance:	938,057
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	
c. Other	79,632
d. Total (a. through c.)	79,632
4. General administration & miscellaneous	
5. Highway law enforcement and safety	
6. Total (1 through 5)	1,660,140
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	81,563
b. Redemption	105,000
c. Total (a. + b.)	186,563
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	186,563
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	1,846,703

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	2,160,000		105,000	2,055,000
1. Bonds (Refunding Portion)				
B. Notes (Total)	0		0	0

V. LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
0	1,846,703	1,846,703	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2022

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		**A.4. Miscellaneous local receipts:**	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalities	
1. Sales Taxes	1,711,872	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	1,711,872	h. Other - Road and Bridge	-
c. Total (a. + b.)	1,711,872	i. Total (a. through h.)	0
	(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	77,574	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations		d. Federal Transit Admin	
d. Other - DOLA Grant		e. U.S. Corps of Engineers	
e. Other - Road and bridge	57,257	f. Other Federal	
f. Total (a. through e.)	57,257	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	134,831	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		131,904	131,904
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		510,547	510,547
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	510,547	510,547
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	642,451	642,451
			(Carry forward to page 1)

Notes and Comments:

FORM FHWA-536 (Rev.1-05) PREVIOUS EDITIONS OBSOLETE

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and Council
Town of Pagosa Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pagosa Springs, Colorado, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Pagosa Springs, Colorado's basic financial statements and have issued our report thereon dated June 26, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pagosa Springs, Colorado's internal control over financial reporting (internal control) 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 of Pagosa Springs, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Pagosa Springs, Colorado's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the separately issued findings and recommendations letter as 2022-001 Governmental Capital Assets that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.*

Purpose of this Report

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

HintonBurdick, PLLC

St. George, Utah
June 26, 2023