TOWN OF PAGOSA SPRINGS, COLORADO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

Prepared by:

Department of Finance and Administration

TOWN OF PAGOSA SPRINGS, COLORADO

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The Honorable Mayor, Town Council, and Citizens of the Town of Pagosa Springs:

We are pleased to present the *Annual Comprehensive Financial Report* for the Town of Pagosa Springs, Colorado, for the fiscal year ending December 31, 2023. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the presented data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Town of Pagosa Springs' financial statements have been audited by HintonBurdick, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Pagosa Springs for the fiscal year ending December 31, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor has issued an unmodified (clean) opinion on the Town's financial statements for the year ended December 31, 2023. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this transmittal letter and should be read in conjunction with it.

The *Annual Comprehensive Financial Report* is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter and a list of principal officials. The financial sections include the management's discussion and analysis letter, the government-wide financial statements, the fund financial statements, notes to the financial statements, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial demographic information, generally presented on a multi-year basis.

This report includes all funds and account groups of the Town and The Pagosa Springs Sanitation General Improvement District (PSSGID). The Town provides a full range of services including police protection, community and economic development, visitor initiatives, maintenance of streets and parks, municipal court, building inspection, planning and zoning, and general administrative services. The Town's recreation facilities and programs are utilized heavily by the residents of Archuleta County, and

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we continue to be the largest provider of these services within the County. The PSSGID operates a sanitary sewer utility in a majority of the Town Limits.

Town of Pagosa Springs Profile: The Town of Pagosa Springs is a Home Rule Municipality and county seat for Archuleta County, Colorado, United States. It operates under a Council-Manager form of government. It was incorporated on March 18, 1891. The estimated population of the Town is 1,643 and is the only incorporated municipality in Archuleta County, population 14,003. The Town is located in the upper San Juan Basin, surrounded by the San Juan National Forest, Weminuche and South San Juan wilderness areas, the Southern Ute Indian Reservation, and the Jicarilla Apache Reservation. The Town is named for a system of sulfur springs which boasts to be the world's deepest hot springs. The Ute people called these springs *Pah Gosah*.

Local economy: The Town of Pagosa Springs' economy is intertwined with that of Archuleta County as a majority of County residents reside in suburbs surrounding the Town. It is a regional hub for medical, shopping, goods, and services. Archuleta County School District's three campuses—elementary, middle, and high schools—are located within the boundaries of the Town as are offices for the United States Forest Service and Postal Service. The largest employers in the region are the Pagosa Springs Medical Center, Wolf Creek Ski Area, Walmart, Archuleta County School District 50 JT, and City Market.

The Visitor Industry is a significant industry in the community. Visitors enjoy the natural beauty of the area including soaking in the area's hot springs, hiking and skiing in the mountains, floating or rafting the San Juan River, enjoying a concert, and dining at great restaurants. Many of these service jobs are not only supported by visitors, but also by a large retirement community who have chosen the Pagosa Springs area to spend their golden years.

The Town has continued to follow the path set out in its Pagosa Springs Forward Comprehensive Plan from April 2018, and as such is working toward addressing Affordable/Attainable Housing by participating with the Community Development Corporation's Chris Mountain II project, applying for and receiving grant funds for additional segments of the Town to Pagosa Lakes Trail, and redevelopment at the corner of Lewis Street and Main Street thanks to the new Tennyson sculpture garden & park.

Sales Tax continues to be a significant revenue stream for the Town. Overall sales tax collections in Pagosa Springs has continued to increase beginning with COVID-19 during which Pagosa Springs was "discovered" by new visitors. We remain optimistic that the strong figures will continue into the future.

FINANCIAL INFORMATION

Internal Control: Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The Town utilizes a financial accounting system that includes a system of internal accounting controls. Such controls have been designed and are continually being reevaluated to provide reasonable, but not absolute, assurances.

Budgeting Controls: The Town also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council. Activities of all funds are included in the annual appropriated budget. The level of budgetary control—the level at which expenditures cannot legally exceed the appropriated amount—is established at the fund level. However, budgetary accounting is maintained on a line-item basis.

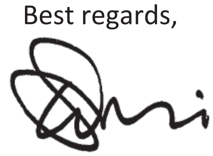
Retirement Plan: The Town provides retirement programs for all of its full-time employees through the statewide Colorado Retirement Association (a defined contribution plan) and the Fire & Police Pension Association of Colorado (a defined benefit plan), both agent multiple-employee retirement systems.

OTHER INFORMATION

Independent Audit: The Town receives an annual audit of the books, accounts, financial records, and transactions of all administrative departments of the Town by independent certified public accountants selected by the Town Council. This requirement has been complied with and the independent auditors' report by HintonBurdick, PLLC, Certified Public Accountants, has been included in this report.

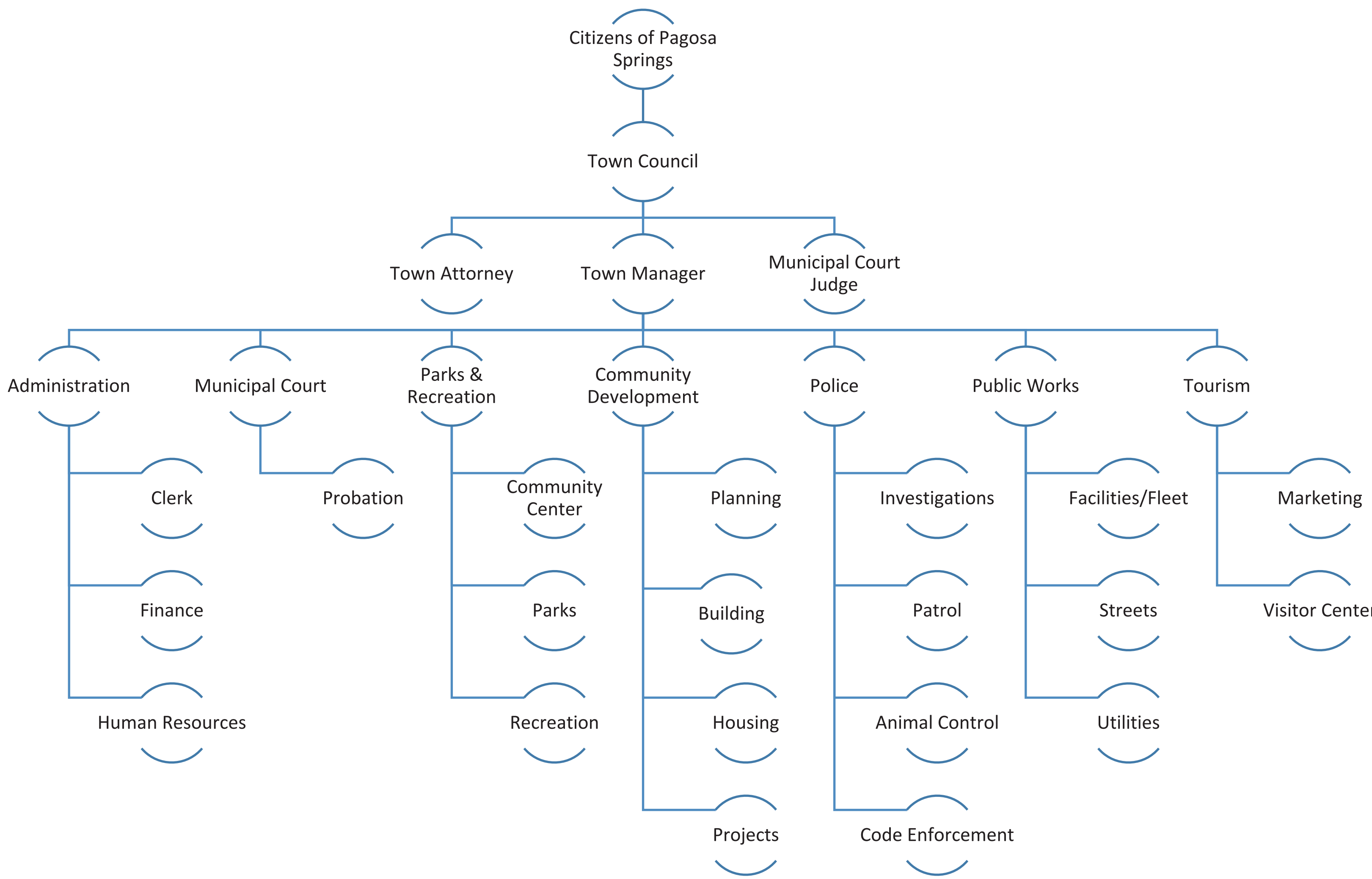
Acknowledgements: The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to thank the members of the Town Council, the Town Council Audit Committee, and the citizens of the Town of Pagosa Springs for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Best regards,



David J. Harris
Town Manager

TOWN OF PAGOSA SPRINGS COLORADO



Town of Pagosa Springs, Colorado

List of Elected and Appointed Officials

As of December 31, 2023

Elected Officials - Town Council

Shari Pierce	Mayor
Matt DeGuise	Mayor Pro Tem
Madeline Bergon	Council Member
Mat deGraaf	Council Member
Brooks Lindner	Council Member
Leonard Martinez	Council Member
Gary Williams	Council Member

Council Appointed Officials

David Harris	Town Manager
Anthony Edwards	Municipal Judge
Bob Cole	Town Attorney

Department Directors

James Dickhoff	Community Development Director
Candace Dzielak	Municipal Court Administrator
Jennifer Green	Tourism Director
April Hessman	Town Clerk & Finance Director
Karl Johnson	Public Works Director
Darren Lewis	Parks & Recreation Director
William Rockensock	Police Chief

FINANCIAL SECTION

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, 2023 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, 2023 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.

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.

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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2024 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
July 30, 2024

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TOWN OF PAGOSA SPRINGS, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023

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, 2023. 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 $50.8 million at the close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of $2.0 million.
- The total cost of all Town programs for 2023 was $11,934,998.
- The General fund unassigned fund balance at the end of 2023 was $5,312,222 which is 92% 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 $50.8 million as of December 31, 2023, as shown in the following condensed statement of net position. Of this amount, $10,064,728 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 $38,258,517 (75.25% 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, 2023 and 2022:

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Current and other assets	$ 13,384,315	$ 13,888,246	$ 1,166,338	$ 1,154,598	$ 14,550,653	$ 15,042,844
Capital assets	34,460,309	32,926,760	10,948,425	11,070,904	45,408,734	43,997,664
Total assets	47,844,624	46,815,006	12,114,763	12,225,502	59,959,387	59,040,508
Deferred outflows of resources	328,671	176,459	-	-	328,671	176,459
Long-term liabilities outstanding	4,212,216	4,448,440	3,189,715	3,414,817	7,401,931	7,863,257
Other liabilities	519,863	686,508	144,551	55,081	664,414	741,589
Total liabilities	4,732,079	5,134,948	3,334,266	3,469,898	8,066,345	8,604,846
Deferred inflows of resources	1,321,324	1,679,103	57,588	46,213	1,378,912	1,725,316
Net position:						
Net investment in capital assets	30,492,352	28,667,092	7,766,165	7,659,718	38,258,517	36,326,810
Restricted	2,519,556	2,255,676	-	-	2,519,556	2,255,676
Unrestricted	9,107,984	9,254,646	956,744	1,049,673	10,064,728	10,304,319
Total net position	$ 42,119,892	$ 40,177,414	$ 8,722,909	$ 8,709,391	$ 50,842,801	$ 48,886,805

An additional portion of net position, $2,519,556, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $10,064,728 (19.80% 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 $10,429,068 as shown in the Changes in Net Position statement below. $857,245 of this cost was paid for by those who directly benefited from the programs. $553,263 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 $1,410,508. General taxes, investment earnings, gain on sale of assets and other revenues totaled $10,961,038.

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.

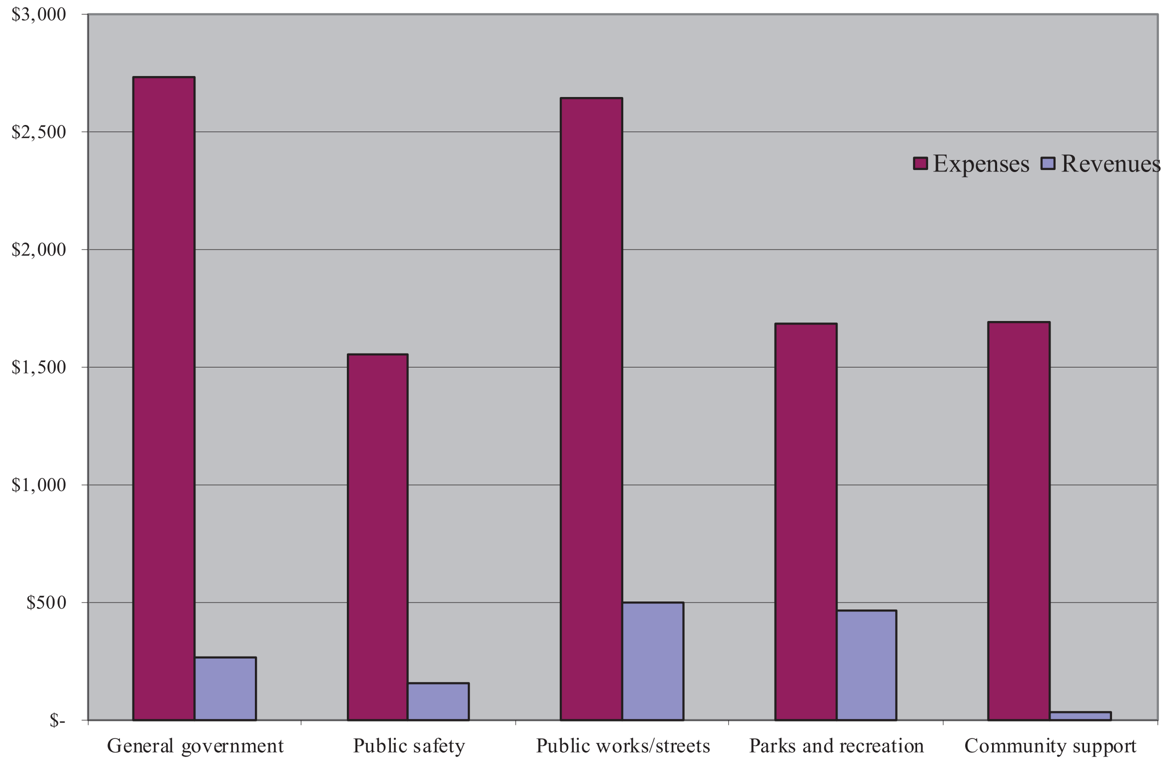
TOWN OF PAGOSA SPRINGS, COLORADO
Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Revenues:						
Program revenues:						
Charges for services	$ 857,245	$ 844,507	$ 1,102,365	$ 1,002,611	$ 1,959,610	$ 1,847,118
Operating grants and contributions	153,610	238,441	-	-	153,610	238,441
Capital grants and contributions	399,653	244,816	300,325	1,018,765	699,978	1,263,581
General revenues:						
Taxes	10,471,330	10,727,795	60,362	59,480	10,531,692	10,787,275
Investment earnings	434,443	141,256	56,396	14,219	490,839	155,475
Other revenue/(expense)	55,265	47,907	-	-	55,265	47,907
Total revenues	12,371,546	12,244,722	1,519,448	2,095,075	13,890,994	14,339,797
Expenses:						
General government	2,730,581	2,226,494	-	-	2,730,581	2,226,494
Public safety	1,552,864	1,300,308	-	-	1,552,864	1,300,308
Public works/streets	2,638,075	2,258,008	-	-	2,638,075	2,258,008
Parks and recreation	1,682,231	1,704,324	-	-	1,682,231	1,704,324
Community support	1,685,329	1,230,932	-	-	1,685,329	1,230,932
Interest on long-term debt	139,988	153,321	-	-	139,988	153,321
Sanitation	-	-	1,435,124	1,258,889	1,435,124	1,258,889
Geothermal	-	-	70,806	88,162	70,806	88,162
Total expenses	10,429,068	8,873,387	1,505,930	1,347,051	11,934,998	10,220,438
Increase (decrease) in net position before transfers	1,942,478	3,371,335	13,518	748,024	1,955,996	4,119,359
Transfers	-	(12,125)	-	12,125	-	-
Net position, beginning	40,177,414	36,103,499	8,709,391	7,949,242	48,886,805	44,052,741
Prior period adjustment	-	714,705	-	-	-	714,705
Net position, ending	$ 42,119,892	$ 40,177,414	$ 8,722,909	$ 8,709,391	$ 50,842,801	$ 48,886,805

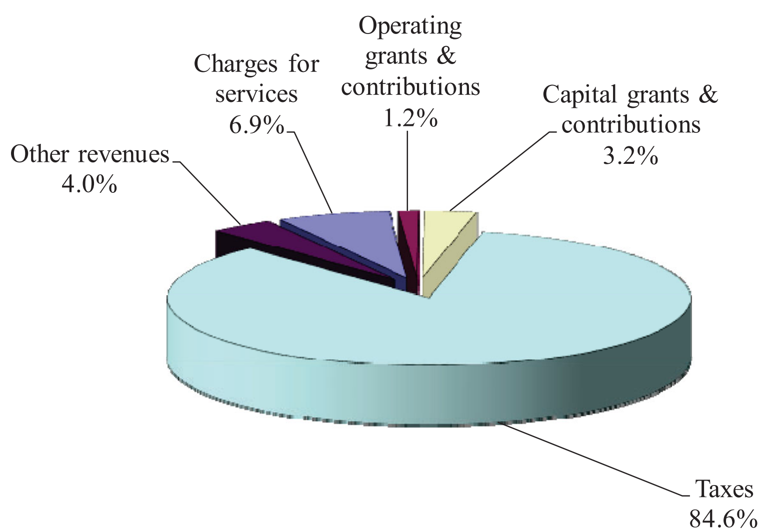
Total resources available during the year to finance governmental operations were $52,548,960 consisting of net position at January 1, 2023 of $40,177,414, Program Revenues of $1,410,508, and General Revenues of $10,961,038. Total Governmental Activities expenses during the year were $10,429,068; thus Governmental Net Position increased by $1,942,478 to $42,119,892.

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)



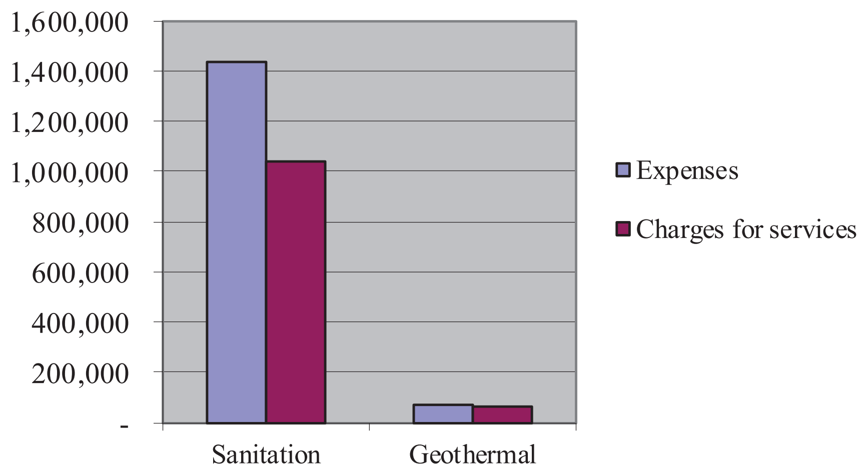
Revenue By Source - Governmental Activities



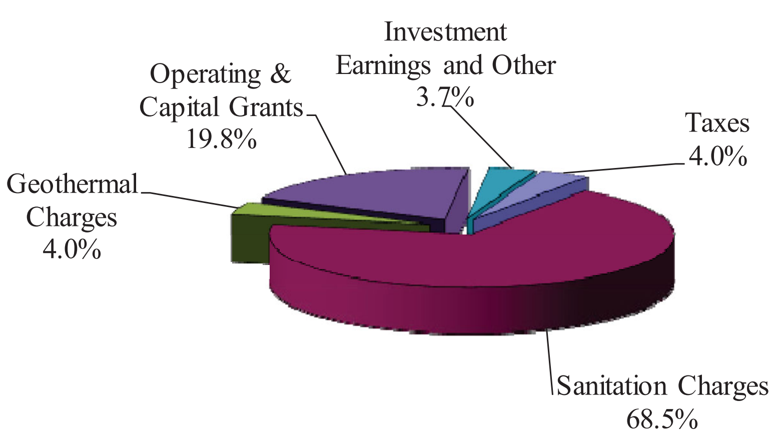
Business Type Activities

Net position of the Business Type activities at December 31, 2023, as reflected in the Statement of Net Position was $8.7 million. The cost of providing all Proprietary (Business-type) activities this year was $1,505,930. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were $1,102,365 and there was $300,325 subsidized by capital grants and contributions. Investment earnings and tax revenues were $116,758. The Net Position increased by $13,518. 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 $11,566,126, an increase of $107,006 in comparison with the prior year. Approximately $5,312,222 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, 2023, unassigned fund balance in the General fund was $5,312,222. 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 92% of the total General fund expenditures. The fund balance of the Town's General fund increased by $572,608 for the year ended December 31, 2023. As compared to the prior year, the General fund revenues increased due to interest revenue and miscellaneous revenue. General fund expenses increased due to increased expenses in 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 $737,891. The actual change in fund balance was a decrease of $107,597.

The Tourism fund is used to account for tax on lodging establishments and the related community support expenditures. Actual revenues were less than budgeted revenues, and actual expenditures were less than budgeted expenditures. A transfer out of the fund of $520,000 led to a decrease in fund balance of $(359,718).

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, 2023 for the Town's enterprise funds (Sanitation and Geothermal) are as follows:

	Sanitation	Geothermal	Total
Unrestricted net position	$ 860,094	$ 96,650	$ 956,744
Total net position	8,372,898	350,011	8,722,909
Change in net position	$ 22,839	$ (9,321)	$ 13,518

Budgetary Highlights

General fund revenues of $5,831,375 were higher than budgeted revenues of $5,711,047 by $120,328. The most significant factor contributing to this excess amount is related to interest revenue which exceeded budget by $171,295. Budgeted expenditures exceeded actual expenditures by $295,208.

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 2023, net capital assets of the government activities totaled $34.5 million and the net capital assets of the business-type activities were $10.95 million. The most significant governmental capital additions were paving N 2nd Street, workforce housing, and Yamaguchi Park south/pickleball The most significant business-type capital additions weas the pipe inspection system equipment. 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 $3,967,957 in governmental-type debt, and $3,182,259 in proprietary debt. During the current fiscal year, the Town's total debt decreased by $523,637. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The 2024 budget reflects the spending priorities of the Town Council and the Pagosa Springs community. Revenues are anticipated to decrease in 2024, with most of the decrease anticipated in the Trust Fund, compared to 2023 figures. The local economy continues to show steady growth and 2024 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, 2023

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 10,254,476	$ 1,026,910	$ 11,281,386
Receivables (net of allowance)	1,826,732	218,877	2,045,609
Internal balances	79,449	(79,449)	-
Lease Receivable	1,222,133	-	1,222,133
Prepaids	1,525	-	1,525
Capital assets (net of accumulated depreciation):			
Land	3,714,619	16,376	3,730,995
Construction in progress	867,187	216,473	1,083,660
Buildings and improvements	8,767,298	165,538	8,932,836
Machinery and equipment	1,029,416	1,004,078	2,033,494
Infrastructure and systems	20,081,789	9,545,960	29,627,749
Total assets	47,844,624	12,114,763	59,959,387
Deferred Outflows of Resources			
Deferred outflows related to pensions	328,671	-	328,671
Total deferred outflows of resources	328,671	-	328,671
Liabilities			
Accounts payable and other current liabilities	366,852	134,789	501,641
Interest payable	16,995	9,762	26,757
Customer deposits	24,505	-	24,505
Unearned revenue	111,511	-	111,511
Noncurrent liabilities:			
Due within one year	497,063	240,212	737,275
Due in more than one year	3,666,246	2,949,503	6,615,749
Net pension liability	48,907	-	48,907
Total liabilities	4,732,079	3,334,266	8,066,345
Deferred Inflows of Resources			
Deferred inflows related to pensions	6,003	-	6,003
Deferred revenue - property taxes	134,959	57,588	192,547
Deferred inflows related to leases	1,180,362	-	1,180,362
Total deferred inflows of resources	1,321,324	57,588	1,378,912
Net Position			
Net investment in capital assets	30,492,352	7,766,165	38,258,517
Restricted for:			
Emergency reserve	398,714	-	398,714
Parks and recreation	78,981	-	78,981
Tourism	1,624,147	-	1,624,147
Other purposes	417,714	-	417,714
Unrestricted	9,107,984	956,744	10,064,728
Total net position	$ 42,119,892	$ 8,722,909	$ 50,842,801

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, 2023

		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	$ 2,730,581	$ 262,181	$ -	$ -	$ (2,468,400)	$ -	$ (2,468,400)
Public safety	1,552,864	157,115	-	-	(1,395,749)	-	(1,395,749)
Public works/streets	2,638,075	160,536	-	337,946	(2,139,593)	-	(2,139,593)
Parks and recreation	1,682,231	247,792	150,734	61,707	(1,221,998)	-	(1,221,998)
Community support	1,685,329	29,621	2,876	-	(1,652,832)	-	(1,652,832)
Interest on long-term debt	139,988	-	-	-	(139,988)	-	(139,988)
Total governmental activities	10,429,068	857,245	153,610	399,653	(9,018,560)	-	(9,018,560)
Business-type activities:							
Sanitation	1,435,124	1,040,880	-	300,325	-	(93,919)	(93,919)
Geothermal	70,806	61,485	-	-	-	(9,321)	(9,321)
Total business-type activities	1,505,930	1,102,365	-	300,325	-	(103,240)	(103,240)
Total primary government	$ 11,934,998	$ 1,959,610	$ 153,610	$ 699,978	(9,018,560)	(103,240)	(9,121,800)
		General Revenues:					
		Taxes:					
		Property tax			109,618	60,362	169,980
		Sales tax			8,889,943	-	8,889,943
		Other taxes			143,385	-	143,385
		Franchise tax			25,872	-	25,872
		Lodgers tax			1,302,512	-	1,302,512
		Unrestricted investment earnings			434,443	56,396	490,839
		Other revenues			55,265	-	55,265
		Total general revenues & transfers			10,961,038	116,758	11,077,796
		Change in net assets			1,942,478	13,518	1,955,996
		Net position - beginning			40,177,414	8,709,391	48,886,805
		Net position - ending			$ 42,119,892	$ 8,722,909	$ 50,842,801

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

TOWN OF PAGOSA SPRINGS, COLORADO
Balance Sheet
Governmental Funds
December 31, 2023

Assets	General Fund	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Cash and cash equivalents	$ 6,255,673	$ 2,966,708	$ 969,963	$ 62,132	$ 10,254,476
Receivables, net of allowances:	17,191	22,944	-	-	40,135
Property tax receivable	130,717	-	-	-	130,717
Lease receivable	1,222,133	-	-	-	1,222,133
Due from other governments	732,122	738,532	185,226	-	1,655,880
Prepaids	1,525	-	-	-	1,525
Due from other funds	79,449	-	-	-	79,449
Total assets	$ 8,438,810	$ 3,728,184	$ 1,155,189	$ 62,132	$ 13,384,315
Liabilities					
Accounts payable	$ 58,286	$ 56,834	$ 18,841	$ -	$ 133,961
Accrued liabilities	186,351	34,339	12,201	-	232,891
Customer deposits	24,505	-	-	-	24,505
Unearned revenue	99,958	11,553	-	-	111,511
Total liabilities	369,100	102,726	31,042	-	502,868
Deferred inflows of resources					
Deferred revenue - property taxes	134,959	-	-	-	134,959
Deferred inflows related to leases	1,180,362	-	-	-	1,180,362
Total deferred inflows of resources	1,315,321	-	-	-	1,315,321
Fund balances					
Nonspendable:					
Prepaid items	1,525	-	-	-	1,525
Restricted for:					
Emergency reserve	398,714	-	-	-	398,714
Parks and recreation	16,849	-	-	62,132	78,981
Tourism	500,000	-	1,124,147	-	1,624,147
Other purposes	417,714	-	-	-	417,714
Assigned for:					
Health funds	107,365	-	-	-	107,365
Capital outlay	-	3,625,458	-	-	3,625,458
Unassigned	5,312,222	-	-	-	5,312,222
Total fund balances	6,754,389	3,625,458	1,124,147	62,132	11,566,126
Total liabilities, deferred inflows of resources, and fund balances	$ 8,438,810	$ 3,728,184	$ 1,155,189	$ 62,132	$ 13,384,315

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, 2023

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

Total fund balances - governmental funds		$ 11,566,126
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	$ 48,585,931	
Accumulated depreciation	(14,125,622)	34,460,309
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Lease revenue bond	(3,902,000)	
Net pension liability	(48,907)	
Net unamortized premiums	(65,957)	
Interest payable	(16,995)	
Compensated absences	(195,352)	(4,229,211)
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	328,671	
Deferred inflows	(6,003)	322,668
Net position of governmental activities		$ 42,119,892

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, 2023

	General Fund	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Revenues					
Taxes	$ 4,644,951	$ 4,523,868	$ 811,184	$ -	$ 9,980,003
Licenses and permits	257,981	-	-	-	257,981
Intergovernmental	40,000	342,446	491,329	83,130	956,905
Fines and forfeitures	123,888	-	-	-	123,888
Charges for services	228,861	55,063	1,462	-	285,386
Interest revenue	247,988	156,583	29,369	503	434,443
Contributions and donations	67,604	-	-	-	67,604
Other revenues	220,102	42,359	2,875	-	265,336
Total revenues	5,831,375	5,120,319	1,336,219	83,633	12,371,546
Expenditures					
Current:					
General government	3,079,167	1,645	-	-	3,080,812
Public safety	1,494,416	18,147	-	-	1,512,563
Public works/streets	-	1,381,928	-	-	1,381,928
Parks and recreation	735,528	681,408	-	-	1,416,936
Community support	469,656	31,452	1,175,937	-	1,677,045
Capital outlay	-	2,740,588	-	21,920	2,762,508
Debt service:					
Principal retirement	-	287,000	-	-	287,000
Interest on long-term debt	-	145,748	-	-	145,748
Total expenditures	5,778,767	5,287,916	1,175,937	21,920	12,264,540
Excess of revenues over (under) expenditures	52,608	(167,597)	160,282	61,713	107,006
Other financing sources (uses):					
Transfers in	520,000	60,000	-	-	580,000
Transfers out	-	-	(520,000)	(60,000)	(580,000)
Total other financing sources (uses)	520,000	60,000	(520,000)	(60,000)	-
Net change in fund balances	572,608	(107,597)	(359,718)	1,713	107,006
Fund balance, beginning of year	6,181,781	3,733,055	1,483,865	60,419	11,459,120
Fund balance, end of year	$ 6,754,389	$ 3,625,458	$ 1,124,147	$ 62,132	$ 11,566,126

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, 2023

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 107,006
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	3,124,451	
Depreciation expense	(1,516,068)	1,608,383
In the statement of activities, only the gain or loss on sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.		
		(74,834)
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 outflows and inflows of resources related to pensions, is reported in the statement of activities.		
Pension contribution	51,679	
Pension expense	(35,936)	15,743
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	287,000	
Amortization of bond premiums	4,711	291,711
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.		1,049
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(6,580)
Change in net position of governmental activities		$ 1,942,478

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

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2023

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
Assets			
Current assets:			
Cash	$ 947,789	$ 79,121	$ 1,026,910
Receivables (net of allowance)	141,017	20,272	161,289
Property tax receivable	57,588	-	57,588
Total current assets	1,146,394	99,393	1,245,787
Noncurrent assets:			
Land	16,376	-	16,376
Construction in progress	216,473	-	216,473
Buildings and improvements	-	1,182,419	1,182,419
Improvements and system	12,637,126	80,527	12,717,653
Machinery and equipment	1,421,915	30,199	1,452,114
Accumulated depreciation	(3,596,826)	(1,039,784)	(4,636,610)
Total noncurrent assets	10,695,064	253,361	10,948,425
Total assets	$ 11,841,458	$ 352,754	$ 12,194,212
Liabilities			
Current liabilities:			
Accounts payable	$ 125,809	$ 2,743	$ 128,552
Accrued liabilities	6,237	-	6,237
Due to other funds	79,449	-	79,449
Interest payable	9,762	-	9,762
Notes payable - current	232,757	-	232,757
Compensated absences - current	7,455	-	7,455
Total current liabilities	461,469	2,743	464,212
Noncurrent liabilities:			
Notes payable (net of current portion)	2,949,503	-	2,949,503
Total long-term debt	2,949,503	-	2,949,503
Total liabilities	3,410,972	2,743	3,413,715
Deferred inflows of resources			
Deferred revenue - property taxes	57,588	-	57,588
Total deferred inflows of resources	57,588	-	57,588
Net position			
Net investment in capital assets	7,512,804	253,361	7,766,165
Unrestricted	860,094	96,650	956,744
Total net position	$ 8,372,898	$ 350,011	$ 8,722,909

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, 2023

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
Operating revenues			
Charges for services	$ 1,021,411	$ 61,485	$ 1,082,896
Other revenues	19,469	-	19,469
Total operating revenues	1,040,880	61,485	1,102,365
Operating expenses			
Salaries and wages	255,649	-	255,649
Operating system	635,221	37,249	672,470
Administrative	52,642	1,000	53,642
Professional fees	25,611	2,911	28,522
Depreciation	407,269	29,574	436,843
Total operating expenses	1,376,392	70,734	1,447,126
Operating income (loss)	(335,512)	(9,249)	(344,761)
Non-operating revenues (expenses)			
Interest income	56,396	-	56,396
Interest expense and fiscal charges	(58,732)	(72)	(58,804)
Property and specific ownership tax	60,362	-	60,362
Grant revenue	44,699	-	44,699
Connection and tap fees	255,626	-	255,626
Total non-operating revenues (expenses)	358,351	(72)	358,279
Income before contributions and transfers	22,839	(9,321)	13,518
Change in net position	22,839	(9,321)	13,518
Total net position, beginning of year	8,350,059	359,332	8,709,391
Total net position, end of year	$ 8,372,898	$ 350,011	$ 8,722,909

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, 2023

	Sanitation Fund	Non-Major Geothermal Fund	Combined Total
Cash flows from operating activities:			
Cash received from customers, service fees	$ 1,034,266	$ 49,430	$ 1,083,696
Cash paid to suppliers	(624,800)	(42,039)	(666,839)
Cash paid to employees	(250,151)	-	(250,151)
Net cash flows from operating activities	159,315	7,391	166,706
Cash flows from noncapital financing activities:			
Advances from/(to) other funds	(19,861)	(5,767)	(25,628)
Net cash flows from noncapital financing activities	(19,861)	(5,767)	(25,628)
Cash flows from capital and related financing activities:			
Purchase of capital assets	(314,364)	-	(314,364)
Principal paid on long-term debt	(228,925)	-	(228,925)
Interest paid	(58,732)	(72)	(58,804)
Property and specific ownership tax	60,362	-	60,362
Capital grants	44,699	-	44,699
Connection and tap fees	255,626	-	255,626
Net cash flows from capital and related financing activities	(241,334)	(72)	(241,406)
Cash flows from investing activities:			
Interest on investments	56,396	-	56,396
Net cash flows from investing activities	56,396	-	56,396
Net change in cash and cash equivalents	(45,484)	1,552	(43,932)
Cash and cash equivalents, including restricted cash, beginning of year	993,273	77,569	1,070,842
Cash and cash equivalents, including restricted cash, end of year	$ 947,789	$ 79,121	$ 1,026,910
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income (loss)	$ (335,512)	$ (9,249)	$ (344,761)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation/amortization	407,269	29,574	436,843
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	(17,989)	(12,055)	(30,044)
Increase/(decrease) in payables	88,674	(879)	87,795
Increase/(decrease) in accrued liabilities	5,498	-	5,498
Increase/(decrease) in deferred revenue	11,375	-	11,375
Net cash flows from operating activities	$ 159,315	$ 7,391	$ 166,706

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, 2023, the Town implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Town had no SBITAs during the year ended December 31, 2023 that required reporting under GASB statement No. 96.

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, 2023.

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	1,737,971
COLOTRUST	9,543,015
Total cash and investments	$ 11,281,386

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, 2023 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, 2023 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, 2023, the Town had invested $9,543,015 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 12/31/2022	Additions	Deletions	Balance 12/31/2023
Capital assets, not being depreciated:				
Land	$ 3,166,907	$ 547,712	$ -	$ 3,714,619
Construction in progress	1,638,926	2,648,865	(3,420,604)	867,187
Total capital assets, not being depreciated	4,805,833	3,196,577	(3,420,604)	4,581,806
Capital assets, being depreciated:				
Buildings & improvements	12,803,634	155,499	-	12,959,133
Equipment & vehicles	2,990,428	320,087	(150,480)	3,160,035
Infrastructure	25,012,065	2,872,892	-	27,884,957
Total capital assets, being depreciated	40,806,127	3,348,478	(150,480)	44,004,125
Less accumulated depreciation for:				
Buildings & improvements	(3,792,370)	(399,465)	-	(4,191,835)
Equipment & vehicles	(1,945,135)	(261,130)	75,646	(2,130,619)
Infrastructure	(6,947,695)	(855,473)	-	(7,803,168)
Total accumulated depreciation	(12,685,200)	(1,516,068)	75,646	(14,125,622)
Total capital assets, being depreciated, net	28,120,927	1,832,410	(74,834)	29,878,503
Governmental activities capital assets, net	$ 32,926,760	$ 5,028,987	$ (3,495,438)	$ 34,460,309

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

Governmental Activities:	
Community support	$ 7,744
General government	110,539
Parks & recreation	341,846
Public safety	33,318
Public works/streets	1,022,621
Total depreciation expense - governmental activities	$ 1,516,068

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 12/31/2022**	**Additions**	**Deletions**	**Balance 12/31/2023**
Capital assets not being depreciated:				
Land	$ 16,376	$ -	$ -	$ 16,376
Construction in progress	124,777	91,696	-	216,473
Total capital assets, not being depreciated	141,153	91,696	-	232,849
Capital assets being depreciated:				
Buildings and improvements	1,182,419	-	-	1,182,419
Improvements and systems	12,594,436	123,217	-	12,717,653
Equipment and vehicles	1,352,663	99,451	-	1,452,114
Total capital assets, being depreciated	15,129,518	222,668	-	15,352,186
Less accumulated depreciation for:				
Buildings and improvements	(993,232)	(23,649)	-	(1,016,881)
Improvements and systems	(2,909,536)	(262,157)	-	(3,171,693)
Equipment and vehicles	(296,999)	(151,037)	-	(448,036)
Total accumulated depreciation	(4,199,767)	(436,843)	-	(4,636,610)
Total capital assets, being depreciated, net	10,929,751	(214,175)	-	10,715,576
Business-type activities capital assets, net	$ 11,070,904	$ (122,479)	$ -	$ 10,948,425

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

Business-Type Activities:	
Sanitation	$ 407,269
Geothermal	29,574
Total depreciation expense - business-type activities	$ 436,843

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the year ended December 31, 2023:

	Balance 12/31/2022	Additions	Retirements	Balance 12/31/2023	Current Portion
Governmental Activities:					
Direct Borrowings:					
2016 Certificate of Participation	$ 2,055,000	$ -	$ (105,000)	$ 1,950,000	$ 110,000
2019 Certificate of Participation	2,134,000	-	(182,000)	1,952,000	187,000
Certificate of Participation Premium	70,668	-	(4,711)	65,957	4,711
Net Pension Liabilities	-	48,907	-	48,907	-
Compensated Absences	188,772	173,360	(166,780)	195,352	195,352
Total Governmental Activity Long-Term Liabilities	$ 4,448,440	$ 222,267	$ (458,491)	$ 4,212,216	$ 497,063
Business-Type Activities:					
Direct Borrowings:					
Water Pollution Control Fund Note	$ 1,321,364	$ -	$ (99,753)	$ 1,221,611	$ 100,755
Note Payable to PAWSD	2,089,821	-	(129,173)	1,960,648	132,002
Compensated Absences	3,631	6,485	(2,661)	7,455	7,455
Total Business-Type Activity Long-Term Liabilities	$ 3,414,816	$ 6,485	$ (231,587)	$ 3,189,714	$ 240,212

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, 2023 are comprised of the following:

Certificate of participation payable:	
Governmental Activities:	
Certificate of participation, 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.	$ 1,950,000
Certificate of participation, 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.	1,952,000
Total certificate of participation payable	$ 3,902,000
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.	$ 1,221,611
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.	1,960,648
Total notes payable	$ 3,182,260

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
2024	$ 297,000	$ 136,337	$ 232,757	$ 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	334,000	97,150	248,807	38,853
2029-2033	1,668,000	317,933	1,308,705	129,592
2034-2037	655,000	66,200	670,021	23,894
	$ 3,902,000	$ 967,513	$ 3,182,260	$ 388,250

Note 6. Long-Term Liabilities, Continued

As part of the Sanitation Fund's agreement related to the fund's debt, the Water Pollution Control Fund Note requires that the Town maintain a rate covenant ratio [(total revenue-(operating expenses – depreciation))/annual debt service = ratio] that is above the required minimum amount. The minimum ratio the Town is allowed to keep is greater than 110%. The table below shows the calculation of the Town rate covenant ratio for 2023:

Total Revenue (excluding grant income and property taxes)	$	1,352,902
Operating Expenses		1,376,391
Depreciation		407,269
Annual Debt Service		287,657
Rate Covenant Ratio		133%

Note 7. Leases

Lease Receivable

During fiscal year 2022, 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 $99,838 in lease revenue and $22,005 in interest revenue during the current fiscal year related to these leases. As of December 31, 2023, the Town's receivable for lease payments was $1,222,133. 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, 2023, the balance of the deferred inflow of resources was $1,180,362.

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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). As of January 1, 2023, Statewide Defined Benefit Plan and the Statewide Hybrid Plan have merged to form the Statewide Retirement Plan (SRP) and the Statewide Defined Benefit Plan becomes the Defined Benefit Component of the Statewide Retirement Plan. 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 12 percent and 9.5 percent, respectively, of base salary for a total contribution rate of 21.5 percent in 2023.

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
2021	$ 33,498
2022	43,144
2023	51,679

Pension liability/asset – At December 31, 2023, the Town reported an liability of $48,907 for its proportionate share of the SWDB net pension liability/asset. The net pension liability/asset was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2023. 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, 2022. The Town's proportion measured as of December 31, 2022, was 0.055100 percent for police, which was a decrease of 0.006146 percent from the proportions measured as of December 31, 2021.

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2023, the Town recognized pension expense for SWDB of $35,937. At December 31, 2023, 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	$ 105,867	$ 6,003
Changes in assumptions	62,657	-
Net difference between projected and actual earnings on pension plan investments	110,676	-
Changes in proportion and differences between contributions and proportional share of contributions	(2,208)	-
Contributions subsequent to the measurement date	51,679	-
Total	$ 328,671	$ 6,003

Note 8. Pension Plans, Continued

The $51,679 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, 2024. 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
2024	$ 25,510
2025	46,414
2026	65,635
2027	90,943
2028	18,619
Thereafter	23,868

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 2022 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, 2023. 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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	35%	8.93%
Equity Long/Short	6%	7.47%
Private Markets	34%	10.31%
Fixed Income - Rates	10%	5.45%
Fixed Income- Credit	5%	6.90%
Absolute Return	9%	6.49%
Cash	1%	3.92%
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	$ 337,161	$ 48,907	$ (189,860)

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

Colorado Retirement Association

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, 2023, the Town's pension expense was $185,314. 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, Receivables, and Payables

Interfund transfers for the year ended December 31, 2023 were as follows:

	Transfers out:		
Transfer in:	Tourism	Conservation Trust	Total Transfers in
General Fund	$ 520,000	$ -	$ 520,000
Capital Improvement	-	60,000	60,000
Total transfers out	$ 520,000	$ 60,000	$ 580,000

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, 2023 were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ 79,449	$ -
Sanitation	-	79,449
Total	$ 79,449	$ 79,449

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

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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, 2023

	Police								
	Reporting Fiscal Year (Measurement Date)								
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.055100%	0.048954%	0.049628%	0.048950%	0.047533%	0.048954%	0.067448%	0.062607%	0.061858%
Proportionate share of the net pension liability (asset)	48,907	(265,301)	(107,742)	(27,684)	$ 60,094	$ (83,886)	$ 24,372	$ (1,104)	$ (69,812)
Covered payroll	$ 479,379	$ 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	10.20%	-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	97.60%	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, 2023

	Police									
	Reporting Fiscal Year									
Last 10 fiscal years	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	51,679	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	(51,679)	(43,144)	(33,498)	(31,889)	(28,862)	(25,472)	(27,285)	(27,615)	(24,280)	(22,254)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 545,007	$ 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	9.48%	9.00%	8.50%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

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, 2023

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget
Taxes:				
Property tax	$ 107,862	$ 107,862	$ 109,618	$ 1,756
Sales tax	4,693,478	4,693,478	4,444,972	(248,506)
Franchise tax	24,500	24,500	25,872	1,372
Other taxes	49,500	49,500	64,489	14,989
Total taxes	4,875,340	4,875,340	4,644,951	(230,389)
Licenses, permits and fees:				
Licenses, permits and fees	89,000	89,000	108,218	19,218
Building permits	120,000	120,000	149,763	29,763
Total licenses, permits and fees	209,000	209,000	257,981	48,981
Intergovernmental:				
Grant revenues	40,000	40,000	40,000	-
Total intergovernmental	40,000	40,000	40,000	-
Fines and forfeitures:				
Fines and forfeitures	132,264	132,264	123,888	(8,376)
Total fines and forfeitures	132,264	132,264	123,888	(8,376)
Charges for services:				
Charges for services	209,250	209,250	228,861	19,611
Total charges for services	209,250	209,250	228,861	19,611
Interest:				
Interest revenue	76,693	76,693	247,988	171,295
Total interest	76,693	76,693	247,988	171,295
Contributions and donations:				
Contributions and donations	47,000	59,000	67,604	8,604
Total contributions and donations	47,000	59,000	67,604	8,604
Other revenues:				
Miscellaneous	109,500	109,500	220,102	110,602
Total other revenues	109,500	109,500	220,102	110,602
Total revenues	5,699,047	5,711,047	5,831,375	120,328

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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, 2023

Expenditures	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
General Government:				
Town manager/admin	60,013	60,013	64,587	(4,574)
Town clerk/town hall	1,320,118	1,320,118	1,374,485	(54,367)
Building and planning	848,914	848,914	732,966	115,948
Housing Division	598,483	598,483	535,876	62,607
Municipal court	451,065	451,065	371,253	79,812
Total General Government	3,278,593	3,278,593	3,079,167	199,426
Public Safety:				
Police	1,558,060	1,558,060	1,494,416	63,644
Total Public Safety	1,558,060	1,558,060	1,494,416	63,644
Parks & Recreation:				
Recreation	807,063	819,063	735,528	83,535
Total Parks & Recreation	807,063	819,063	735,528	83,535
Community Support:	418,259	418,259	469,656	(51,397)
Total Community Support	418,259	418,259	469,656	(51,397)
Total expenditures	6,061,975	6,073,975	5,778,767	295,208
Excess of revenues over (under) expenditures	(362,928)	(362,928)	52,608	415,536
Other financing sources (uses):				
Transfers in	-	500,000	520,000	20,000
Total other financing sources (uses)	-	500,000	520,000	20,000
Net change in fund balance	(362,928)	137,072	572,608	435,536
Fund balance, beginning of year	6,181,781	6,181,781	6,181,781	-
Fund balance, end of year	$ 5,818,853	$ 6,318,853	$ 6,754,389	$ 435,536

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Lodgers tax	$ 875,000	$ 875,000	$ 811,184	$ (63,816)
Intergovernmental revenue	500,000	500,000	491,329	(8,671)
Charges for services	1,500	1,500	1,462	(38)
Interest income	-	-	29,369	29,369
Other revenues	-	-	2,875	2,875
Total revenues	1,376,500	1,376,500	1,336,219	(40,281)
Expenditures				
Community support	1,382,595	1,882,595	1,175,937	706,658
Total expenditures	1,382,595	1,882,595	1,175,937	706,658
Excess of revenue and other sources over (under) expenditures and other uses	(6,095)	(506,095)	160,282	666,377
Other financing sources (uses):				
Transfers out	-	-	(520,000)	(520,000)
Total other financing sources (uses):	-	-	(520,000)	(520,000)
Net change in fund balance	(6,095)	(506,095)	(359,718)	146,377
Fund balance, beginning of year	1,483,865	1,483,865	1,483,865	-
Fund balance, end of year	$ 1,477,770	$ 977,770	$ 1,124,147	$ 146,377

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Sales taxes	$ 4,693,478	$ 4,693,478	$ 4,444,972	$ (248,506)
Highway users tax	75,653	75,653	78,896	3,243
Intergovernmental revenue	1,806,578	1,806,578	342,446	(1,464,132)
Charges for services	43,655	43,655	55,063	11,408
Interest income	10,000	10,000	156,583	146,583
Other income	35,000	35,000	42,359	7,359
Total revenue	6,664,364	6,664,364	5,120,319	(1,544,045)
Expenditures				
General government	6,500	6,500	1,645	4,855
Public safety	12,100	12,100	18,147	(6,047)
Public works/streets	1,582,579	1,582,579	1,381,928	200,651
Parks and recreation	679,346	679,346	681,408	(2,062)
Community support	24,000	24,000	31,452	(7,452)
Debt service				
Principal	435,710	435,710	287,000	148,710
Interest	-	-	145,748	(145,748)
Capital outlay	4,662,020	4,662,020	2,740,588	1,921,432
Total expenditures	7,402,255	7,402,255	5,287,916	2,114,339
Excess of revenue and other sources over (under) expenditures and other uses	(737,891)	(737,891)	(167,597)	570,294
Other financing sources (uses):				
Transfers in	93,180	93,180	60,000	(33,180)
Total other financing sources (uses):	93,180	93,180	60,000	(33,180)
Net change in fund balance	(644,711)	(644,711)	(107,597)	537,114
Fund balance, beginning of year	3,733,055	3,733,055	3,733,055	-
Fund balance, end of year	$ 3,088,344	$ 3,088,344	$ 3,625,458	$ 537,114

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental revenue	$ 80,000	$ 80,000	$ 83,130	$ 3,130
Interest income	-	-	503	503
Total revenues	80,000	80,000	83,633	3,633
Expenditures				
Capital outlay	85,000	85,000	21,920	63,080
Total expenditures	85,000	85,000	21,920	63,080
Excess of revenue and other sources over (under) expenditures and other uses	(5,000)	(5,000)	61,713	66,713
Other financing sources (uses):				
Transfers out	-	-	(60,000)	(60,000)
Total other financing sources (uses):	-	-	(60,000)	(60,000)
Net change in fund balance	(5,000)	(5,000)	1,713	6,713
Fund balance, beginning of year	60,419	60,419	60,419	-
Fund balance, end of year	$ 55,419	$ 55,419	$ 62,132	$ 6,713

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Operating revenues				
Charges for services	$ 1,020,286	$ 1,020,286	$ 1,021,411	$ 1,125
Other revenues	6,500	6,500	19,469	12,969
Total operating revenues	1,026,786	1,026,786	1,040,880	14,094
Operating expenses				
Salaries and wages	259,525	259,525	255,649	3,876
Operating system	362,791	472,791	635,221	(162,430)
Administrative	48,736	48,736	52,642	(3,906)
Professional fees	29,000	29,000	25,611	3,389
Total operating expenses	700,052	810,052	969,123	(159,071)
Operating income	326,734	216,734	71,757	(144,977)
Non-operating revenues (expenses)				
Interest income	2,500	2,500	56,396	53,896
Property and specific ownership tax	60,313	60,313	60,362	49
Connection and tap fees	74,925	245,000	255,626	10,626
Capital outlay	(409,855)	(637,855)	(314,364)	323,491
Debt service	(287,657)	(287,657)	(287,657)	-
Grant revenue	20,000	20,000	44,699	24,699
Total non-operating revenues (expenses)	(539,774)	(597,699)	(184,938)	412,761
Income before contributions, transfers and capital and related financing activities				
Contributions, transfers and capital and related financing activities				
Transfers in	69,930	69,930	-	(69,930)
Total contributions and transfers	69,930	69,930	-	(69,930)
Change in net position-budget basis	$ (143,110)	$ (311,035)	(113,181)	$ 197,854
GAAP Basis Adjustments				
Capital outlay			314,364	
Depreciation			(407,269)	
Debt Principal			228,925	
Change in net position - GAAP basis			22,839	
Net position, beginning of year			8,350,059	
Net position, end of year			$ 8,372,898	

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Operating revenues				
Charges for services	$ 53,697	$ 53,697	$ 61,485	$ 7,788
Other revenues	13,500	13,500	-	(13,500)
Total operating revenues	67,197	67,197	61,485	(5,712)
Operating expenses				
Operating system	52,500	52,500	37,249	15,251
Administrative	1,050	1,050	1,000	50
Professional fees	3,000	3,000	2,911	89
Total operating expenses	56,550	56,550	41,160	15,390
Operating income (loss)	10,647	10,647	20,325	9,678
Non-operating revenues (expenses)				
Debt service	(5,838)	(5,838)	(72)	5,766
Total non-operating revenues (expenses)	(5,838)	(5,838)	(72)	5,766
Change in net position-budget basis	$ 4,809	$ 4,809	20,253	$ 15,444
GAAP Basis Adjustments				
Depreciation			(29,574)	
Change in net position - GAAP basis			(9,321)	
Net position, beginning of year			359,332	
Net position, end of year			$ 350,011	

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.

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

Financial Planning 02/01
Form # 350-050-36

LOCAL HIGHWAY FINANCE REPORT		City or County: Town of Pagosa Springs, CO
		YEAR ENDING : December 2023
	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)	3,375,433
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)	3,375,433
B. Private Contributions	
C. Receipts from State government (from page 2)	406,669
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	3,782,102

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	1,813,600
2. Maintenance:	1,530,199
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	
c. Other	254,890
d. Total (a. through c.)	254,890
4. General administration & miscellaneous	
5. Highway law enforcement and safety	
6. Total (1 through 5)	3,598,690
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	78,413
b. Redemption	105,000
c. Total (a. + b.)	183,413
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	183,413
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	3,782,103

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	2,055,000		105,000	1,950,000
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	3,782,102	3,782,103	0	(0)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado YEAR ENDING (mm/yy): December 2023

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	3,375,433	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.)	3,375,433	h. Other - Road and Bridge	-
c. Total (a. + b.)	3,375,433	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	78,896	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	327,773	f. Other Federal	
f. Total (a. through e.)	327,773	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	406,669	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		0	0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		1,813,600	1,813,600
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,813,600	1,813,600
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,813,600	1,813,600
			(Carry forward to page 1)

Notes and Comments:

STATISTICAL SECTION

This part of the Town of Pagosa Springs's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the town's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the town's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the town's most significant local revenue source, the sales and use tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the town's current levels of outstanding debt and the town's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the town's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the town's financial report relates to the services the town provides and the activities it performs.

Town of Pagosa Springs, Colorado

Net Position by Component

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	$ 13,972,378	$ 19,779,210	$ 18,349,859	$ 21,603,971	$ 23,620,111	$ 20,968,024	$ 25,337,269	$ 26,837,047	$ 28,667,092	$ 30,492,352
Restricted	485,174	1,091,775	1,286,351	1,215,904	1,403,385	4,595,642	3,028,456	4,664,852	2,255,676	2,519,556
Unrestricted	2,677,321	3,528,692	5,773,271	4,332,153	3,146,800	3,715,066	3,788,247	4,601,600	9,254,646	9,107,984
Total governmental activities net position	17,134,873	24,399,677	25,409,481	27,152,028	28,170,296	29,278,732	32,153,972	36,103,499	40,177,414	42,119,892
Business-type activities										
Net investment in capital assets	2,687,713	5,708,327	5,900,639	6,571,228	6,437,689	6,419,700	6,585,478	6,842,512	7,659,718	7,766,165
Restricted	2,067,193	461,863	10,000	-	-	-	-	-	-	-
Unrestricted	741,146	983,890	1,634,597	1,388,081	1,457,082	1,244,287	953,993	1,106,730	1,049,673	956,744
Total business-type activities net position	5,496,052	7,154,080	7,545,236	7,959,309	7,894,771	7,663,987	7,539,471	7,949,242	8,709,391	8,722,909
Primary government										
Net investment in capital assets	16,660,091	25,487,537	24,250,498	28,175,199	30,057,800	27,387,724	31,922,747	33,679,559	36,326,810	38,258,517
Restricted	2,552,367	1,553,638	1,296,351	1,215,904	1,403,385	4,595,642	3,028,456	4,664,852	2,255,676	2,519,556
Unrestricted	3,418,467	4,512,582	7,407,868	5,720,234	4,603,882	4,959,353	4,742,240	5,708,330	10,304,319	10,064,728
Total primary government net position	$ 22,630,925	$ 31,553,757	$ 32,954,717	$ 35,111,337	$ 36,065,067	$ 36,942,719	$ 39,693,443	$ 44,052,741	$ 48,886,805	$ 50,842,801

Town of Pagosa Springs, Colorado
Changes in Net Postion
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government	$ 2,395,604	$ 1,330,946	$ 1,818,282	$ 1,740,109	$ 1,731,054	$ 1,936,560	$ 2,355,856	$ 1,964,997	$ 2,226,494	$ 2,730,581
Public safety	895,467	763,201	917,369	929,921	933,600	1,043,704	1,103,433	1,189,473	1,300,308	1,552,864
Public works/streets	1,109,002	941,312	1,452,957	1,386,337	1,584,040	2,071,587	2,119,682	2,333,284	2,258,008	2,638,075
Parks and recreation	-	898,770	766,157	1,287,596	1,342,779	1,444,792	1,210,302	1,350,904	1,704,324	1,682,231
Community support	-	898,517	1,138,292	866,832	1,079,633	1,172,308	1,921,869	1,144,602	1,230,932	1,685,329
Interest on long-term debt	49,833	59,313	43,070	92,526	101,864	143,595	105,067	154,714	153,321	139,988
Total governmental activities	4,449,906	4,892,059	6,136,127	6,303,321	6,772,970	7,812,546	8,816,209	8,137,974	8,873,387	10,429,068
Business-type activities:										
Sanitation	407,054	359,708	659,724	776,641	886,625	1,055,343	1,029,073	912,306	1,258,889	1,435,124
Geothermal	74,295	65,353	66,711	54,308	66,990	56,258	115,330	64,916	88,162	70,806
Total business-type activities	481,349	425,061	726,435	830,949	953,615	1,111,601	1,144,403	977,222	1,347,051	1,505,930
Total expenses	$ 4,931,255	$ 5,317,120	$ 6,862,562	$ 7,134,270	$ 7,726,585	$ 8,924,147	$ 9,960,612	$ 9,115,196	$ 10,220,438	$ 11,934,998
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 158,722	$ 238,234	$ 190,681	$ 201,588	$ 235,348	$ 264,700	$ 350,573	$ 498,400	$ 302,027	$ 262,181
Public safety	37,881	67,500	117,339	114,605	116,260	121,497	82,726	213,244	145,665	157,115
Public works/streets	-	128,654	89,573	145,847	125,795	149,056	75,709	79,965	165,851	160,536
Parks and recreation	-	154,089	155,044	165,687	241,781	231,516	112,233	119,975	205,408	247,792
Community support	-	14,164	9,356	12,841	12,901	12,833	53,000	61,200	25,556	29,621
Operating grants and contributions	192,079	400,843	427,428	300,126	273,524	304,728	1,261,011	212,739	238,441	153,610
Capital grants and contributions	323,726	4,033,957	464,427	1,102,564	460,699	590,224	1,470,744	1,090,987	244,816	399,653
Total governmental activities	712,408	5,037,441	1,453,848	2,043,258	1,466,308	1,674,554	3,405,996	2,276,510	1,327,764	1,410,508
Business-type activities										
Charges for services:										
Sanitation	660,909	663,495	673,154	686,183	704,503	746,651	801,704	885,312	953,264	1,040,880
Geothermal	36,087	48,027	44,766	43,193	47,361	42,097	41,967	43,427	49,347	61,485
Capital grants and contributions	591,471	958,157	213,767	475,204	93,500	41,650	94,325	213,215	1,018,765	300,325
Total business-type activities	1,288,467	1,669,679	931,687	1,204,580	845,364	830,398	937,996	1,141,954	2,021,376	1,402,690
Total program revenues	$ 2,000,875	$ 6,707,120	$ 2,385,535	$ 3,247,838	$ 2,311,672	$ 2,504,952	$ 4,343,992	$ 3,418,464	$ 3,349,140	$ 2,813,198

(continued)

Town of Pagosa Springs, Colorado
Changes in Net Postion (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net (expense)/revenue										
Governmental activities	$ (3,737,498)	$ 145,382	$ (4,682,279)	$ (4,260,063)	$ (5,306,662)	$ (6,137,992)	$ (5,410,213)	$ (5,861,464)	$ (7,545,623)	$ (9,018,560)
Business-type activities	807,118	1,244,618	205,252	373,631	(108,251)	(281,203)	(206,407)	164,732	674,325	(103,240)
Total primary government net expense	$ (2,930,380)	$ 1,390,000	$ (4,477,027)	$ (3,886,432)	$ (5,414,913)	$ (6,419,195)	$ (5,616,620)	$ (5,696,732)	$ (6,871,298)	$ (9,121,800)
General Revenues										
Governmental activities:										
Taxes:	$ 4,383,005									
Property tax	*	$ 76,221	$ 80,057	$ 83,757	$ 86,107	$ 86,484	$ 99,544	$ 96,490	$ 109,096	$ 109,618
Sales tax	*	4,228,046	4,623,015	4,953,511	5,103,807	5,966,149	7,256,486	8,684,370	9,001,178	8,889,943
Other taxes	*	122,148	116,880	118,358	130,064	135,094	111,381	121,395	126,964	143,385
Franchise tax	*	31,623	47,355	28,197	51,225	20,014	27,608	27,900	23,811	25,872
Lodgers tax	*	659,234	730,533	765,121	862,319	965,800	787,339	1,015,412	1,466,746	1,302,512
Unrestricted investment earnings	560	13,830	40,044	55,520	32,806	43,238	29,845	53,279	141,256	434,443
Gain on sale of assets	-	-	18,859	-	-	-	-	-	-	-
Other revenues	-	29,490	35,340	56,474	58,602	32,649	-	-	47,907	55,265
Transfers	-	-	-	-	-	(3,000)	(26,750)	(187,855)	(12,125)	-
Total governmental activities	4,383,565	5,160,592	5,692,083	6,060,938	6,324,930	7,246,428	8,285,453	9,810,991	10,904,833	10,961,038
Business-type activities:										
Taxes										
Property tax	93,115	95,881	62,359	37,823	41,598	45,772	53,275	56,335	59,480	60,362
Unrestricted investment earnings	2,346	3,004	2,594	2,619	2,115	1,647	1,866	1,149	14,219	56,396
Transfers	-	-	-	-	-	3,000	26,750	187,855	12,125	-
Total business-type activities	95,461	98,885	64,953	40,442	43,713	50,419	81,891	245,339	85,824	116,758
Total primary government	$ 4,479,026	$ 5,259,477	$ 5,757,036	$ 6,101,380	$ 6,368,643	$ 7,296,847	$ 8,367,344	$ 10,056,330	$ 10,990,657	$ 11,077,796
Change in Net Position										
Governmental activities	$ 646,067	$ 5,305,974	$ 1,009,804	$ 1,800,875	$ 1,018,268	$ 1,108,436	$ 2,875,240	$ 3,949,527	$ 3,359,210	$ 1,942,478
Business-type activities	902,579	1,343,503	270,205	414,073	(64,538)	(230,784)	(124,516)	410,071	760,149	13,518
Total primary government	$ 1,548,646	$ 6,649,477	$ 1,280,009	$ 2,214,948	$ 953,730	$ 877,652	$ 2,750,724	$ 4,359,598	$ 4,119,359	$ 1,955,996

* Break out of taxes is not available.

Town of Pagosa Springs, Colorado
Fund Balances of Governmental Funds
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General fund										
Nonspendable	$ -	$ -	$ -	$ 11,408	$ 9,457	$ 4,573	$ -	$ 131,534	$ -	$ 1,525
Restricted	190,313	707,653	862,593	801,765	842,868	844,284	310,632	348,891	711,392	1,333,277
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	107,365	107,365	107,365	107,365	107,365	1,374,808	299,516	107,365	107,365
Unassigned	1,427,186	1,776,805	1,814,176	2,005,495	1,591,031	2,009,272	1,938,390	4,258,262	5,363,024	5,312,222
Total general fund	$ 1,617,499	$ 2,591,823	$ 2,784,134	$ 2,926,033	$ 2,550,721	$ 2,965,494	$ 3,623,830	$ 5,038,203	$ 6,181,781	$ 6,754,389
All other governmental funds										
Nonspendable:										
Prepaids	$ -	$ -	$ -	$ 2,292	$ -	$ 14,301	$ -	$ -	$ -	$ -
Restricted:										
Emergency reserve	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	3,015,962	1,718,931	2,549,568	-	-
Parks and recreation	64,770	88,684	64,174	43,375	32,642	68,345	48,524	59,741	60,419	62,132
Tourism	230,091	295,438	359,584	370,764	527,875	667,069	922,685	1,598,910	1,483,865	1,124,147
Other purposes	-	-	-	-	-	-	-	-	-	-
Committed for:	-	-	-	-	-	-	-	-	-	-
Assigned for:										
Health funds	-	-	-	-	-	-	-	-	-	-
Capital outlay	1,250,135	1,697,047	3,905,518	2,267,051	1,434,926	1,583,630	-	-	3,733,055	3,625,458
	$ 1,544,996	$ 2,081,169	$ 4,329,276	$ 2,683,482	$ 1,995,443	$ 5,349,307	$ 2,690,140	$ 4,208,219	$ 5,277,339	$ 4,811,737

Town of Pagosa Springs, Colorado

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years (Unaudited)

(modified accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes	$ 4,383,005	$ 5,117,272	$ 5,461,712	$ 5,796,913	$ 6,032,968	$ 6,906,843	$ 8,282,358	$ 9,945,567	$ 10,200,193	$ 9,980,003
Licenses and permits	93,688	131,766	112,513	147,880	145,962	227,833	178,316	262,650	265,147	257,981
Intergovernmental	515,805	415,345	815,237	825,552	822,066	1,026,405	2,784,867	1,340,472	871,884	956,905
Fines and forfeitures	37,881	42,766	95,717	81,190	84,064	90,630	82,726	88,201	119,615	123,888
Charges for services	91,065	326,291	241,028	302,666	370,212	333,139	213,755	346,524	311,833	285,386
Interest revenue	560	13,830	106,351	55,520	32,806	43,238	29,845	53,279	141,256	434,443
Contributions and donations	-	274,131	86,985	88,231	49,122	44,941	-	-	156,108	67,604
Other revenues	67,657	60,608	127,261	171,142	195,210	222,670	138,244	214,209	211,207	265,336
Total Revenues	5,189,661	6,382,009	7,046,804	7,469,094	7,732,410	8,895,699	11,710,111	12,250,902	12,277,243	12,371,546
Expenditures										
Current:										
General government	975,638	1,274,796	1,618,497	1,684,210	1,646,731	1,768,481	2,259,939	1,871,284	2,726,837	3,080,812
Public safety	895,467	748,572	882,648	880,193	947,965	1,004,179	1,060,486	1,152,921	1,319,525	1,512,563
Public works/streets	1,109,002	1,028,395	703,341	767,232	785,698	1,254,015	1,257,358	1,646,581	1,326,065	1,381,928
Parks and recreation	688,136	813,689	810,214	875,288	891,465	1,071,948	870,577	1,037,317	1,258,048	1,416,936
Community support	590,601	890,296	1,101,602	860,609	1,060,552	1,163,180	1,914,125	1,136,858	1,222,366	1,677,045
Capital outlay	1,657,103	959,725	1,698,573	3,696,668	3,270,667	1,500,465	5,722,004	1,757,080	1,583,189	2,762,508
Debt service										
Principal retirement	377,977	443,565	726,136	147,437	446,871	393,919	482,128	366,844	457,000	287,000
Interest on long-term debt	49,833	42,547	41,961	91,293	104,640	137,154	117,557	161,710	159,411	145,748
Issuance costs	-	-	108,600	-	-	56,478	-	-	-	-
Total expenditures	6,343,757	6,201,585	7,691,572	9,002,930	9,154,589	8,349,819	13,684,174	9,130,595	10,052,441	12,264,540
Revenues over (under) expenditures	(1,154,096)	180,424	(644,768)	(1,533,836)	(1,422,179)	545,880	(1,974,063)	3,120,307	2,224,802	107,006
Other financing sources (uses)										
Transfers in	200,000	-	-	388,455	675,909	24,000	223,400	127,431	830,318	580,000
Transfers out	(200,000)	-	-	(388,455)	(675,909)	(27,000)	(250,150)	(315,286)	(842,443)	(580,000)
Impact fees	-	82,224	80,268	88,269	58,828	28,283	-	-	21	-
Leases issued	210,000	-	165,848	-	300,000	152,456	-	-	-	-
Lease revenue bonds issued	-	-	2,660,000	-	-	3,045,000	-	-	-	-
Bond premium	-	-	98,934	-	-	-	-	-	-	-
Sale of assets	-	-	80,136	-	-	-	-	-	-	-
Total other finance scources (uses)	210,000	82,224	3,085,186	88,269	358,828	3,222,739	(26,750)	(187,855)	(12,104)	-
Net change in fund balances	$ (944,096)	$ 262,648	$ 2,440,418	$ (1,445,567)	$ (1,063,351)	$ 3,768,619	$ (2,000,813)	$ 2,932,452	$ 2,212,698	$ 107,006
Debt service as a percentage of noncapital expenditures	9.13%	10.61%	12.93%	4.29%	8.72%	7.52%	7.53%	7.39%	7.76%	4.73%

Town of Pagosa Springs, Colorado

General Governmental Tax Revenues by Source

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Property & SOT	Town Portion of County Sales Tax*	Franchise & Business Fees	Lodgers Tax	Other Taxes	Total
2014	$ 89,880	$ 3,539,862	$ 126,542	$ 514,267	$ 94,627	$ 4,365,178
2015	$ 90,615	$ 4,159,414	$ 163,389	$ 533,595	$ 104,442	$ 5,051,455
2016	$ 95,331	$ 4,535,898	$ 159,869	$ 594,406	$ 95,016	$ 5,480,520
2017	$ 100,481	$ 4,953,512	$ 176,077	$ 613,089	$ 97,157	$ 5,940,316
2018	$ 103,446	$ 5,103,806	$ 197,187	$ 624,892	$ 111,554	$ 6,140,885
2019	$ 103,222	$ 5,966,148	$ 257,443	$ 699,103	$ 116,202	$ 7,142,118
2020	$ 117,432	$ 7,256,486	$ 197,807	$ 781,749	$ 91,807	$ 8,445,281
2021	$ 116,018	$ 8,684,370	$ 280,565	$ 1,007,711	$ 122,948	$ 10,211,612
2022	$ 126,996	$ 9,001,178	$ 301,400	$ 939,144	$ 99,108	$ 10,467,826
2023	$ 128,737	$ 8,941,769	$ 276,359	$ 822,298	$ 103,361	$ 10,272,524

Notes:

* Town & County split the 4% county sales tax revenues

Town of Pagosa Springs, Colorado

Lodgers Tax Revenue by Category

Last Nine Fiscal Years (Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Hotel/Motel & Cabin/Campground	*	$ 448,133	$ 484,980	$ 491,215	$ 525,712	$ 563,018	$ 576,517	$ 655,777	$ 614,927	$ 556,698
Vacation Rental & Property Management	*	$ 88,643	$ 108,314	$ 120,431	$ 130,513	$ 122,718	$ 217,165	$ 349,575	$ 319,837	$ 250,362
Total Tax	$ -	$ 536,776	$ 593,294	$ 611,646	$ 656,225	$ 685,736	$ 793,682	$ 1,005,352	$ 934,764	$ 807,060

Note:

A collection agreement was signed with AirBnb in 2017 and VRBO in 2020 removing a large portion of Property Management payments

* Information not available

Town of Pagosa Springs, Colorado

Lodgers Tax Rates

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Tax Rate
2014	4.9%
2015	4.9%
2016	4.9%
2017	4.9%
2018	4.9%
2019	4.9%
2020	4.9%
2021	4.9%
2022	4.9%
2023	4.9%

Town of Pagosa Springs, Colorado

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (Unaudited)

	Governmental Activities			Business-Type Activities					
Fiscal Year	Certificates of Participation (1)	General Obligation Debt	Leases	Leases	Notes Payable	Total Outstanding Debt	Percentage of Personal Income (2)	Population (3)	Per Capita
2014	$ -	$ -	$ 1,322,177	$ -	$ 4,818,084	$ 6,140,261	1.78%	1,835	$ 3,346
2015	-	-	878,612	-	4,877,010	5,755,622	1.64%	1,729	3,329
2016	2,758,934	-	318,324	-	4,708,185	7,785,443	2.20%	1,966	3,960
2017	2,654,223	-	275,598	-	4,500,799	7,430,620	2.01%	1,927	3,856
2018	2,549,512	-	231,435	-	4,289,988	7,070,935	1.77%	2,064	3,426
2019	5,269,801	-	309,972	272,572	4,075,687	9,928,032	2.37%	2,057	4,826
2020	4,998,090	-	94,844	208,173	3,857,830	9,158,937	2.04%	1,571	5,830
2021	4,721,379	-	-	-	3,636,352	8,357,731	1.83%	1,548	5,399
2022	4,259,668	-	-	-	3,411,185	7,670,853	1.45%	1,643	4,669
2023	3,967,957	-	-	-	3,182,259	7,150,216	1.35% (4)	1,643 (4)	4,352

Note: Details regarding the town's outstanding debt can be found in the notes to the financial statements

(1) Presented net of original issuance discounts and premiums
(2) Personal income is disclosed on Demographic and Economic Statistics table
(3) U.S. Census Bureau
(4) Population and personal income for 2023 was not available, used the previous year's reported income and population

Town of Pagosa Springs, Colorado

Direct and Overlapping Governmental Activities Debt

As of December 31, 2023

(Unaudited)

Governmental Unit:	Net Debt Outstanding		Estimated Percentatge Applicable (2)	Amount Applicable to Pagosa Springs
Archuleta School District 50 JT	$ 470,440	(1)	12.16%	$ 57,206
Archuleta County	14,792,223		12.16%	1,798,734
Subtotal, overlapping debt				1,855,940
Town direct debt				3,967,957
Total direct and overlapping debt				$ 5,823,897

(1) Debt balance as of their June 30, 2023 audited financial statements.

(2) Allocated based on population as of 2022 per U.S. Census Bureau

Sources: Outstanding debt from the financial statements of the School District and the County.

Note: Overlapping governments are those below the state level that coincide, at least in part, with geographic boundaries of the town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the Town of Pagosa Springs. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Town of Pagosa Springs, Colorado

Legal Debt Margin Information

Last Ten Fiscal Years (Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Legal Debt Margin	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt Applicable to Limitation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Debt applicable to the limit as a percentage of the limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Note: The Town does not have a legal debt limit

Town of Pagosa Springs, Colorado

Demographic and Economic Statistics

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Town Population[1]	County Population[1]	Personal Income[2]	Per Capita Personal Income[2]	Unemployment Rate[3]	Median Age[4]	K-12 Enrollment[5]
2013	1,822	12,109	360,763,437	29,793	8.6%	36.9	1,908
2014	1,835	12,132	345,834,792	28,506	6.0%	36.1	1,657
2015	1,729	12,174	351,633,816	28,884	3.9%	33.5	1,665
2016	1,966	12,355	353,958,395	28,649	3.1%	37.4	1,523
2017	1,927	12,592	369,499,648	29,344	2.8%	41.5	1,551
2018	2,064	12,908	400,599,780	31,035	3.2%	39.6	1,606
2019	2,057	13,253	419,179,137	31,629	3.0%	34.3	1,687
2020	1,571	13,588	448,336,060	32,995	7.0%	36.4	1,660
2021	1,548	13,267	456,305,198	34,394	5.3%	34.1	1,667
2022	1,643	13,509	528,944,895	39,155	3.2%	34.2	1,624

[1] U.S. Census Bureau

[2] U.S. Census Bureau - American Community Survey Selected Economic Characteristic for Archuleta County

[3] U.S. Bureau of Labor Statistics - Database for local area unemployment for Archuleta County

[4] U.S. Census Bureau - American Community Survey - Age and Sex for Pagosa Springs town

[5] U.S. Census Bureau - American Community Survey - School Enrollment for Archuleta County

Town of Pagosa Springs, Colorado

Principal Employers

Current Year and Nine Years Ago (Unaudited)

		2023[1]			2014[1]		
Employer	**Type of Business**	**Number of Employees**	**Percentage of Total County Employment**	**Rank**	**Number of Employees**	**Percentage of Total County Employment**	**Rank**
Pagosa Springs Medical Center	Health	300	4.16%	1	148	2.49%	3
Wolf Creek Ski Area	Recreation	250	3.47%	2	N/A	-	
Walmart	Retailer	210	2.91%	3	N/A	-	
Archuleta School District 50 JT	Government-Education	210	2.91%	4	216	3.63%	1
City Market	Retailer	178	2.47%	5	115	1.93%	4
Archuleta County	Government	175	2.43%	6	155	2.61%	2
Visiting Angels of the Southwest	Health	134	1.86%	7	75	1.26%	7
Pine Ridge Extended Care Center LLC	Health	71	0.98%	8	62	1.04%	8
Wyndam Pagosa	Recreation	70	0.97%	9	82	1.38%	6
Springs Resort LTD	Recreation	50	0.69%	10	82	1.38%	5
Parelli Natural Horsemanship	Retailer	N/A	-		59	0.99%	9
Mastercare Inc	Service	N/A	-		50	0.84%	10
Total		**1,648**	**22.86%**		**1,044**	**17.55%**	
Total Employment for Archuleta County		**7,209**	**100%**		**5,950**	**100%**	

[1] Region 9 Economic Development District of SW Colorado

Notes:

* Employer data is not available at the municipal level, so data presented is for Archuleta County

Town of Pagosa Springs, Colorado

Full-time Regular Town Government Employees by Function/Program

Last Ten Fiscal Years (Unaudited

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function/Program										
Administration	4.08	4	3.91	3.33	4.08	4	3.58	3.92	4.83	5.92
Community Development	3.83	3.67	5.75	5.5	5.42	5	5.83	5.08	5	5.75
Municipal Courts	2	2.08	3	3	2.17	2	2	2	2.17	2.5
Parks and Recreation	7	6.42	7	7	6.91	7.75	8	7.92	8.33	9.5
Public Safety	6.92	6.82	8	7.83	8.83	8.92	9.66	8.83	8.5	9.34
Public Works	7	7	7.67	7.83	6.58	7.92	8	8.24	8.66	8.76
Sewer Utlity	1	1	1	1	1	1.25	1.75	1.5	2.16	2.42
Tourism/Visitor Center	0.5	2	2	2	2.75	3	3	2.67	3.42	3.83
Total	**32.33**	**32.99**	**38.33**	**37.49**	**37.74**	**39.84**	**41.82**	**40.16**	**43.07**	**48.02**

Source:

Town Administrative Services Division

Notes:

* Represents full time, benefited positions for each year presented
* In 2015 the Town Tourism Department took over the operation of the Visitor Center
* In 2022 Building and Planning staff were merged into the Community Development Department

Town of Pagosa Springs, Colorado
Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Building permits issued	38	59	63	77	83	106	79	87	101	79
Commercial	20	21	27	41	47	63	39	34	48	40
Residential	18	38	36	36	36	43	40	53	53	39
Value of Buildings	3,195,700	9,742,766	16,818,435	8,835,971	10,347,876	13,301,173	27,419,154	16,333,056	13,822,049	55,459,761
Commercial	No Data	No Data	No Data	1,852,278	6,736,543	6,651,138	20,660,893	8,025,952	5,166,189	48,605,364
Residential	No Data	No Data	No Data	6,983,693	3,611,333	6,650,035	6,758,261	8,307,104	8,655,860	6,854,397
Building construction inspections	No Data	No Data	No Data	277	454	210	214	297	338	261
Public Safety										
Total number of police incidents	4,006	4,289	4,814	4,949	5,067	5,333	7,224	7,090	8,354	8,688
Incident reports not including traffic acc	722	592	600	730	580	641	673	673	867	850
Public Works										
Street miles swept	938	938	938	938	938	938	938	938	938	938
Signs replaced/installed	14	1	5	0	10	58	628	2	0	0
Parks and Recreation										
Program participation revenues	$ 36,000	$ 38,000	$ 46,000	$ 48,000	$ 46,000	$ 48,000	$ 13,000	$ 38,000	$ 35,000	$ 35,000
Park rental permits issued	26	37	36	36	48	51	10	36	50	50
Visitor Center										
Lodgers Tax Collected	$ 509,458	$ 536,772	$ 593,287	$ 611,642	$ 656,625	$ 693,828	$ 796,344	$ 1,005,452	$ 937,209	$ 799,503
Number of Visitor Center visitors	N/A	80,980	85,971	81,811	84,958	85,394	36,000	41,800	35,400	34,500
Social Media Followers	N/A	N/A	17,712	21,158	29,535	35,171	43,701	54,515	56,406	59,456
Sewer Utility										
Gallons of wastewater treated (MG)*	76,394	98,787	30,424	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average daily use (MG)	N/A	N/A	515,715	624,715	545,246	705,921	495,663	547,687	597,401	829,666

Sewer Utility Source:
Town Sanitation District Monthly Reports

Notes:
* 7.4-mile pipeline completed in May 2016 - treatment plant decommissioned

Town of Pagosa Springs, Colorado

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years (Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Safety										
Number of police vehicles	7	8	8	9	10	10	10	10	10	12
Public Works										
Miles of streets	22.28	22.53	22.53	22.53	22.85	22.52	22.7	22.7	22.7	22.7
Parks and Recreation										
Parkland-developed acres	1.1	1.1	2.6	3.6	4.3	5.15	5.1	5.1	5.1	7.1
Parkland-undeveloped acres	39.45	39.45	37.95	36.45	35.25	34.2	34.2	34.15	34.15	32.15
Open space-acres	110	110	110	110	110	110	110	110	110	110
Number of parks	7	7	7	7	7	7	7	8	8	8
Number of playgrounds	3	3	4	5	7	7	7	7	7	7
Sewer Utility										
Miles of sewer lines	35.98	35.98	43.38	43.38	43.38	43.38	43.38	43.38	43.38	43.38

OTHER COMMUNCATIONS FROM INDEPENDENT AUDITORS

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, 2023, 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 July 30, 2024.

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.

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
July 30, 2024