



TOWN OF PAGOSA SPRINGS, COLORADO

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

**WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS**

Prepared by:

Department of Finance and Administration

TOWN OF PAGOSA SPRINGS, COLORADO

AUDITED FINANCIAL STATEMENTS

For The Fiscal Year Ended December 31, 2025

With Report Of Certified Public Accountants

TOWN OF PAGOSA SPRINGS, COLORADO

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July 7, 2026

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, 2025. 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 the financial position and results of operations of the various funds and account groups of the Town fairly. 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 Squire & Company, PC, 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, 2025, 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, 2025. 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 Town of 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

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 as well in areas surrounding the Town.

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 **1,882** and is the only incorporated municipality in Archuleta County, population 14,478. 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 continued work in 2025 on key community priorities including housing, recreation, and downtown improvements. The Town supported affordable and attainable housing efforts through partnership with the Community Development Corporation's Chris Mountain II project, pursued trail connectivity improvements, and continued downtown placemaking investments. The Springs Resort continued expanding its visitor amenities, reflecting the ongoing importance of the visitor economy to Pagosa Springs.

In 2025, the Town advanced one of Town Council's highest priorities by accelerating upgrades to the Pagosa Springs Sanitation General Improvement District (PSSGID) collection system and related infrastructure. The Town issued \$4.5 million in revenue bonds to begin reconstruction of major sewer line crossings and initiated design on the highest-priority system needs. Key early projects included the award of the McCabe Creek crossing bid and continued replacement of aging and failing lines in the downtown area, including work coordinated with the US 160 construction corridor and replacement of sewer laterals at no expense to participating property owners. In November 2025, voters authorized a new 1 percent Town sales tax dedicated to sanitary sewer system repairs, passing with 76 percent approval.

Sales tax continues to be a significant revenue stream for the Town. Overall collections have remained strong in recent years as Pagosa Springs continues to attract visitors and serve as a regional hub for goods, services, and recreation. In 2025, the community also approved a dedicated 1 percent Town sales tax to support long-term sanitary sewer system repairs, providing a stable local funding source for essential infrastructure investment.

In October 2025, the Town responded to a significant flood event and continues to pursue recovery efforts including debris cleanup, embankment stabilization, and channel shaping along the San Juan River. The Town secured approximately \$3.3 million through the Natural Resources Conservation Service Emergency Watershed Protection program to support flood recovery work and continues to explore additional funding alternatives.

The Town also supported local and regional emergency operations during the 2025 wildfire season and updated the municipal code to streamline the process for declaring and removing fire restrictions following consultation with public safety leadership.

Major community and transportation coordination efforts continued in 2025 with the Town overseeing the local portion of the US 160 reconstruction project, including utility upgrades, sidewalks, lighting, and support for downtown access through temporary parking solutions.

Across the organization, the Town strengthened capacity by achieving full staffing in the Development Department and Police Department, while maintaining strong financial stewardship including a clean audit for fiscal year 2024 and continued recognition for financial reporting excellence.

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

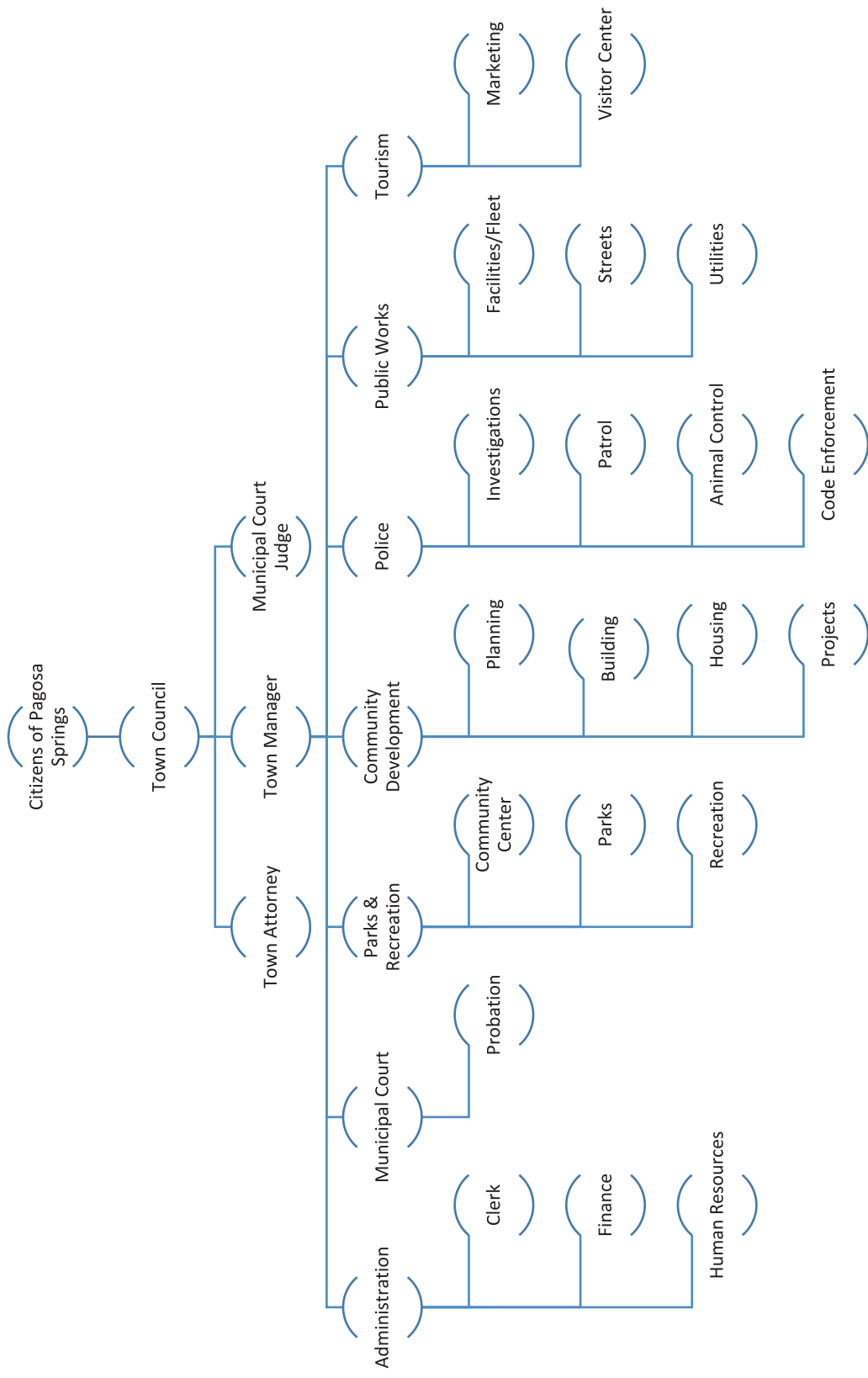
Independent Audit: The Town receives an annual audit of the books, accounts, financial records, and transactions of all administrative departments of the Town by independent certified public accountants selected by the Town Council. This requirement has been complied with and the independent auditors'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

Acknowledgements: The preparation of this report in a timely manner could not have been accomplished without the efficient and dedicated services of the entire staff of the Administration Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We also appreciate the continued support of the Town Council, Town staff, and the citizens of Pagosa Springs as we work to conduct the Town's financial operations in a responsible, progressive, and transparent manner. In 2025, the Town maintained a clean audit for fiscal year 2024 and continued to build on recent recognition for excellence in financial reporting, including the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for FY 2024.

Best regards,

A handwritten signature in black ink, appearing to read "D. Harris", with a stylized flourish at the end.

David J. Harris
Town Manager



Town of Pagosa Springs, Colorado
List of Elected and Appointed Officials
As of December 31, 2025

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Pagosa Springs
Colorado**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrell

Executive Director/CEO

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, 2025 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, 2025 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 June 19, 2026 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.

Squire & Company, PC

St. George, Utah
June 19, 2026

TOWN OF PAGOSA SPRINGS, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2025

As management of the Town of Pagosa Springs, Colorado (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, 2025. 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 \$56.5 million at the close of the fiscal year.
- Total governmental and business-type net position increased by a combined total of \$2.1 million.
- The total cost of all Town programs for 2025 was \$14,212,103.
- The General fund unassigned fund balance at the end of 2025 was \$5,005,213 which is 77% 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/business type, 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/Business Type 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 \$56.5 million as of December 31, 2025, as shown in the following condensed statement of net position. Of this amount, \$10,556,434 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 \$42,187,348 (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, 2025 and 2024:

TOWN OF PAGOSA SPRINGS, COLORADO Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2025	12/31/2024	12/31/2025	12/31/2024	12/31/2025	12/31/2024
Current and other assets	\$ 15,282,402	\$ 13,724,609	\$ 4,590,344	\$ 1,397,609	\$ 19,872,746	\$ 15,122,218
Capital assets	38,249,564	37,032,872	11,210,022	10,899,583	49,459,586	47,932,455
Total assets	<u>53,531,966</u>	<u>50,757,481</u>	<u>15,800,366</u>	<u>12,297,192</u>	<u>69,332,332</u>	<u>63,054,673</u>
Deferred outflows of resources	314,462	293,195	-	-	314,462	293,195
Long-term liabilities outstanding	3,609,494	3,884,738	7,411,876	2,957,061	11,021,370	6,841,799
Other liabilities	793,356	622,856	237,134	365,734	1,030,490	988,590
Total liabilities	<u>4,402,850</u>	<u>4,507,594</u>	<u>7,649,010</u>	<u>3,322,795</u>	<u>12,051,860</u>	<u>7,830,389</u>
Deferred inflows of resources	1,057,353	1,221,005	81,703	58,148	1,139,056	1,279,153
Net position:						
Net investment in capital assets	34,895,029	33,366,626	7,292,319	7,950,077	42,187,348	41,316,703
Restricted	3,239,892	3,060,123	472,204	332,934	3,712,096	3,393,057
Unrestricted	10,251,304	8,895,328	305,130	633,238	10,556,434	9,528,566
Total net position	<u>\$ 48,386,225</u>	<u>\$ 45,322,077</u>	<u>\$ 8,069,653</u>	<u>\$ 8,916,249</u>	<u>\$ 56,455,878</u>	<u>\$ 54,238,326</u>

An additional portion of net position, \$3,712,096, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$10,556,434 (18.78% 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 \$11,523,556 as shown in the Changes in Net Position statement below. \$1,011,285 of this cost was paid for by those who directly benefited from the programs. \$1,776,815 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 \$2,788,100. General taxes, investment earnings, gain on sale of assets and other revenues totaled \$11,766,065.

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

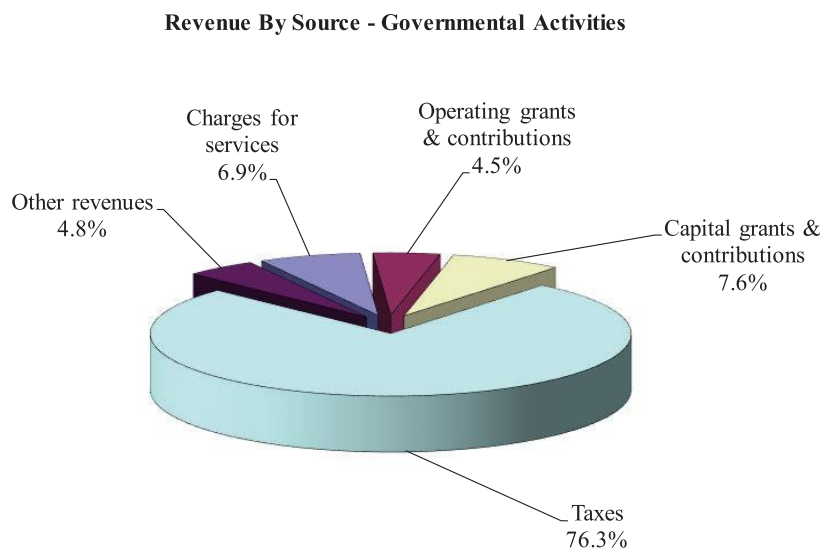
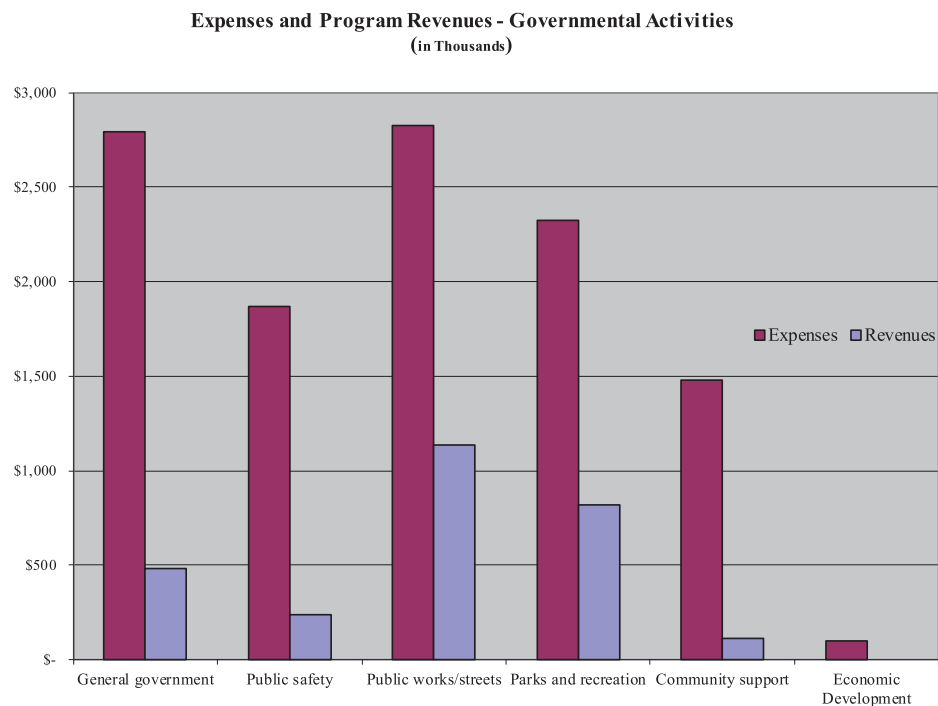
TOWN OF PAGOSA SPRINGS, COLORADO Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2025	As Restated 12/31/2024	12/31/2025	12/31/2024	12/31/2025	As Restated 12/31/2024
Revenues:						
Program revenues:						
Charges for services	\$ 1,011,285	\$ 1,102,036	\$ 1,495,105	\$ 1,407,184	\$ 2,506,390	\$ 2,509,220
Operating grants and contributions	663,183	344,487	-	-	663,183	344,487
Capital grants and contributions	1,113,632	171,306	123,371	112,759	1,237,003	284,065
General revenues:						
Taxes	11,253,507	10,947,032	76,019	74,716	11,329,526	11,021,748
Investment earnings	498,209	546,515	204,594	57,017	702,803	603,532
Other revenue/(expense)	14,349	64,426	-	-	14,349	64,426
Total revenues	14,743,446	13,175,802	1,899,089	1,651,676	16,642,535	14,827,478
Expenses:						
General government	2,795,876	2,021,063	-	-	2,795,876	2,021,063
Public safety	1,865,740	2,137,392	-	-	1,865,740	2,137,392
Public works/streets	2,828,435	3,358,417	-	-	2,828,435	3,358,417
Parks and recreation	2,327,283	1,893,635	-	-	2,327,283	1,893,635
Community support	1,475,780	1,503,463	-	-	1,475,780	1,503,463
Economic development	101,046	113,622	-	-	101,046	113,622
Interest on long-term debt	129,396	125,499	-	-	129,396	125,499
Sanitation	-	-	2,537,277	1,529,406	2,537,277	1,529,406
Geothermal	-	-	151,270	76,898	151,270	76,898
Total expenses	11,523,556	11,153,091	2,688,547	1,606,304	14,212,103	12,759,395
Increase (decrease) in net position before transfers	3,219,890	2,022,711	(789,458)	45,372	2,430,432	2,068,083
Transfers	57,138	(147,968)	(57,138)	147,968	-	-
Increase (decrease) in net position	3,277,028	1,874,743	(846,596)	193,340	2,430,432	2,068,083
Net position, beginning	45,109,197	43,447,334	8,916,249	8,722,909	54,025,446	52,170,243
Net position, ending	\$ 48,386,225	\$ 45,322,077	\$ 8,069,653	\$ 8,916,249	\$ 56,455,878	\$ 54,238,326

Total resources available during the year to finance governmental operations were \$59,852,643 consisting of net position at January 01, 2025 of \$45,109,197 Program Revenues of \$2,788,100, and General Revenues of \$11,766,065. Total Governmental Activities expenses during the year were \$11,523,556 and transfers in were \$57,138; thus Governmental Net Position increased by \$3,277,028 to \$48,386,225.

The increase in net position is mainly due to increases in tax revenue and grants and contributions funding during the year ended December 31, 2025. The largest of these increases in capital grants were collected from activities related to river improvements and land acquisition by the Town.

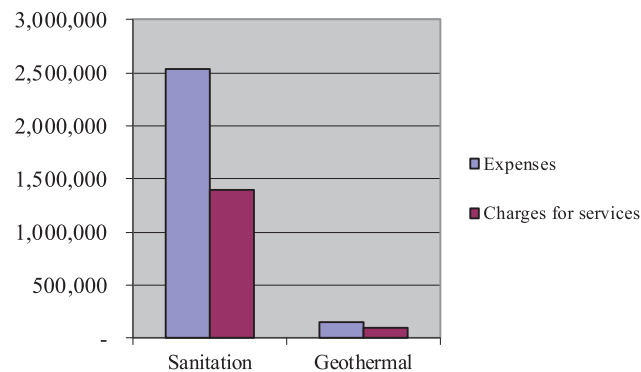
The following graphs compare program expenses to program revenues and provides a breakdown of revenues by source for all governmental activities:



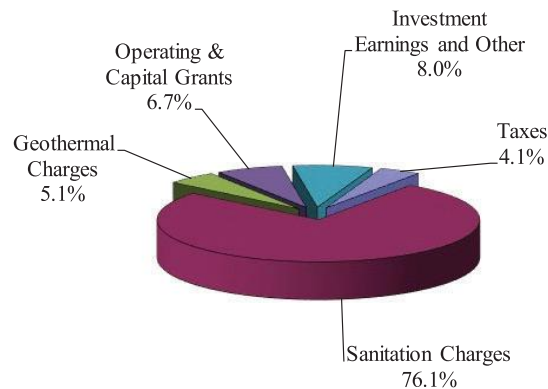
Business Type Activities

Net position of the Business Type activities at December 31, 2025, as reflected in the Statement of Net Position was \$8.1 million. The cost of providing all Proprietary (Business-type) activities this year was \$2,688,547. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1,495,105 and there was \$123,371 subsidized by capital grants and contributions. Investment earnings and tax revenues were \$280,613. The Net Position decreased by \$846,596. The largest portion of the decrease in Net Position was due to major repairs to the operating system in the sanitation fund. Charges for services of Business Type activities also increased during the year ended December 31, 2025 due to higher rates. 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 \$13,519,416, an increase of \$1,617,681 in comparison with the prior year. Approximately \$5,005,213 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, 2025, unassigned fund balance in the General fund was \$5,005,213. 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 77% of the total General fund expenditures. The fund balance of the Town's General fund increase by \$347,791 for the year ended December 31, 2025 due to decreased expenditures. As compared to the prior year, the General fund revenues increased, with the largest portion of these increases due to grant funding. General fund expenditures decreased from the prior year mainly due to limited transfers out of the General Fund.

The Capital Improvement fund completed several projects during the year. Several projects are still ongoing as well. The increase in fund balance can vary from year to year depending on the current ongoing projects. The actual change in fund balance was an increase of \$1,164,450 which was due to grant funding and transfers into the Capital Fund.

The Tourism fund is used to account for tax on lodging establishments and the related advertising, marketing, and community support expenditures. Overall, fund balance increased by \$95,231 which was due to increased lodging tax revenues and interest received on reserve balances.

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, 2025 for the Town's enterprise funds (Sanitation and Geothermal) are as follows:

	<u>Sanitation</u>	<u>Geothermal</u>	<u>Total</u>
Unrestricted net position	\$ 191,383	\$ 113,747	\$ 305,130
Total net position	7,558,327	511,326	8,069,653
Change in net position	\$ (837,170)	\$ (9,426)	\$ (846,596)

Budgetary Highlights

General fund revenues of \$6,772,123 were lower than budgeted revenues of \$7,045,498 by \$273,375. The most significant factor contributing to this reduced amount is related to grant revenue which was under budget by \$452,336. Budgeted expenditures were greater than actual expenditures by \$1,158,442. The reason for these changes are due staff vacancies in the police and development departments.

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 2025, net capital assets of the government activities totaled \$38.2 million and the net capital assets of the business-type activities were \$11.2 million. Significant governmental capital additions included the land purchase at US Highway 160 and US 84, various police vehicles, and street paving. Major business-type capital addition(s) included a F550 (crane truck) and mini excavator and sanitation line replacements. 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 \$3,609,494 in governmental-type debt, and \$7,411,876 in proprietary debt. During the current fiscal year, the Town's total debt increased by \$4,179,482. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The 2026 budget reflects the spending priorities of the Town Council and the Pagosa Springs community. Revenues are anticipated to increase in 2026, with most of the increase anticipated in the Capital Fund, compared to 2025 figures. The local economy is expected to show steady growth, and 2026 is anticipated to be similar to 2025.

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.

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BASIC FINANCIAL STATEMENTS

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 12,165,743	\$ 441,320	\$ 12,607,063
Receivables (net of allowance)	2,177,341	237,290	2,414,631
Internal balances	39,724	(39,724)	-
Lease Receivable	885,163	-	885,163
Prepays	14,431	-	14,431
Temporarily restricted assets:			
Cash and cash equivalents	-	3,951,458	3,951,458
Capital assets (net of accumulated depreciation):			
Land	5,305,082	16,376	5,321,458
Construction in progress	2,804,461	463,813	3,268,274
Buildings and improvements	8,235,302	118,240	8,353,542
Machinery and equipment	1,674,490	1,009,665	2,684,155
Infrastructure and systems	20,230,229	9,601,928	29,832,157
Total assets	<u>53,531,966</u>	<u>15,800,366</u>	<u>69,332,332</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	314,462	-	314,462
Total deferred outflows of resources	<u>314,462</u>	<u>-</u>	<u>314,462</u>
Liabilities			
Accounts payable and other current liabilities	644,148	157,096	801,244
Interest payable	14,703	80,038	94,741
Customer deposits	25,505	-	25,505
Unearned revenue	109,000	-	109,000
Noncurrent liabilities:			
Due within one year	577,670	288,989	866,659
Due in more than one year	3,031,824	7,122,887	10,154,711
Total liabilities	<u>4,402,850</u>	<u>7,649,010</u>	<u>12,051,860</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	73,020	-	73,020
Deferred revenue - property taxes	175,019	81,703	256,722
Deferred inflows related to leases	809,314	-	809,314
Total deferred inflows of resources	<u>1,057,353</u>	<u>81,703</u>	<u>1,139,056</u>
Net Position			
Net investment in capital assets	34,895,029	7,292,319	42,187,348
Restricted for:			
Emergency reserve	443,271	-	443,271
Parks and recreation	92,605	-	92,605
Tourism	2,283,462	-	2,283,462
Debt service	-	472,204	472,204
Other purposes	420,554	-	420,554
Unrestricted	10,251,304	305,130	10,556,434
Total net position	<u>\$ 48,386,225</u>	<u>\$ 8,069,653</u>	<u>\$ 56,455,878</u>

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, 2025

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 2,795,876	\$ 293,956	\$ 85,995	\$ 104,032	\$ (2,311,893)	\$ -
Public safety	1,865,740	223,907	12,000	-	(1,629,833)	-
Public works/streets	2,828,435	115,821	30,862	991,917	(1,689,835)	-
Parks and recreation	2,327,283	268,308	533,568	17,683	(1,507,724)	-
Community support	1,475,780	109,293	758	-	(1,365,729)	-
Economic Development	101,046	-	-	-	(101,046)	-
Interest on long-term debt	129,396	-	-	-	(129,396)	-
Total governmental activities	11,523,556	1,011,285	663,183	1,113,632	(8,735,456)	-
Business-type activities:						
Sanitation	2,537,277	1,402,077	-	83,012	-	(1,052,188)
Geothermal	151,270	93,028	-	40,359	-	(17,883)
Total business-type activities	2,688,547	1,495,105	-	123,371	-	(1,070,071)
Total primary government	\$ 14,212,103	\$ 2,506,390	\$ 663,183	\$ 1,237,003	(8,735,456)	(9,805,527)
General Revenues:						
Taxes:						
Property tax					134,579	76,019
Sales tax					9,412,434	-
Other taxes					274,391	-
Franchise tax					26,812	-
Lodgers tax					1,405,291	-
Unrestricted investment earnings					498,209	204,594
Gain on sale of assets					189,281	-
Other revenues					14,349	-
Transfers					57,138	(57,138)
Total general revenues & transfers					12,012,484	223,475
Change in net position					3,277,028	(846,596)
Net position - beginning					45,109,197	8,916,249
Net position - ending					\$ 48,386,225	\$ 8,069,653
						\$ 56,455,878

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

TOWN OF PAGOSA SPRINGS, COLORADO
Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,812,509	\$ 4,726,936	\$ 1,550,542	\$ 75,756	\$ 12,165,743
Receivables, net of allowances:	74,976	77,828	-	-	152,804
Property tax receivable	175,019	-	-	-	175,019
Lease receivable	885,163	-	-	-	885,163
Due from other governments	804,875	808,687	235,956	-	1,849,518
Prepays	14,431	-	-	-	14,431
Due from other funds	320,753	-	-	-	320,753
Total assets	<u>\$ 8,087,726</u>	<u>\$ 5,613,451</u>	<u>\$ 1,786,498</u>	<u>\$ 75,756</u>	<u>\$ 15,563,431</u>
Liabilities					
Accounts payable	\$ 41,329	\$ 237,785	\$ 34,523	\$ -	\$ 313,637
Accrued liabilities	253,993	62,372	14,146	-	330,511
Customer deposits	25,505	-	-	-	25,505
Due to other funds	-	281,029	-	-	281,029
Unearned revenue	109,000	-	-	-	109,000
Total liabilities	<u>429,827</u>	<u>581,186</u>	<u>48,669</u>	<u>-</u>	<u>1,059,682</u>
Deferred inflows of resources					
Deferred revenue - property taxes	175,019	-	-	-	175,019
Deferred inflows related to leases	809,314	-	-	-	809,314
Total deferred inflows of resources	<u>984,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>984,333</u>
Fund balances					
Nonspendable:					
Prepaid items	14,431	-	-	-	14,431
Restricted for:					
Emergency reserve	443,271	-	-	-	443,271
Parks and recreation	16,849	-	-	75,756	92,605
Tourism	545,633	-	1,737,829	-	2,283,462
Other purposes	420,554	-	-	-	420,554
Committed for:					
Workforce housing	120,250	-	-	-	120,250
Assigned for:					
Health funds	107,365	-	-	-	107,365
Capital outlay	-	5,032,265	-	-	5,032,265
Unassigned	5,005,213	-	-	-	5,005,213
Total fund balances	<u>6,673,566</u>	<u>5,032,265</u>	<u>1,737,829</u>	<u>75,756</u>	<u>13,519,416</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,087,726</u>	<u>\$ 5,613,451</u>	<u>\$ 1,786,498</u>	<u>\$ 75,756</u>	<u>\$ 15,563,431</u>

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, 2025

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

Total fund balances - governmental funds		\$ 13,519,416
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 55,779,834	
Accumulated depreciation	<u>(17,530,270)</u>	38,249,564
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Certificate of participation	(3,298,000)	
Net unamortized premiums	(56,535)	
Interest payable	(14,703)	
Compensated absences	<u>(254,959)</u>	(3,624,197)
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	314,462	
Deferred inflows	<u>(73,020)</u>	241,442
Net position of governmental activities		<u><u>\$ 48,386,225</u></u>

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, 2025

	General Fund	Capital Improvement Fund	Tourism Fund	Nonmajor Conservation Trust Fund	Total Governmental Funds
Revenues					
Taxes	\$ 5,103,953	\$ 4,831,489	\$ 918,386	\$ -	\$ 10,853,828
Licenses and permits	249,489	-	-	-	249,489
Intergovernmental	613,027	945,188	486,905	105,784	2,150,904
Fines and forfeitures	132,338	52,698	-	-	185,036
Charges for services	248,256	52,539	54,399	-	355,194
Interest revenue	253,989	172,000	68,295	3,925	498,209
Contributions and donations	152,279	12,000	-	-	164,279
Other revenues	18,792	63,353	15,081	-	97,226
Total revenues	<u>6,772,123</u>	<u>6,129,267</u>	<u>1,543,066</u>	<u>109,709</u>	<u>14,554,165</u>
Expenditures					
Current:					
General government	3,321,750	56	-	-	3,321,806
Public safety	1,938,250	33,023	-	-	1,971,273
Public works/streets	-	1,979,260	-	-	1,979,260
Parks and recreation	955,476	1,055,120	-	-	2,010,596
Community support	157,810	127,748	1,083,839	-	1,369,397
Economic development	101,046	-	-	-	101,046
Capital outlay	-	1,987,199	-	-	1,987,199
Debt service:					
Principal retirement	-	307,000	-	-	307,000
Interest on long-term debt	-	135,324	-	-	135,324
Total expenditures	<u>6,474,332</u>	<u>5,624,730</u>	<u>1,083,839</u>	<u>-</u>	<u>13,182,901</u>
Excess of revenues over (under) expenditures	297,791	504,537	459,227	109,709	1,371,264
Other financing sources (uses):					
Transfers in	50,000	425,998	-	-	475,998
Transfers out	-	-	(363,996)	(99,500)	(463,496)
Sale of assets	-	233,915	-	-	233,915
Total other financing sources (uses)	<u>50,000</u>	<u>659,913</u>	<u>(363,996)</u>	<u>(99,500)</u>	<u>246,417</u>
Net change in fund balances	347,791	1,164,450	95,231	10,209	1,617,681
Fund balance, beginning of year	<u>6,325,775</u>	<u>3,867,815</u>	<u>1,642,598</u>	<u>65,547</u>	<u>11,901,735</u>
Fund balance, end of year	<u>\$ 6,673,566</u>	<u>\$ 5,032,265</u>	<u>\$ 1,737,829</u>	<u>\$ 75,756</u>	<u>\$ 13,519,416</u>

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, 2025

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

Net change in fund balances - total governmental funds	\$ 1,617,681
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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	3,266,868	
Depreciation expense	<u>(1,837,296)</u>	1,429,572

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	71,526	
Pension expense	<u>(118,212)</u>	(46,686)

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 debt payable	307,000	
Amortization of bond premiums	<u>4,711</u>	311,711

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.	1,217
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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.	(36,467)
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Change in net position of governmental activities	<u><u>\$ 3,277,028</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF PAGOSA SPRINGS, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2025

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 358,172	\$ 83,148	\$ 441,320
Receivables (net of allowance)	122,672	32,915	155,587
Property tax receivable	81,703	-	81,703
Total current assets	<u>562,547</u>	<u>116,063</u>	<u>678,610</u>
Noncurrent assets:			
Restricted cash and cash equivalents	3,951,458	-	3,951,458
Land	16,376	-	16,376
Construction in progress	260,449	203,364	463,813
Buildings and improvements	-	1,182,419	1,182,419
Improvements and system	13,262,241	80,527	13,342,768
Machinery and equipment	1,770,802	30,199	1,801,001
Accumulated depreciation	(4,497,425)	(1,098,930)	(5,596,355)
Total noncurrent assets	<u>14,763,901</u>	<u>397,579</u>	<u>15,161,480</u>
Total assets	<u>\$ 15,326,448</u>	<u>\$ 513,642</u>	<u>\$ 15,840,090</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 139,807	\$ 2,316	\$ 142,123
Accrued liabilities	14,973	-	14,973
Due to other funds	39,724	-	39,724
Interest payable	80,038	-	80,038
Bonds payable - current	33,438	-	33,438
Notes payable - current	240,632	-	240,632
Compensated absences - current	14,919	-	14,919
Total current liabilities	<u>563,531</u>	<u>2,316</u>	<u>565,847</u>
Noncurrent liabilities:			
Bonds payable (net of current portion)	6,344,422	-	6,344,422
Notes payable (net of current portion)	778,465	-	778,465
Total long-term debt	<u>7,122,887</u>	<u>-</u>	<u>7,122,887</u>
Total liabilities	<u>7,686,418</u>	<u>2,316</u>	<u>7,688,734</u>
Deferred inflows of resources			
Deferred revenue - property taxes	81,703	-	81,703
Total deferred inflows of resources	<u>81,703</u>	<u>-</u>	<u>81,703</u>
Net position			
Net investment in capital assets	6,894,740	397,579	7,292,319
Restricted for debt service	472,204	-	472,204
Unrestricted	191,383	113,747	305,130
Total net position	<u>\$ 7,558,327</u>	<u>\$ 511,326</u>	<u>\$ 8,069,653</u>

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, 2025

	Sanitation Fund	Nonmajor Geothermal Fund	Combined Total
Operating revenues			
Charges for services	\$ 1,391,588	\$ 93,028	\$ 1,484,616
Other revenues	10,489	-	10,489
Total operating revenues	<u>1,402,077</u>	<u>93,028</u>	<u>1,495,105</u>
Operating expenses			
Salaries and wages	375,308	-	375,308
Operating system	866,753	78,264	945,017
Administrative	50,995	2,429	53,424
Professional fees	540,629	41,004	581,633
Depreciation	463,836	29,573	493,409
Total operating expenses	<u>2,297,521</u>	<u>151,270</u>	<u>2,448,791</u>
Operating income (loss)	<u>(895,444)</u>	<u>(58,242)</u>	<u>(953,686)</u>
Non-operating revenues (expenses)			
Interest income	196,137	8,457	204,594
Interest expense and fiscal charges	(239,756)	-	(239,756)
Property and specific ownership tax	76,019	-	76,019
Loss on capital assets	(44,636)	-	(44,636)
Total non-operating revenues (expenses)	<u>(12,236)</u>	<u>8,457</u>	<u>(3,779)</u>
Income before contributions and transfers	(907,680)	(49,785)	(957,465)
Contributions and transfers:			
Connection and tap fees	45,059	-	45,059
Grant revenue	37,953	40,359	78,312
Transfers out	(12,502)	-	(12,502)
Change in net position	<u>(837,170)</u>	<u>(9,426)</u>	<u>(846,596)</u>
Total net position, beginning of year	<u>8,395,497</u>	<u>520,752</u>	<u>8,916,249</u>
Total net position, end of year	<u><u>\$ 7,558,327</u></u>	<u><u>\$ 511,326</u></u>	<u><u>\$ 8,069,653</u></u>

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, 2025

	Sanitation Fund	Non-Major Geothermal Fund	Combined Total
Cash flows from operating activities:			
Cash received from customers, service fees	\$ 1,391,814	\$ 73,435	\$ 1,465,249
Cash paid to suppliers	(1,662,406)	(120,897)	(1,783,303)
Cash paid to employees	(363,594)	-	(363,594)
Net cash flows from operating activities	<u>(634,186)</u>	<u>(47,462)</u>	<u>(681,648)</u>
Cash flows from noncapital financing activities:			
Transfers from/(to) other funds	(12,502)	-	(12,502)
Advances from/(to) other funds	(19,862)	-	(19,862)
Net cash flows from noncapital financing activities	<u>(32,364)</u>	<u>-</u>	<u>(32,364)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(644,885)	(203,364)	(848,249)
Proceeds from sale of capital assets	2,632	-	2,632
Principal paid on long-term debt	(236,655)	-	(236,655)
Interest paid	(169,480)	-	(169,480)
Debt proceeds	4,681,241	-	4,681,241
Property and specific ownership tax	76,019	-	76,019
Capital grants	37,953	40,359	78,312
Connection and tap fees	45,059	-	45,059
Net cash flows from capital and related financing activities	<u>3,791,884</u>	<u>(163,005)</u>	<u>3,628,879</u>
Cash flows from investing activities:			
Interest on investments	196,137	8,457	204,594
Net cash flows from investing activities	<u>196,137</u>	<u>8,457</u>	<u>204,594</u>
Net change in cash and cash equivalents	3,321,471	(202,010)	3,119,461
Cash and cash equivalents, including restricted cash, beginning of year	<u>988,159</u>	<u>285,158</u>	<u>1,273,317</u>
Cash and cash equivalents, including restricted cash, end of year	<u><u>\$ 4,309,630</u></u>	<u><u>\$ 83,148</u></u>	<u><u>\$ 4,392,778</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income (loss)	\$ (895,444)	\$ (58,242)	\$ (953,686)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation/amortization	463,836	29,573	493,409
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	(33,818)	(19,593)	(53,411)
Increase/(decrease) in payables	(204,029)	800	(203,229)
Increase/(decrease) in accrued liabilities	11,714	-	11,714
Increase/(decrease) in deferred revenue	23,555	-	23,555
Net cash flows from operating activities	<u><u>\$ (634,186)</u></u>	<u><u>\$ (47,462)</u></u>	<u><u>\$ (681,648)</u></u>

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

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 Council-Manager form of government with a mayor and 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 Town of Pagosa Springs Sanitation General Improvement District in its reporting entity. The Sanitation fund accounts for the activities related to the Town's sanitation collection and distribution operations. The members of the Town Council 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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

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.

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to the Financial Statements

December 31, 2025

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.

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to the Financial Statements

December 31, 2025

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 assets 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 assets 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.

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to the Financial Statements

December 31, 2025

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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

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.

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to the Financial Statements

December 31, 2025

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. State statutes require more detailed line-item budgets to be submitted in summary form. In addition, more detailed line-item budgets are included for administration control purposes. The legal level of budgetary control is established at the fund level; however, budgetary accounting is maintained on a line-item basis for management control purposes.
- 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.

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to the Financial Statements

December 31, 2025

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, 2025.

Tax, Spending and Debt Limitations

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

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

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

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	6,057,124
CSLIP investment	4,688,325
COLOTRUST	<u>5,812,672</u>
Total cash and investments	<u><u>\$ 16,558,521</u></u>

At year end the Town has restricted cash of \$472,204 in the sanitation fund for required debt reserves and \$3,479,254 in unspent debt proceeds.

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, 2025 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, 2025 the Town's investments included funds held in the Colorado Government Liquid Asset Trust (COLOTRUST) and Centennial State Liquid Investment Pool (CSLIP)

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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

Note 4. Deposits and Investments, Continued

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.

The Centennial State Liquid Investment Pool (CSLIP) is an investment vehicle established for Colorado local governments to pool surplus funds and provide daily liquidity. CSLIP is organized pursuant to Colorado statutes and is registered with the Colorado Securities Commissioner. CSLIP operates in a manner similar to a money market fund and seeks to maintain a stable net asset value of \$1.00 per share; however, there is no guarantee that the stable net asset value will be maintained. Investments in CSLIP are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

As of December 31, 2025, the Town had invested \$5,812,672 in the COLOTRUST and \$4,688,325 in CSLIP, both of which had 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 hierarchy, and valuation techniques. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

Note 4. Deposits and Investments, Continued

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.

During the year, the Town also invested in CSLIP, a local government investment pool. The Town's investment in CSLIP is measured at amortized cost in accordance with GASB Statement No. 79 and, accordingly, is not categorized within the fair value hierarchy established by GASB Statement No. 72. CSLIP is designed to provide local governments with a short-term investment option focused on safety, liquidity, and yield.

Note 5. Capital Assets

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

Governmental Activities:	Balance 12/31/2024	Additions	Deletions	Transfers	Balance 12/31/2025
Capital assets, not being depreciated:					
Land	\$ 4,564,619	\$ 740,463	\$ -	\$ -	\$ 5,305,082
Construction in progress	1,047,935	1,859,304	(102,778)	-	2,804,461
Total capital assets, not being depreciated	5,612,554	2,599,767	(102,778)	-	8,109,543
Capital assets, being depreciated:					
Buildings & improvements	13,093,414	125,658	-	-	13,219,072
Equipment & vehicles	4,146,277	442,117	(140,516)	(249,754)	4,447,878
Infrastructure	29,801,237	202,104	-	-	30,003,341
Total capital assets, being depreciated	47,040,928	769,879	(140,516)	(249,754)	47,670,291
Less accumulated depreciation for:					
Buildings & improvements	(4,596,315)	(387,455)	-	-	(4,983,770)
Equipment & vehicles	(2,456,722)	(457,182)	140,516	74,269	(2,773,388)
Infrastructure	(8,780,453)	(992,659)	-	-	(9,773,112)
Total accumulated depreciation	(15,833,490)	(1,837,296)	140,516	74,269	(17,530,270)
Total capital assets, being depreciated, net	31,207,438	(1,067,417)	-	(175,485)	30,140,021
Governmental activities capital assets, net	<u>\$ 36,819,992</u>	<u>\$ 1,532,350</u>	<u>\$ (102,778)</u>	<u>\$ (175,485)</u>	<u>\$ 38,249,564</u>

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

Governmental Activities:	
Community support	\$ 7,744
General government	138,356
Parks & recreation	374,818
Public safety	57,961
Public works/streets	1,258,417
Total depreciation expense - governmental activities	<u>\$ 1,837,296</u>

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

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 12/31/2024	Additions	Deletions	Transfers	Balance 12/31/2025
Capital assets not being depreciated:					
Land	\$ 16,376	\$ -	\$ -	\$ -	\$ 16,376
Construction in progress	-	463,813	-	-	463,813
Total capital assets, not being depreciated	16,376	463,813	-	-	480,189
Capital assets being depreciated:					
Buildings and improvements	1,182,419	-	-	-	1,182,419
Improvements and systems	13,342,768	-	-	-	13,342,768
Equipment and vehicles	1,452,114	164,550	(65,417)	249,754	1,801,001
Total capital assets, being depreciated	15,977,301	164,550	(65,417)	249,754	16,326,188
Less accumulated depreciation for:					
Buildings and improvements	(1,040,530)	(23,649)	-	-	(1,064,179)
Improvements and systems	(3,445,375)	(295,465)	-	-	(3,740,840)
Equipment and vehicles	(608,189)	(174,295)	65,417	(74,269)	(791,336)
Total accumulated depreciation	(5,094,094)	(493,409)	65,417	(74,269)	(5,596,355)
Total capital assets, being depreciated, net	10,883,207	(328,859)	-	175,485	10,729,833
Business-type activities capital assets, net	\$ 10,899,583	\$ 134,954	\$ -	\$ 175,485	\$ 11,210,022

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

Business-Type Activities:	
Sanitation	\$ 463,836
Geothermal	29,573
Total depreciation expense - business-type activities	<u>\$ 493,409</u>

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the year ended December 31, 2025:

	Balance 12/31/2024	Additions	Retirements	Balance 12/31/2025	Current Portion
Governmental Activities:					
Direct Borrowings:					
2016 Certificate of Participation	\$ 1,840,000	\$ -	\$ (115,000)	\$ 1,725,000	\$ 120,000
2019 Certificate of Participation	1,765,000	-	(192,000)	1,573,000	198,000
Certificate of Participation Premium	61,246	-	(4,711)	56,535	4,711
Compensated Absences *	218,492	36,467	-	254,959	254,959
Total Governmental Activity					
Long-Term Liabilities	<u>\$ 3,884,738</u>	<u>\$ 36,467</u>	<u>\$ (311,711)</u>	<u>\$ 3,609,494</u>	<u>\$ 577,670</u>
Business-Type Activities:					
Revenue Bonds Series 2025	\$ -	\$ 4,750,000	\$ -	\$ 4,750,000	\$ 30,000
Bond Issuance Discount	-	(68,759)	2,865	(65,894)	3,438
Direct Borrowings:					
Water Pollution Control Fund Note	1,120,859	-	(101,762)	1,019,097	102,785
Note Payable to PAWSD	1,828,646	-	(134,892)	1,693,754	137,847
Compensated Absences *	7,555	7,364	-	14,919	14,919
Total Business-Type Activity					
Long-Term Liabilities	<u>\$ 2,957,060</u>	<u>\$ 4,688,605</u>	<u>\$ (233,789)</u>	<u>\$ 7,411,876</u>	<u>\$ 288,989</u>

* The change in compensated absences above is a net change for the year.

For governmental activities net pension liabilities, when present, are generally liquidated through the General Fund.

The Town's 2016 and 2019 certificate of participation 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.

The Town's 2025 revenue bond related to business-type activities are secured with property.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

Note 6. Long-Term Liabilities, Continued

Long-term liabilities for the primary government at December 31, 2025 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. \$ 1,725,000

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. 1,573,000

Total certificate of participation payable \$ 3,298,000

Bonds payable:

Business-Type Activities:

Wastewater revenue bonds, Series 2015, original issue amount of \$4,750,000, due in annual principal installments ranging from \$30,000 to \$540,000 and semi-annual interest installments, bearing interest rate of 4.125% to 5.5%, maturing March 1, 2045. \$ 4,750,000

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. \$ 1,019,097

Loan payable to Pagosa Area Water and Sanitation District (PAWSD) in the original amount of up to \$2,835,000. Due in twenty annual payments of \$174,940, including interest at 2.19%, maturing November 30, 2036. 1,693,754

Total notes payable \$ 2,712,851

Debt service requirements to maturity are as follows:

Year ended December 31:	Governmental Activities		Business-Type Activities			
	Direct Borrowings		Direct Borrowings		Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 318,000	\$ 116,459	\$ 240,632	\$ 47,028	\$ 30,000	\$ 224,150
2027	323,000	106,866	244,681	42,978	35,000	222,363
2028	334,000	97,150	248,807	38,853	40,000	220,300
2029	345,000	87,089	253,010	34,649	40,000	218,100
2030	356,000	75,719	257,294	30,366	45,000	215,763
2031-2035	1,287,000	201,125	1,297,236	84,722	335,000	1,036,875
2036-2040	335,000	20,200	171,191	3,749	1,770,000	821,713
2041-2045	-	-	-	-	2,455,000	313,513
	<u>\$ 3,298,000</u>	<u>\$ 704,608</u>	<u>\$ 2,712,851</u>	<u>\$ 282,345</u>	<u>\$ 4,750,000</u>	<u>\$ 3,272,775</u>

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to the Financial Statements

December 31, 2025

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 $[(\text{total revenue} - (\text{operating expenses} - \text{depreciation})) / \text{annual debt service} = \text{ratio}]$ 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 2025:

Total Revenue (excluding grant income)	\$ 1,719,292
Operating Expenses	2,297,521
Less Depreciation	(463,836)
Less One-Time Capital Repairs In Operating Expenses	(505,047)
Less Debt Issuance Costs in Operating Expenses	(156,289)
Net Operating Expenses	1,172,349
Annual Debt Service	403,270
Rate Covenant Ratio	<u><u>136%</u></u>

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 \$74,511 in lease revenue and \$16,727 in interest revenue during the current fiscal year related to these leases. As of December 31, 2025, the Town's receivable for lease payments was \$885,163. 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, 2025, the balance of the deferred inflow of resources was \$809,314.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

Note 8. Pension Plans

Fire and Police Pension Association of Colorado

Plan description – The Statewide Retirement Plan is a cost-sharing multiple-employer defined benefit pension plan. The Plan consists of four components: Defined Benefit Component, Hybrid Defined Benefit Component, Social Security Component and Money Purchase Component. The Plan currently has 229 participating employer fire and police departments.

The Defined Benefit Component and Social Security Component cover substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978, provided that they are not already covered by a statutorily exempt plan. Employers once had the option to withdraw from the Plan, but a change in state statutes eliminated this option effective January 1, 1988, unless the employer elects and is determined to be eligible to participate in the Statewide Money Purchase Plan.

In 2003, legislation was enacted that allows departments who cover their firefighters and police officers in money purchase plans to elect coverage under the Plan. As of August 5, 2003, clerical and other personnel from fire districts whose services are auxiliary to fire protection may also participate in the Plan. As of January 1, 2020, Colorado police and sheriff departments who participate in Social Security have the option of affiliating for coverage under the Plan.

The Plan assets are in the Fire & Police Members' Benefit Investment Fund Long-Term Pool and the Fire & Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Money Purchase Component assets). The Long-Term Pool is designed primarily for open plans with a longer time horizon, appropriate risk tolerance, and lower liquidity needs. The investment return assumption is 7.00 percent.

Members participating in DROP or in the Money Purchase Component choose among various investment options offered by an outside investment manager.

The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available annual comprehensive financial report that can be obtained on FPPA's website at <http://www.FPPAco.org>.

Benefits provided – The FPPA Board of Directors may change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The Normal Retirement Age should not be less than age 55 or more than age 60. Any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension. Members with combined age and years of service totaling 80 or more, with a minimum age of 50 also qualify for a normal retirement pension.

A member is eligible for retirement after attainment of age 55 with at least five years of credited service.

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

Note 8. Pension Plans, Continued

The annual retirement benefit for the Defined Benefit Component is 2.0 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 of the average of the member's highest three years' base salary for each year of service thereafter.

Beginning January 1, 2007, the annual normal retirement benefit for the Social Security Component is 1.0 percent of the average of the member's highest three years base salary for each year of credited service up to then years plus 1.25 percent of the average of the member's highest three years' base salary for each year thereafter. Prior to 2007, the benefit for members of the Social Security Component will be reduced by the amount of social security income the member receives annually, calculated as if the social security benefit started as of age 62.

The annual retirement benefit of the Hybrid Defined Benefit Component is 1.9 percent of the average of the member's highest three years' base salary for each year of credited service through December 31, 2022 and 1.5 percent of the average of the member's highest three years' base salary for each year of credited service after January 1, 2023.

Benefits paid to retired members and beneficiaries may be increased annually on October 1 via cost of living adjustment (COLA). COLAs may be compounding or non-compounding. The increase in benefits, if any, is based on the FPPA Board of Director's discretion. Compounding COLAs can range from 0 percent to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers. Non-compounding COLAs take into consideration the investment returns, compounding COLAs and other economic factors. COLAs may begin once the retired member has been receiving retirement benefits for at least 12 months prior to October 1.

Upon termination, the vested account balance within the Money Purchase Component becomes available to the member.

Upon termination, a member may elect to have their member contributions, along with 5.0 percent of as interest, returned as a lump sum distribution in lieu of a retirement benefit.

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.

Members of the Defined Benefit Component contribute 12.0 percent of base salary. Employer contributions rates 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 10.5 percent, respectively, of base salary for a total contribution rate of 22.5 percent in 2025.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

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
2023	\$ 51,679
2024	73,492
2025	71,526

Pension liability/asset – At December 31, 2025, the Town reported an liability of \$0 for its proportionate share of the SWDB net pension liability/asset. The net pension liability/asset was measured as of December 31, 2024. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 01, 2025. 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, 2024. The Town's proportion measured as of December 31, 2024, was 0.067401 percent for police, which was an increase of 0.012030 percent from the proportions measured as of December 31, 2023.

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2025, the Town recognized pension expense for SWDB of \$118,212. At December 31, 2025, 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	\$ 161,963	\$ 5,066
Changes in assumptions	57,965	-
Net difference between projected and actual earnings on pension plan investments	23,008	-
Changes in proportion and differences between contributions and proportional share of contributions	-	67,954
Contributions subsequent to the measurement date	71,526	-
Total	<u>\$ 314,462</u>	<u>\$ 73,020</u>

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

Note 8. Pension Plans, Continued

The \$71,526 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, 2026. 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:

Year ended December 31,	<u>Police</u>
	Deferred Outflows (Inflows) of Resources
2026	\$ 58,059
2027	89,695
2028	(1,260)
2029	2,084
2030	14,382
Thereafter	6,956

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	4.25-11.75%
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 PUB-2010 Safety Healthy Annuitant Mortality Tables for males and females, amount weighted, and then projected using the ultimate values of the MP-2020 projection scale for all years. The pre-retirement mortality assumption uses PUB-2010 Safety Healthy Employee Mortality Tables for males and females, amount weighted, and then projected with the MP-2020 Ultimate projection scale. The pre-retirement non-duty mortality tables are adjusted to 60% of the MP-2020 mortality tables for active employees. The on-duty mortality rate is 0.00015.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

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 2023 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, 2024. 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, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	33%	7.00%
Equity Long/Short	6%	6.20%
Private Markets	34%	8.80%
Fixed Income - Rates	7%	5.00%
Fixed Income- Credit	7%	6.50%
Absolute Return	9%	5.70%
Cash	4%	4.20%
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.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

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	\$ 328,909	\$ -	\$ -

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 (excluding sworn officers participating in FPPA). Full-time, permanent employees are eligible to participate in the Plan. The Town Council 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 officers participating in FPPA) contributes to the 457(b) plan, the town will match up to 4% 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, 2025, the Town's pension expense was \$280,414. This amount was offset by forfeiture in the amount of \$17,111.

TOWN OF PAGOSA SPRINGS, COLORADO

Notes to the Financial Statements

December 31, 2025

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 coverages. Contingent liability claims for the coverage have not been recognized to date after reviewing claim history and the remoteness of potential loss in excess of actual contributions by the Town.

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

Note 10. Intergovernmental Agreement

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

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

Note 11. Interfund Transfers, Receivables, and Payables

Interfund transfers for the year ended December 31, 2025 were as follows:

Transfer in:	Transfers out:			
	<u>Sanitation</u>	<u>Tourism</u>	<u>Conservation Trust</u>	<u>Total Transfers in</u>
General Fund	\$ -	\$ -	\$ 50,000	\$ 50,000
Capital Improvement	<u>12,502</u>	<u>363,996</u>	<u>49,500</u>	<u>425,998</u>
Total transfers out	<u>\$ 12,502</u>	<u>\$ 363,996</u>	<u>\$ 99,500</u>	<u>\$ 475,998</u>

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

Transfers during 2025 were primarily made to support capital purchases and other governmental activities.

Interfund balances as of December 31, 2025 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 320,753	\$ -
Capital Improvement	-	281,029
Sanitation	-	39,724
Total	<u>\$ 320,753</u>	<u>\$ 320,753</u>

On March 18, 2021, the General Fund advanced \$139,034 to the Sanitation fund at 1.25% interest, with repayment over six years beginning in July 2021.

On June 4, 2024, the General Fund advanced \$353,000 to the Capital Improvement Fund at 4.00% interest, with repayment over five years beginning in April 2025.

TOWN OF PAGOSA SPRINGS, COLORADO
Notes to the Financial Statements
December 31, 2025

Note 12. Subsequent Events

The Town has a multi-million dollar downtown highway reconstruction project with CDOT that is expected to be completed over the next couple of years..

A major flood event in October 2025 caused damage and debris to the river and embankments. The Town received grants to assist in cleanup, with costs estimated at \$3 million in 2026.

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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, 2025

	Police									
	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Proportion of the net pension liability (asset)	0.067401%	0.055371%	0.055100%	0.048954%	0.049628%	0.048950%	0.047533%	0.055100%	0.067448%	0.062607%
Proportionate share of the net pension liability (asset)	-	-	48,907	(265,301)	(107,742)	(27,684)	\$ 60,094	\$ (83,886)	\$ 24,372	\$ (1,104)
Covered payroll	\$ 736,362	\$ 545,007	\$ 479,379	\$ 394,089	\$ 398,609	\$ 360,769	\$ 318,405	\$ 341,063	\$ 345,181	303,497
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	10.20%	-67.32%	-27.0%	-7.7%	18.87%	-24.60%	7.06%	-0.36%
Plan fiduciary net position as a percentage of the total pension liability	100.00%	100.00%	97.60%	116.20%	106.70%	101.90%	95.20%	106.30%	98.21%	100.10%

TOWN OF PAGOSA SPRINGS, COLORADO
Required Supplementary Information
Schedule of Contributions
December 31, 2025

	Police									
	Reporting Fiscal Year									
Last 10 fiscal years	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 71,526	\$ 73,492	\$ 51,679	\$ 43,144	\$ 33,498	\$ 31,889	\$ 28,862	\$ 25,472	\$ 27,285	\$ 27,615
Contributions in relation to the contractually required contribution	(71,526)	(73,492)	(51,679)	(43,144)	(33,498)	(31,889)	(28,862)	(25,472)	(27,285)	(27,615)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 682,532	\$ 736,362	\$ 545,007	\$ 479,379	\$ 394,089	\$ 398,609	\$ 360,769	\$ 318,405	\$ 341,063	\$ 345,181
Contributions as a percentage of covered payroll	10.48%	9.98%	9.48%	9.00%	8.50%	8.00%	8.00%	8.00%	8.00%	8.00%

TOWN OF PAGOSA SPRINGS, COLORADO
Required Supplementary Information
Notes to Pension Plan Schedules
December 31, 2025

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%-11.75%.
 - COLA: 0.0%
 - Inflation: 2.5%

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, 2025

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes:				
Property tax	\$ 150,644	\$ 150,644	\$ 153,263	\$ 2,619
Sales tax	4,714,509	4,714,509	4,779,373	64,864
Franchise tax	187,342	187,342	170,730	(16,612)
Other taxes	10,000	10,000	587	(9,413)
Total taxes	<u>5,062,495</u>	<u>5,062,495</u>	<u>5,103,953</u>	<u>41,458</u>
Licenses, permits and fees:				
Licenses, permits and fees	125,275	125,275	137,407	12,132
Building permits	86,000	86,000	112,082	26,082
Total licenses, permits and fees	<u>211,275</u>	<u>211,275</u>	<u>249,489</u>	<u>38,214</u>
Intergovernmental:				
Grant revenues	153,265	1,065,363	613,027	(452,336)
Total intergovernmental	<u>153,265</u>	<u>1,065,363</u>	<u>613,027</u>	<u>(452,336)</u>
Fines and forfeitures:				
Fines and forfeitures	135,500	123,000	132,338	9,338
Total fines and forfeitures	<u>135,500</u>	<u>123,000</u>	<u>132,338</u>	<u>9,338</u>
Charges for services:				
Charges for services	219,000	219,000	248,256	29,256
Total charges for services	<u>219,000</u>	<u>219,000</u>	<u>248,256</u>	<u>29,256</u>
Interest:				
Interest revenue	191,365	211,365	253,989	42,624
Total interest	<u>191,365</u>	<u>211,365</u>	<u>253,989</u>	<u>42,624</u>
Contributions and donations:				
Contributions and donations	75,000	125,000	152,279	27,279
Total contributions and donations	<u>75,000</u>	<u>125,000</u>	<u>152,279</u>	<u>27,279</u>
Other revenues:				
Miscellaneous	28,000	28,000	18,792	(9,208)
Total other revenues	<u>28,000</u>	<u>28,000</u>	<u>18,792</u>	<u>(9,208)</u>
Total revenues	<u>6,075,900</u>	<u>7,045,498</u>	<u>6,772,123</u>	<u>(273,375)</u>

(continued)

TOWN OF PAGOSA SPRINGS, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, (Continued)
For the Year Ended December 31, 2025

Expenditures	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General Government:				
Town manager/council	516,078	2,058,642	1,265,792	792,850
Town clerk/town hall	391,246	391,246	411,160	(19,914)
Human resources	263,794	263,794	256,459	7,335
Administrative services	269,914	269,914	248,054	21,860
Building and planning	596,012	596,012	498,283	97,729
Housing Division	159,691	159,691	162,830	(3,139)
Municipal court	514,658	514,658	479,172	35,486
Total General Government	<u>2,711,393</u>	<u>4,253,957</u>	<u>3,321,750</u>	<u>932,207</u>
Public Safety:				
Police	2,173,783	2,173,783	1,938,250	235,533
Total Public Safety	<u>2,173,783</u>	<u>2,173,783</u>	<u>1,938,250</u>	<u>235,533</u>
Parks & Recreation:				
Recreation	887,002	937,002	955,476	(18,474)
Total Parks & Recreation	<u>887,002</u>	<u>937,002</u>	<u>955,476</u>	<u>(18,474)</u>
Community Support:	158,602	158,602	157,810	792
Total Community Support	<u>158,602</u>	<u>158,602</u>	<u>157,810</u>	<u>792</u>
Economic development	109,430	109,430	101,046	8,384
Total Economic development	<u>109,430</u>	<u>109,430</u>	<u>101,046</u>	<u>8,384</u>
Total expenditures	<u>6,040,210</u>	<u>7,632,774</u>	<u>6,474,332</u>	<u>1,158,442</u>
Excess of revenues over (under) expenditures	<u>35,690</u>	<u>(587,276)</u>	<u>297,791</u>	<u>885,067</u>
Other financing sources (uses):				
Transfers in	7,500	57,500	50,000	(7,500)
Transfer out	(7,500)	(1,549,750)	-	1,549,750
Total other financing sources (uses)	<u>-</u>	<u>(1,492,250)</u>	<u>50,000</u>	<u>1,542,250</u>
Net change in fund balance	35,690	(2,079,526)	347,791	2,427,317
Fund balance, beginning of year	6,325,775	6,325,775	6,325,775	-
Fund balance, end of year	<u>\$ 6,361,465</u>	<u>\$ 4,246,249</u>	<u>\$ 6,673,566</u>	<u>\$ 2,427,317</u>

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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Lodgers tax	\$ 950,000	\$ 950,000	\$ 918,386	\$ (31,614)
Intergovernmental revenue	525,000	525,000	486,905	(38,095)
Charges for services	55,000	55,000	54,399	(601)
Interest income	40,000	40,000	68,295	28,295
Other revenues	1,500	1,500	15,081	13,581
Total revenues	1,571,500	1,571,500	1,543,066	(28,434)
Expenditures				
Community support	1,571,496	1,571,496	1,083,839	487,657
Total expenditures	1,571,496	1,571,496	1,083,839	487,657
Excess of revenue and other sources over (under) expenditures and other uses	4	4	459,227	459,223
Other financing sources (uses):				
Transfers out	-	-	(363,996)	(363,996)
Total other financing sources (uses):	-	-	(363,996)	(363,996)
Net change in fund balance	4	4	95,231	95,227
Fund balance, beginning of year	1,642,598	1,642,598	1,642,598	-
Fund balance, end of year	\$ 1,642,602	\$ 1,642,602	\$ 1,737,829	\$ 95,227

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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Sales taxes	\$ 4,614,359	\$ 4,614,359	\$ 4,737,079	\$ 122,720
Highway users tax	74,057	74,057	94,410	20,353
Leases and rents	11,655	11,655	45,670	34,015
Intergovernmental revenue	2,017,579	2,267,579	945,188	(1,322,391)
Charges for services	13,000	13,000	52,539	39,539
Fines and forfeitures	25,000	25,000	52,698	27,698
Interest income	120,000	120,000	172,000	52,000
Contributions and donations	3,000	3,000	12,000	9,000
Other income	22,000	22,000	17,683	(4,317)
Total revenue	6,900,650	7,150,650	6,129,267	(1,021,383)
Expenditures				
General government	-	-	56	(56)
Public safety	18,100	18,100	33,023	(14,923)
Public works/streets	2,107,789	4,092,065	1,979,260	2,112,805
Parks and recreation	1,006,356	1,006,356	1,055,120	(48,764)
Community support	146,321	146,321	127,748	18,573
Debt service				
Principal	307,000	307,000	307,000	-
Interest	126,569	126,569	135,324	(8,755)
Capital outlay	3,342,071	3,342,071	1,987,199	1,354,872
Total expenditures	7,054,206	9,038,482	5,624,730	3,413,752
Excess of revenue and other sources over (under) expenditures and other uses	(153,556)	(1,887,832)	504,537	2,392,369
Other financing sources (uses):				
Transfers in	99,500	672,250	425,998	(246,252)
Sale of assets	-	-	233,915	233,915
Total other financing sources (uses):	99,500	672,250	659,913	(12,337)
Net change in fund balance	(54,056)	(1,215,582)	1,164,450	2,380,032
Fund balance, beginning of year	3,867,815	3,867,815	3,867,815	-
Fund balance, end of year	\$ 3,813,759	\$ 2,652,233	\$ 5,032,265	\$ 2,380,032

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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental revenue	\$ 105,000	\$ 105,000	\$ 105,784	\$ 784
Interest income	500	500	3,925	3,425
Total revenues	105,500	105,500	109,709	4,209
Expenditures				
Total expenditures	-	-	-	-
Excess of revenue and other sources over (under) expenditures and other uses	105,500	105,500	109,709	4,209
Other financing sources (uses):				
Transfers out	(99,500)	(99,500)	(99,500)	-
Total other financing sources (uses):	(99,500)	(99,500)	(99,500)	-
Net change in fund balance	6,000	6,000	10,209	4,209
Fund balance, beginning of year	65,547	65,547	65,547	-
Fund balance, end of year	\$ 71,547	\$ 71,547	\$ 75,756	\$ 4,209

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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Operating revenues				
Charges for services	\$ 1,376,500	\$ 1,376,500	\$ 1,391,588	\$ 15,088
Other revenues	6,500	4,531,452	10,489	(4,520,963)
Total operating revenues	1,383,000	5,907,952	1,402,077	(4,505,875)
Operating expenses				
Salaries and wages	351,444	351,444	375,308	(23,864)
Operating system	464,288	464,288	866,753	(402,465)
Administrative	41,533	41,533	50,995	(9,462)
Professional fees	646,181	646,181	540,629	105,552
Total operating expenses	1,503,446	1,503,446	1,833,685	(330,239)
Operating income	(120,446)	4,404,506	(431,608)	(4,836,114)
Non-operating revenues (expenses)				
Interest income	50,000	130,000	196,137	66,137
Property and specific ownership tax	72,248	72,248	76,019	3,771
Capital outlay	(181,000)	(4,464,080)	(645,119)	3,818,961
Debt service	(51,002)	(166,614)	(476,410)	(309,796)
Total non-operating revenues (expenses)	(109,754)	(4,428,446)	(849,373)	3,579,073
Income before contributions, transfers and capital and related financing activities				
Contributions, transfers and capital and related financing activities				
Connection and tap fees	97,800	97,800	45,059	(52,741)
Grant revenue	200,000	200,000	37,953	(162,047)
Transfers in	-	1,295,000	-	(1,295,000)
Transfers out	-	(218,754)	(12,502)	206,252
Total contributions and transfers	297,800	1,374,046	70,510	(1,303,536)
Change in net position-budget basis	<u>\$ 67,600</u>	<u>\$ 1,350,106</u>	(1,210,471)	<u>\$ (2,560,577)</u>
GAAP Basis Adjustments				
Capital outlay			645,119	
Depreciation			(463,836)	
Gain/(Loss) on capital assets			(44,636)	
Debt Principal			236,654	
Change in net position - GAAP basis			(837,170)	
Net position, beginning of year			8,395,497	
Net position, end of year			<u>\$ 7,558,327</u>	

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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Operating revenues				
Charges for services	\$ 112,000	\$ 112,000	\$ 93,028	\$ (18,972)
Total operating revenues	112,000	112,000	93,028	(18,972)
Operating expenses				
Operating system	245,454	495,454	78,264	417,190
Administrative	2,127	2,127	2,429	(302)
Professional fees	4,500	4,500	41,004	(36,504)
Total operating expenses	252,081	502,081	121,697	380,384
Operating income (loss)	(140,081)	(390,081)	(28,669)	361,412
Non-operating revenues (expenses)				
Interest income	-	-	8,457	8,457
Capital outlay	(62,000)	(62,000)	(203,364)	(141,364)
Total non-operating revenues (expenses)	(62,000)	(62,000)	(194,907)	(132,907)
Income before contributions, transfers and capital and related financing activities	(202,081)	(452,081)	(223,576)	228,505
Contributions, transfers and capital and related financing activities				
Grant revenue	-	-	40,359	40,359
Transfers in	-	250,000	-	(250,000)
Total contributions and transfers	-	250,000	40,359	(209,641)
Change in net position-budget basis	<u>\$ (202,081)</u>	<u>\$ (202,081)</u>	(183,217)	<u>\$ 18,864</u>
GAAP Basis Adjustments				
Capital Outlay			203,364	
Depreciation			(29,573)	
Change in net position - GAAP basis			(9,426)	
Net position, beginning of year			520,752	
Net position, end of year			<u>\$ 511,326</u>	

SUPPLEMENTARY INFORMATION
LOCAL HIGHWAY FINANCE REPORT

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

LOCAL HIGHWAY FINANCE REPORT			STATE: COLORADO	
THIS INFORMATION FROM THE RECORDS OF:		PREPARED BY:		REPORT YEAR ENDING DATE(mm/yyyy):
Town of Pagosa Springs		April Hessman ahessman@pagosasprings.co.gov		12/2025
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. Total (1 - (2 through 4))				
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	1,699,741.97	a. Interest on investments		
b. Non-property Taxes and Assessments Imposts		b. Other Misc. Local Receipts	30,862.48	
c. Total (a + b)	\$ 1,699,741.97	c. Total (a + b)	\$ 30,862.48	
ITEM	AMOUNT	ITEM	AMOUNT	
C. Receipts from State Government		D. Receipts from Federal Government		
1. Highway-user Taxes (from Item I.C.5.)	94,409.76	1. FHWA (from Item I.D.5.)		
2. State General Funds		2. Other Federal Agencies:		
3. Other State funds:				
a. State Bond Proceeds				
b. Non-State Bond Proceeds				
c. Total (a + b)	\$ -			
4. Total (1 + 2 + 3c)	\$ 94,409.76	3. Total (1 + 2)	\$ -	
III. EXPENDITURES FOR ROAD AND STREET PURPOSES - DETAIL				
ITEM	AMOUNT			
A.1. Capital outlay:				
a. Right-Of-Way Costs				
b. Engineering Costs	54,298.88			
c. Construction Costs	187,068.00			
d. Total Capital Outlay (a+ b + c)	\$ 241,366.88			
Form FHWA-536 (Rev. 02-2025) Page2				

LOCAL HIGHWAY FINANCE REPORT		STATE: COLORADO		
		REPORT YEAR ENDING DATE(mm/yyyy): 12/2025		
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. Amount used for highway purposes				
II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. EXPENDITURES FOR ROAD AND STREET PURPOSES		
ITEM	AMOUNT	ITEM	AMOUNT	
A. Receipts from Local Sources:		A. Local highway expenditures:		
1. Local Highway-user Taxes		1. Capital Outlay (from page 1, Item III)	\$ 241,366.88	
a. Motor Fuel (from Item I.A.1)		2. Maintenance:	1,303,375.07	
b. Motor Vehicle (from Item I.B.1)		3. Road and Street Services:		
c. Total (a + b)		a. Snow and Ice Removal		
2. General Fund Appropriations		b. Other & Traffic Control Operation		
3. Other Local Imposts (from page 1, Item II.A3.c)	\$ 1,699,741.97	c. Total (a + b)	\$ -	
4. Miscellaneous Local Receipts (from page 1, Item II.A)	\$ 30,862.48	4. General Administration & Miscellaneous		
5. Transfers from Toll Facilities		5. Highway Law Enforcement and Safety		
6. Proceeds of Sale of Bonds and Notes:		6. Total (1 through 5)	\$ 1,544,741.95	
a. Bonds - Original Issues		B. Debt Service on Local Obligations:		
b. Bonds - Refunding Issues		1. Bonds:		
c. Notes		a. Interest	70,862.50	
d. Total (a + b + c)	\$ -	b. Redemption	115,000.00	
7. Total (1 through 6)	\$ 1,730,604.45	c. Total (a + b)	\$ 185,862.50	
B. Private Contributions		2. Notes:		
C. Receipts from State government (from page 1, Item II.C)	\$ -	a. Interest		
D. Receipts from Federal government (from page 1, Item II.D)	\$ -	b. Redemption		
E. Total receipts (A.7 + B + C + D)	\$ 1,730,604.45	c. Total (a + b)	\$ -	
		3. Total (1c + 2c)	\$ 185,862.50	
		C. Payments to State for Highways		
		D. Payments to Toll Facilities		
		E. Total Expenditures (A6 + B3 + C + D)	\$ 1,730,604.45	
IV. LOCAL HIGHWAY DEBT STATUS				
(Show all entries at par)				
ITEM	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT
A. Bonds (Total)	1,840,000.00	\$ -	\$ 115,000.00	\$ 1,725,000.00
1. Bonds (Refunding Portion)		\$ -		
B. Notes (Total)		\$ -	\$ -	\$ -

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)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Governmental activities										
Net investment in capital assets	\$ 18,349,859	\$ 21,603,971	\$ 23,620,111	\$ 20,968,024	\$ 25,337,269	\$ 26,837,047	\$ 28,667,092	\$ 31,858,805	\$ 33,153,746	\$ 34,895,029
Restricted	1,286,351	1,215,904	1,403,385	4,595,642	3,028,456	4,664,852	2,255,676	2,519,556	3,060,123	3,239,892
Unrestricted	5,773,271	4,332,153	3,146,800	3,715,066	3,788,247	4,601,600	9,254,646	9,068,973	8,895,328	10,251,304
Total governmental activities net position	25,409,481	27,152,028	28,170,296	29,278,732	32,153,972	36,103,499	40,177,414	43,447,334	45,109,197	48,386,225
Business-type activities										
Net investment in capital assets	5,900,639	6,571,228	6,437,689	6,419,700	6,585,478	6,842,512	7,659,718	7,766,165	7,950,077	7,292,319
Restricted	10,000	-	-	-	-	-	-	-	332,934	472,204
Unrestricted	1,634,597	1,388,081	1,457,082	1,244,287	953,993	1,106,730	1,049,673	956,744	633,238	305,130
Total business-type activities net position	7,545,236	7,959,309	7,894,771	7,663,987	7,539,471	7,949,242	8,709,391	8,722,909	8,916,249	8,069,653
Primary government										
Net investment in capital assets	24,250,498	28,175,199	30,057,800	27,387,724	31,922,747	33,679,559	36,326,810	39,624,970	41,103,823	42,187,348
Restricted	1,296,351	1,215,904	1,403,385	4,595,642	3,028,456	4,664,852	2,255,676	2,519,556	3,393,057	3,712,096
Unrestricted	7,407,868	5,720,234	4,603,882	4,959,353	4,742,240	5,708,330	10,304,319	10,025,717	9,528,566	10,556,434
Total primary government net position	\$ 32,954,717	\$ 35,111,337	\$ 36,065,067	\$ 36,942,719	\$ 39,693,443	\$ 44,052,741	\$ 48,886,805	\$ 52,170,243	\$ 54,025,446	\$ 56,455,878

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Expenses										
Governmental activities:										
General government										
Public safety	\$ 1,818,282	\$ 1,740,109	\$ 1,731,054	\$ 1,936,560	\$ 2,355,856	\$ 1,964,997	\$ 2,226,494	\$ 2,730,581	\$ 2,021,063	\$ 2,795,876
Public works/streets	917,369	929,921	933,600	1,043,704	1,103,433	1,189,473	1,300,308	1,552,864	2,137,392	1,865,740
Parks and recreation	1,452,957	1,386,337	1,584,040	2,071,587	2,119,682	2,333,284	2,258,008	2,656,560	3,342,159	2,828,435
Community support	766,157	1,287,596	1,342,779	1,444,792	1,210,302	1,350,904	1,704,324	1,682,231	1,893,635	2,327,283
Economic development	1,138,292	866,832	1,079,633	1,172,308	1,921,869	1,144,602	1,230,932	1,685,329	1,503,463	1,475,780
Interest on long-term debt	-	-	-	-	-	-	-	-	113,622	101,046
Total governmental activities	43,070	92,526	101,864	143,595	105,067	154,714	153,321	139,988	125,499	129,396
	6,136,127	6,303,321	6,772,970	7,812,546	8,816,209	8,137,974	8,873,387	10,447,553	11,136,833	11,523,556
Business-type activities:										
Sanitation	659,724	776,641	886,625	1,055,343	1,029,073	912,306	1,258,889	1,435,124	1,529,406	2,537,277
Geothermal	66,711	54,308	66,990	56,258	115,330	64,916	88,162	70,806	76,898	151,270
Total business-type activities	726,435	830,949	953,615	1,111,601	1,144,403	977,222	1,347,051	1,505,930	1,606,304	2,688,547
Total expenses	\$ 6,862,562	\$ 7,134,270	\$ 7,726,585	\$ 8,924,147	\$ 9,960,612	\$ 9,115,196	\$ 10,220,438	\$ 11,953,483	\$ 12,743,137	\$ 14,212,103
Program Revenues										
Governmental activities:										
Charges for services:										
General government										
Public safety	\$ 190,681	\$ 201,588	\$ 235,348	\$ 264,700	\$ 350,573	\$ 498,400	\$ 302,027	\$ 262,181	\$ 326,968	\$ 293,956
Public works/streets	117,339	114,605	116,260	121,497	82,726	213,244	145,665	157,115	221,586	223,907
Parks and recreation	89,573	145,847	125,795	149,056	75,709	79,965	165,851	160,536	201,994	115,821
Community support	155,044	165,687	241,781	231,516	112,233	119,975	205,408	247,792	268,816	268,308
Operating grants and contributions	9,356	12,841	12,901	12,833	53,000	61,200	25,556	29,621	82,672	109,293
Capital grants and contributions	427,428	300,126	273,524	304,728	1,261,011	212,739	238,441	153,610	344,487	663,183
Total governmental activities	464,427	1,102,564	460,699	590,224	1,470,744	1,090,987	244,816	399,653	171,306	1,113,632
	1,453,848	2,043,258	1,466,308	1,674,554	3,405,996	2,276,510	1,327,764	1,410,508	1,617,829	2,788,100
Business-type activities										
Charges for services:										
Sanitation	673,154	686,183	704,503	746,651	801,704	885,312	953,264	1,040,880	1,305,913	1,402,077
Geothermal	44,766	43,193	47,361	42,097	41,967	43,427	49,347	61,485	101,271	93,028
Capital grants and contributions	213,767	475,204	93,500	41,650	94,325	213,215	1,018,765	300,325	1,02,759	123,371
Total business-type activities	931,687	1,204,580	845,364	830,398	937,996	1,141,954	2,021,376	1,402,690	1,519,943	1,618,476
Total program revenues	\$ 2,385,535	\$ 3,247,838	\$ 2,311,672	\$ 2,504,952	\$ 4,343,992	\$ 3,418,464	\$ 3,349,140	\$ 2,813,198	\$ 3,137,772	\$ 4,406,576

(continued)

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Net (expense)/revenue										
Governmental activities	\$ (4,682,279)	\$ (4,260,063)	\$ (5,306,662)	\$ (6,137,992)	\$ (5,410,213)	\$ (5,861,464)	\$ (7,545,623)	\$ (9,037,045)	\$ (9,519,004)	\$ (8,735,456)
Business-type activities	205,252	373,631	(108,251)	(281,203)	(206,407)	164,732	674,325	(103,240)	(86,361)	(1,070,071)
Total primary government net expense	\$ (4,477,027)	\$ (3,886,432)	\$ (5,414,913)	\$ (6,419,195)	\$ (5,616,620)	\$ (5,696,732)	\$ (6,871,298)	\$ (9,140,285)	\$ (9,605,365)	\$ (9,805,527)
General Revenues										
Governmental activities:										
Taxes:										
Property tax	80,057	\$ 83,757	\$ 86,107	\$ 86,484	\$ 99,544	\$ 96,490	\$ 109,096	\$ 109,618	\$ 141,097	\$ 134,579
Sales tax	4,623,015	4,953,511	5,103,807	5,966,149	7,256,486	8,684,370	9,001,178	8,889,943	9,193,595	9,412,434
Other taxes	116,880	118,358	130,064	135,094	111,381	121,395	126,964	143,385	171,013	274,391
Franchise tax	47,355	28,197	51,225	20,014	27,608	27,900	23,811	25,872	27,037	26,812
Lodgers tax	730,533	765,121	862,319	965,800	787,339	1,015,412	1,466,746	1,302,512	1,414,290	1,405,291
Unrestricted investment earnings	40,044	55,520	32,806	43,238	29,845	53,279	141,256	434,443	546,515	498,209
Gain on sale of assets	18,859	-	-	-	-	-	-	-	-	189,281
Other revenues	35,340	56,474	58,602	32,649	-	-	47,907	55,265	64,426	14,349
Transfers	-	-	-	(3,000)	(26,750)	(187,855)	(12,125)	-	(147,968)	57,138
Total governmental activities	5,692,083	6,060,938	6,324,930	7,246,428	8,285,453	9,810,991	10,904,833	10,961,038	11,410,005	12,012,484
Business-type activities:										
Taxes										
Property tax	62,359	37,823	41,598	45,772	53,275	56,335	59,480	60,362	74,716	76,019
Unrestricted investment earnings	2,594	2,619	2,115	1,647	1,866	1,149	14,219	56,396	57,017	204,594
Transfers	-	-	-	3,000	26,750	187,855	12,125	-	147,968	(57,138)
Total business-type activities	64,953	40,442	43,713	50,419	81,891	245,339	85,824	116,758	279,701	223,475
Total primary government	\$ 5,757,036	\$ 6,101,380	\$ 6,368,643	\$ 7,296,847	\$ 8,367,344	\$ 10,056,330	\$ 10,990,657	\$ 11,077,796	\$ 11,689,706	\$ 12,235,959
Change in Net Position										
Governmental activities	\$ 1,009,804	\$ 1,800,875	\$ 1,018,268	\$ 1,108,436	\$ 2,875,240	\$ 3,949,527	\$ 3,359,210	\$ 1,923,993	\$ 1,891,001	\$ 3,277,028
Business-type activities	270,205	414,073	(64,538)	(230,784)	(124,516)	410,071	760,149	13,518	193,340	(846,596)
Total primary government	\$ 1,280,009	\$ 2,214,948	\$ 953,730	\$ 877,652	\$ 2,750,724	\$ 4,359,598	\$ 4,119,359	\$ 1,937,511	\$ 2,084,341	\$ 2,430,432

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General fund										
Nonspendable	\$ -	\$ 11,408	\$ 9,457	\$ 4,573	\$ -	\$ 131,534	\$ -	\$ 1,525	\$ 756	\$ 14,431
Restricted	862,593	801,765	842,868	844,284	310,632	348,891	711,392	1,333,277	1,355,473	1,426,307
Committed	-	-	-	-	-	-	-	-	62,000	120,250
Assigned	107,365	107,365	107,365	107,365	1,374,808	299,516	107,365	107,365	107,365	107,365
Unassigned	1,814,176	2,005,495	1,591,031	2,009,272	1,938,390	4,258,262	5,363,024	5,312,222	4,800,181	5,005,213
Total general fund	\$ 2,784,134	\$ 2,926,033	\$ 2,550,721	\$ 2,965,494	\$ 3,623,830	\$ 5,038,203	\$ 6,181,781	\$ 6,754,389	\$ 6,325,775	\$ 6,673,566

All other governmental funds

Nonspendable:	\$ -	\$ 2,292	\$ -	\$ 14,301	\$ -	\$ -	\$ -	\$ -	\$ 3,495	\$ -
Prepaids										
Restricted:										
Emergency reserve	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	3,015,962	1,718,931	2,549,568	-	-	-	-
Parks and recreation	64,174	43,375	32,642	68,345	48,524	59,741	60,419	62,132	65,547	75,756
Tourism	359,584	370,764	527,875	667,069	922,685	1,598,910	1,483,865	1,124,147	1,639,103	1,737,829
Other purposes	-	-	-	-	-	-	-	-	-	-
Committed for:	-	-	-	-	-	-	-	-	-	-
Assigned for:										
Health funds	-	-	-	-	-	-	-	-	-	-
Capital outlay	3,905,518	2,267,051	1,434,926	1,583,630	-	-	3,733,055	3,625,458	3,867,815	5,032,265
	\$ 4,329,276	\$ 2,683,482	\$ 1,995,443	\$ 5,349,307	\$ 2,690,140	\$ 4,208,219	\$ 5,277,339	\$ 4,811,737	\$ 5,575,960	\$ 6,845,850

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues										
Taxes	\$ 5,461,712	\$ 5,796,913	\$ 6,032,968	\$ 6,906,843	\$ 8,282,358	\$ 9,945,567	\$ 10,200,193	\$ 9,980,003	\$ 10,416,345	\$ 10,853,828
Licenses and permits	112,513	147,880	145,962	227,833	178,316	262,650	265,147	257,981	243,509	249,489
Intergovernmental	815,237	825,552	822,066	1,026,405	2,784,867	1,340,472	871,884	956,905	1,064,536	2,150,904
Fines and forfeitures	95,717	81,190	84,064	90,630	82,726	88,201	119,615	123,888	186,152	185,036
Charges for services	241,028	302,666	370,212	333,139	213,755	346,524	311,833	285,386	388,313	355,194
Interest revenue	106,351	55,520	32,806	43,238	29,845	53,279	141,256	434,443	546,515	498,209
Contributions and donations	86,985	88,231	49,122	44,941	-	-	156,108	67,604	66,843	164,279
Other revenues	127,261	171,142	195,210	222,670	138,244	214,209	211,207	265,336	263,589	97,226
Total Revenues	7,046,804	7,469,094	7,732,410	8,895,699	11,710,111	12,250,902	12,277,243	12,371,546	13,175,802	14,554,165
Expenditures										
Current:										
General government	1,618,497	1,684,210	1,646,731	1,768,481	2,259,939	1,871,284	2,726,837	3,080,812	3,147,589	3,321,806
Public safety	882,648	880,193	947,965	1,004,179	1,060,486	1,152,921	1,319,525	1,512,563	2,028,047	1,971,273
Public works/streets	703,341	767,232	785,698	1,254,015	1,257,358	1,646,581	1,326,065	1,381,928	1,742,635	1,979,260
Parks and recreation	810,214	875,288	891,465	1,071,948	870,577	1,037,317	1,258,048	1,416,936	1,775,814	2,010,596
Community support	1,101,602	860,609	1,060,552	1,163,180	1,914,125	1,136,858	1,222,366	1,677,045	1,270,468	1,369,397
Economic development	-	-	-	-	-	-	-	-	113,622	101,046
Capital outlay	1,698,573	3,696,668	3,270,667	1,500,465	5,722,004	1,757,080	1,583,189	2,762,508	2,185,765	1,987,199
Debt service										
Principal retirement	726,136	147,437	446,871	393,919	482,128	366,844	457,000	287,000	297,000	307,000
Interest on long-term debt	41,961	91,293	104,640	137,154	117,557	161,710	159,411	145,748	131,285	135,324
Issuance costs	108,600	-	-	56,478	-	-	-	-	-	-
Total expenditures	7,691,572	9,002,930	9,154,589	8,349,819	13,684,174	9,130,595	10,052,441	12,264,540	12,692,225	13,182,901
Revenues over (under) expenditures	(644,768)	(1,533,836)	(1,422,179)	545,880	(1,974,063)	3,120,307	2,224,802	107,006	483,577	1,371,264
Other financing sources (uses)										
Transfers in	-	388,455	675,909	24,000	223,400	127,431	830,318	580,000	137,796	475,998
Transfers out	-	(388,455)	(675,909)	(27,000)	(250,150)	(315,286)	(842,443)	(580,000)	(285,764)	(463,496)
Impact fees	80,268	88,269	58,828	28,283	-	-	21	-	-	-
Leases issued	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	-	-	-	-	-	-	-	-	233,915
Total other finance sources (uses)	3,085,186	88,269	358,828	3,222,739	(26,750)	(187,855)	(12,104)	-	(147,968)	246,417
Net change in fund balances	\$ 2,440,418	\$ (1,445,567)	\$ (1,063,351)	\$ 3,768,619	\$ (2,000,813)	\$ 2,932,452	\$ 2,212,698	\$ 107,006	\$ 335,609	\$ 1,617,681
Debt service as a percentage of noncapital expenditures	12.65%	3.29%	9.66%	9.63%	4.84%	15.51%	7.64%	4.73%	4.39%	4.46%

Town of Pagosa Springs, Colorado
General Governmental Tax Revenues by Source
Last Ten Fiscal Years (Unaudited)

<u>Fiscal Year</u>	<u>Property & SOT</u>	<u>Town Portion of County Sales Tax*</u>	<u>Franchise & Business Fees</u>	<u>Lodgers Tax</u>	<u>Other Taxes</u>	<u>Total</u>
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
2024	\$ 159,909	\$ 9,139,494	\$ 250,428	\$ 883,605	\$ 127,702	\$ 10,561,138
2025	\$ 153,263	\$ 9,440,812	\$ 217,718	\$ 918,386	\$ 168,153	\$ 10,898,332

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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Hotel/Motel & Cabin/Campground	\$ 484,980	\$ 491,215	\$ 525,712	\$ 563,018	\$ 576,517	\$ 655,777	\$ 614,927	\$ 556,698	\$ 629,471	\$ 771,173
Vacation Rental & Property Management	\$ 108,314	\$ 120,431	\$ 130,513	\$ 122,718	\$ 217,165	\$ 349,575	\$ 319,837	\$ 250,362	\$ 255,741	\$ 147,113
Total Tax	\$ 593,294	\$ 611,646	\$ 656,225	\$ 685,736	\$ 793,682	\$ 1,005,352	\$ 934,764	\$ 807,060	\$ 885,212	\$ 918,286

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)

<u>Fiscal Year</u>	<u>Tax Rate</u>
2016	4.9%
2017	4.9%
2018	4.9%
2019	4.9%
2020	4.9%
2021	4.9%
2022	4.9%
2023	4.9%
2024	4.9%
2025	4.9%

Town of Pagosa Springs, Colorado
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Governmental Activities		Business-Type Activities			Total Outstanding Debt	Percentage of Personal Income (2)	Population (3)	Per Capita
	Certificates of Participation (1)	Leases	Leases	Notes Payable	Revenue Bonds (1)				
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%	1,777	4,352
2024	3,666,246	-	-	2,949,505	-	6,615,751	1.25%	1,797	3,682
2025	3,354,535	-	-	2,712,851	4,684,106	6,067,386	1.15%	1,838	3,301

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

Town of Pagosa Springs, Colorado
Direct and Overlapping Governmental Activities Debt
As of December 31, 2025
(Unaudited)

	Net Debt	Estimated	Amount
Governmental Unit:	Outstanding	Percentatge	Applicable to
		Applicable (1)	Pagosa Springs
Archuleta County	* \$ 14,440,128	12.85%	\$ 1,855,556
Subtotal, overlapping debt			1,855,556
Town direct debt			3,354,535
Total direct and overlapping debt			\$ 5,210,091

(1) Allocated based on population as of 2025 per U.S. Census Bureau

* The current year information was unavailable. Used 2024 data.

Sources: Outstanding debt from the financial statements of 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)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
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)

<u>Fiscal Year</u>	<u>Town Population¹</u>	<u>County Population¹</u>	<u>Personal Income²</u>	<u>Per Capita Personal Income²</u>	<u>Unemployment Rate³</u>	<u>Median Age⁴</u>	<u>K-12 Enrollment⁵</u>
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)

	Employer	Type of Business	2023 ¹			2014 ¹		
			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%	

¹Region 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)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Function/Program										
Administration	3.91	3.33	4.08	4	3.58	3.92	4.83	5.92	6	5.92
Development	5.75	5.5	5.42	5	5.83	5.08	5.25	6.08	5.92	8.09
Municipal Courts	3	3	3	2.83	3	3	2.84	2.5	3	2.75
Parks and Recreation	7	7	6.91	7.25	7.25	7.92	8.33	9.5	11.75	12.83
Public Safety	8	6.83	7	7.17	7.83	7.83	7.83	9.34	10.82	10.76
Public Works	7.67	7.83	6.58	7.92	8	8.24	8.66	8.76	10.09	11.08
Sewer Utility	1	1	1	1.25	1.75	1.5	2.16	2.42	2.92	2.92
Tourism/Visitor Center	2	2	2.75	3	3	2.67	3.42	3.83	4	3
Total	38.33	36.49	36.74	38.42	40.24	40.16	43.32	48.35	54.5	57.35

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
- *Community Development Department changed to Development Department

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General Government										
Building permits issued	63	77	83	106	79	87	101	79	49	59
Commercial	27	41	47	63	39	34	48	40	14	27
Residential	36	36	36	43	40	53	53	39	35	32
Value of Buildings	16,818,435	8,835,971	10,347,876	13,301,173	27,419,154	16,333,056	13,822,049	55,459,761	23,489,584	11,960,803
Commercial	No Data	1,852,278	6,736,543	6,651,138	20,660,893	8,025,952	5,166,189	48,605,364	16,474,510	7,926,601
Residential	No Data	6,983,693	3,611,333	6,650,035	6,758,261	8,307,104	8,655,860	6,854,397	7,015,074	4,034,202
Building construction inspections	No Data	277	454	210	214	297	338	261	114	216
Public Safety										
Total number of police incidents	4,814	4,949	5,067	5,333	7,224	7,090	8,354	8,688	7,842	6,736
Incident reports not including traffic acc	600	730	580	641	673	673	867	850	930	543
Public Works										
Street miles swept	938	938	938	938	938	938	938	938	938	3,715
Signs replaced/installed	5	0	10	58	628	2	0	0	3	42
Parks and Recreation										
Program participation revenues	\$ 46,000	\$ 48,000	\$ 46,000	\$ 48,000	\$ 13,000	\$ 38,000	\$ 35,000	\$ 32,520	\$ 36,690	\$ 39,255
Total number of recreation participants	No Data	No Data	No Data	No Data	No Data	No Data	No Data	839	857	949
Park rental permits issued	36	36	48	51	10	36	50	50	70	103
Visitor Center										
Lodgers Tax Collected	\$ 593,287	\$ 611,642	\$ 656,625	\$ 693,828	\$ 796,344	\$ 1,005,452	\$ 937,209	\$ 799,503	\$ 885,212	\$ 918,286
Number of Visitor Center visitors	85,971	81,811	84,958	85,394	36,000	41,800	35,400	34,500	No Data	No Data
Social Media Followers	17,712	21,158	29,535	35,171	43,701	54,515	56,406	59,456	65,245	79,508
Sewer Utility										
Gallons of wastewater treated (MG)*	30,424	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average daily use (MG)	515,715	624,715	545,246	705,921	495,663	547,687	597,401	829,666	427,701	411,500

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)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Public Safety										
Number of police vehicles	8	9	10	10	10	10	10	12	13	15
Public Works										
Miles of streets	22.53	22.53	22.85	22.52	22.7	22.7	22.7	22.7	25.57	25.57
Parks and Recreation										
Parkland-developed acres	2.6	3.6	4.3	5.15	5.1	5.1	5.1	7.1	33.97	33.97
Parkland-undeveloped acres	37.95	36.45	35.25	34.2	34.2	34.15	34.15	32.15	36.35	39.98
Open space-acres	110	110	110	110	110	110	110	110	154.18	154.18
Number of parks	7	7	7	7	7	8	8	8	8	8
Number of playgrounds	4	5	7	7	7	7	7	7	6	6
Utility										
Miles of sewer lines	43.38	43.38	43.38	43.38	43.38	43.38	43.38	43.38	25.1	25.1
Miles of geothermal lines	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Economic Development										
Potential workforce housing acres	0	0	0	0	1.53	2.38	2.38	2.38	3.62	3.62

Notes: Added the Bobs LP property to Parkland-undeveloped

OTHER COMMUNICATIONS 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, 2025, and the related notes to the financial statements, which collectively comprise the Town of Pagosa Springs, Colorado's basic financial statements and have issued our report thereon dated June 19, 2026.

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.

Squire & Company, PC

St. George, Utah
June 19, 2026