

Pagosa Area Water and Sanitation District

Financial Statements

December 31, 2022

Pagosa Area Water and Sanitation District
Table of Contents
December 31, 2022

	Page
Financial Section	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	ii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Governmental Funds	
Balance Sheet	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	9
Proprietary Funds	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Fund Net Position	11
Statement of Cash Flows	12
Notes to the Basic Financial Statements	14
Required Supplementary Information	
Budgetary Comparison Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Budgetary Basis)	33
General Fund	33
Notes to Required Supplementary Information	34
Other Supplementary Information	
Budgetary Comparison Schedules	
Governmental Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Budgetary Basis)	36
Debt Service Fund	36
Enterprise Funds	
Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual (Budgetary Basis)	37
Water Fund	37
Wastewater Fund	42

Independent Auditor's Report

Board of Directors
Pagosa Area Water and Sanitation District

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of Pagosa Area Water and Sanitation District (the "District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District'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, and each major fund, of the District as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 District 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 District'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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 District'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 District'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 and budgetary comparison information on 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 District's basic financial statements. The accompanying supplementary information, including the combining and individual nonmajor fund budget to actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund budget to actual schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

rfarmer, llc

July 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Pagosa Area Water and Sanitation District (the District) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended December 31, 2022.

This section provides a summary of the District's financial performance. It contains an overview and analysis of the District's financial activities for the year ended December 31, 2022. The financial statements are an integral part of this analysis and should be read in conjunction with this document.

FINANCIAL HIGHLIGHTS

1. The District's net positions total \$84,338,689; this is an increase of \$2,155,174 from the previous year.
2. Operating expenses of \$10,191,497 exceeded operating revenues of \$9,003,877 by \$1,187,620.
3. General revenues total \$3,296,867.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

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

The *Statement of Net Position* (see page 4) presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* (see page 5) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported on the accrual basis as soon as the underlying event giving rise to the change occurs,

regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

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

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

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

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

Revenue is recorded when earned and expenses are recorded when incurred. The proprietary fund basic financial statements include a *Statement of Net Position*, a *Statement of Revenues, Expenses and Changes in Fund Net Position*, and a *Statement of Cash Flows* (beginning on page 10).

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

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

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

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

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 to 32 of this report.

FINANCIAL POLICY PRIORITIES

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

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

In 2022, the District completed several construction projects and ended the year with work-in-progress carry over amounts in both of the enterprise funds. As planned, this had the effect of reducing reserves. The District expended \$1,755,521 in 2022 on water projects and \$237,585 on wastewater projects.

Past expansion and improvements have been paid with a combination of user fees, property taxes and bond issues. The District's policies also made it possible for the District to complete the year with cash and investments in all funds of \$13,929,906 of which \$2,877,624 is designated for future construction projects and debt retirement.

Day-to-Day Operational Control of the District

For operational control, the District had 4 funds during 2022: the General Fund, Debt Service Fund, Water Fund and Wastewater Fund.

The General Fund provides for the administration of the District and also transfers monies to other funds. A total of \$375,000 was transferred to other funds. The major sources of revenue are monies collected for property taxes and specific ownership taxes. In 2022, the General Fund collected \$1,205,946. There was a \$182,435 increase in fund balance over the previous year. Transfers to the Water and Wastewater Enterprise Funds have been reduced or will remain

constant to preserve this fund balance in light of the District's election on a referred measure. On May 3, 2016 District voters passed a measure to subject the revenue, collection and spending limits under Article X, Section 20 of the Colorado Constitution (otherwise known as the Taxpayers Bill of Rights) by repealing the ballot issue approved by District voters on May 2, 2000. This action will impact the General Fund by limiting tax revenue while it is not anticipated that General Fund expenses, other than the amount available for transfer to other funds, can be reduced. The ending fund balance in the General Fund at December 31, 2022, was \$1,342,098 of this amount, \$55,000 is set aside as a reserve (see note 13 on page 29 of the financial statements). Non spendable prepaids and inventories are \$12,350 and the remaining balance of \$1,274,748 is undesignated.

The Debt Service Fund records the collection of property taxes for debt service payments on general obligation bonds. In 2022, property taxes collected for debt service were \$1,151,005; \$1,085,000 was paid in principal payments and \$33,006 was paid for interest. The 2022 fund balance for the Debt Service Fund increased by \$12,235 from 2021. The Debt Service Fund balance at the end of 2022 was \$26,167.

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

The Water Fund had an increase in Net Position of \$1,275,147 for 2022. Of this amount, the operating income was \$600,422; non-operating revenues and expenses have a surplus of \$408,235; and \$255,000 was supplied from transfers and a gain/loss on asset disposal. The transfers from the General Fund of \$255,000 are cash additions. At the end of 2022, the Water Fund had a net position of \$56,514,616. Of this amount, \$46,319,292 is invested in capital assets, net of related debt and is not available for future appropriations and \$10,195,324 is unrestricted.

The Wastewater Fund had a decrease in Net Position of \$442,381 for 2022. Of this amount, operating loss was (\$760,117); non-operating revenues and expenses contributed \$197,736; and \$120,000 was from transfers and a gain on asset disposal. The transfers from the General Fund of \$120,000 are cash additions. At the end of 2022, the Wastewater Fund has a net position of \$26,090,922. Of this amount, \$19,602,752 is invested in capital assets, net of related debt and is not available for future appropriations and \$6,488,170 is unrestricted.

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

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

**TABLE A:
CONDENSED STATEMENT OF NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 2,503,808	\$ 2,218,222	\$ 11,629,032	\$ 10,289,204	\$ 14,132,840	\$ 12,507,426
Restricted assets	364,889	1,574,340	3,188,235	4,106,426	3,553,124	5,680,766
Capital assets	-	-	83,262,192	84,426,359	83,262,192	84,426,359
Total assets	<u>2,868,697</u>	<u>3,792,562</u>	<u>98,079,459</u>	<u>98,821,989</u>	<u>100,948,156</u>	<u>102,614,551</u>
Current liabilities	107,932	1,189,134	198,915	1,771,043	306,847	2,960,177
Long-term debt outstanding	-	18,710	15,275,006	15,278,173	15,275,006	15,296,883
Total liabilities	<u>107,932</u>	<u>1,207,844</u>	<u>15,473,921</u>	<u>17,049,216</u>	<u>15,581,853</u>	<u>18,257,060</u>
Deferred Cash In-flows	<u>1,027,614</u>	<u>2,128,048</u>	<u>-</u>	<u>-</u>	<u>1,027,614</u>	<u>2,128,048</u>
Net position:						
Invested in capital assets, net of related debt	364,889	(698,213)	65,922,044	65,464,537	66,286,933	64,766,324
Restricted	68,932	65,042	-	-	68,932	65,042
Unrestricted	<u>1,299,330</u>	<u>1,089,841</u>	<u>16,683,494</u>	<u>16,308,236</u>	<u>17,982,824</u>	<u>17,398,077</u>
Total net position	<u>\$ 1,733,151</u>	<u>\$ 456,670</u>	<u>\$ 82,605,538</u>	<u>\$ 81,772,773</u>	<u>\$ 84,338,689</u>	<u>\$ 82,229,443</u>

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Charges for services (Grants/Contributions)	\$ -	\$ -	\$ 9,003,877	\$ 8,875,132	\$ 9,003,877	\$ 8,875,132
Total operating expenses	751,775	728,162	9,439,722	9,006,189	10,191,497	9,734,351
Operating income (loss)	(751,775)	(728,162)	(435,845)	(131,057)	(1,187,620)	(859,219)
General Revenues						
Property taxes and specific ownership taxes	2,356,951	2,384,140	-	-	2,356,951	2,384,140
Gain (Loss) on asset disposal	-	-	-	15,230	-	15,230
Investment earnings & Miscellaneous	46,306	2,370	893,610	228,843	939,916	231,213
General revenues	2,403,257	2,386,510	893,610	244,073	3,296,867	2,630,583
Net income before contributions and transfers	1,651,482	1,658,348	457,765	113,016	2,109,247	1,771,364
Capital contributions	-	-	-	45,928	-	-
Donated assets	-	-	-	-	-	-
Transfers:						
Construction projects	-	-	-	-	-	-
General Fund	(375,000)	(500,000)	375,000	500,000	-	-
Debt Service Fund	-	-	-	-	-	-
Special Revenue Fund	-	-	-	-	-	-
Change in net position	1,276,482	1,158,348	832,765	658,944	2,109,247	1,771,364
Beginning net position	456,669	(701,678)	81,772,773	81,113,829	82,229,442	80,412,151
Rounding and / or Adjustment	-	-	-	-	-	-
Beginning net assets, as corrected	456,669	(701,678)	81,772,773	81,113,829	82,229,442	80,412,151
Ending net position	\$ 1,733,151	\$ 456,670	\$ 82,605,538	\$ 81,772,773	\$ 84,338,689	\$ 82,183,515

Financial Analysis

Condensed Statement of Net Position

A Condensed Statement of Net Position for 2022 and 2021 is shown in Table A on page VI. The District's net position (the difference between assets and liabilities) is one way to measure the financial health of the District. Increases or decreases in the District's net positions are indicators of improving or deteriorating financial health. This, coupled with factors such as population growth, legislative changes or policy changes, provide an integrated assessment of the District's health.

Net positions have increased by \$2,155,174 as a result of operations. The table also shows total restricted assets of \$3,553,124, of this amount \$3,188,235 is designated for future water and wastewater treatment related capital projects that are projected to total approximately \$8,136,000. It is estimated that another \$106,220,000 will be needed to address wastewater treatment needs over the next 20 years; however, that number may undergo substantial revision as a result of changing conditions or regulations in the industry. A revised Capital Improvements Plan was completed in 2023. As of December 31, 2022, governmental activities show a total net position of \$1,733,151, which is an increase of \$1,276,481 from 2021. Net Positions in the business-type activities indicate that \$16,683,494 is unrestricted and available for future appropriations. This is an increase from the prior year. Net position invested in capital assets, net of related debt, of \$65,922,044 are not available for future appropriations.

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

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

A Condensed Statement of Revenues, Expenses and Changes in Net Position are shown in Table B detailing the revenues, expenses, and changes in net positions for 2022 and 2021. An examination of Table B for 2022 shows that the District's change in net positions in the business-type activities is \$832,765; this is an increase from the prior year. Net income before contributions and transfers increased by \$344,749; contributions and transfers decreased by \$125,000. The business-type activities show an operating loss of (\$435,845) for 2022. The business-type activities use transfers from the General Fund to partially meet their operating needs in the amount of \$375,000 in 2022. The operating loss has increased \$304,788 from that of 2021 due to increased capital spending during the year.

The governmental funds use property taxes levied for general purposes to meet operating needs. Governmental activities show an increase in net positions of \$1,276,482.

BUDGETARY HIGHLIGHTS

Pagosa Area Water and Sanitation District did not amend its budget in 2022.

The schedules of revenues and expenses, actual compared to final budget, for the General Fund are included in the required supplementary information. The General Fund budgeted to spend \$1,361,838 and actually spent \$1,055,903.

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

CAPITAL ASSETS AND DEBT ACTIVITIES

During 2022, the District invested \$1,897,249 in capital projects. Capital projects that were substantially completed in 2022 were:

- Eagle Peak Booster Station Rebuild
- Snowball Water Treatment Plant Engineering
- Vista Wastewater Treatment Plant Engineering
- Lift Station #11 Upgrade

The following projects were Capital projects still in process at the end of 2022:

- Snowball Water Treatment Plant Engineering
- Vista Wastewater Treatment Plant Needs Assessment

At the conclusion of 2022, the District's outstanding debt was \$15,250,321 for various bond and loan issues. The District has drawn all authorized financings. These financings were incurred for the following construction projects:

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors and the management of Pagosa Area Water and Sanitation District consider many factors when setting the budget for 2023. Projected user fees, growth, and Capital Investment Fees are all evaluated and considered before a final budget is adopted. The 2023 budget also attempts to project new expenses associated with operating new treatment plant processes and systems. These expenses are reconciled to projected revenues. Initial estimates show the following additional operating increases (decreases) are anticipated for the 2023 budget year.

The General Fund has budgeted \$1,444,995; this is an increase of \$389,092 over 2022 expenditures.

The Debt Service Fund has budgeted \$58,694; this is a decrease of \$1,093,990 from the 2022 expenditures.

The Water Fund has budgeted \$32,261,208; this is an increase of \$25,509,654 from the 2022 expenditures. This increase is primarily due to construction for the Snowball Water Treatment Plant upgrade.

The Wastewater Fund has budgeted \$6,123,152; this is an increase of \$3,124,243 from the 2022 expenditures. This increase is primarily due to the start of an Inflow & Infiltration Study and increased allowances for lift station upgrades and maintenance.

Capital projects which are scheduled for 2023 are as follows:

- Stevens Reservoir Pipeline & Booster Engineering
- Lift Station 7 upgrade
- Transitioning the SCADA Radio System to Ethernet
- Conex Container Project
- Snowball Water Treatment Plant Construction
- Vista WWTP Engineering
- Wastewater Modelling

CONTACTING THE DISTRICT'S MANAGER

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

Basic Financial Statements

Pagosa Area Water and Sanitation District
Statement of Net Position
December 31, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,318,243	\$ 9,734,039	\$ 11,052,282
Receivables	1,173,215	813,009	1,986,224
Inventories	-	1,129,179	1,129,179
Prepaid expenses	12,350	(47,195)	(34,845)
Cash	-	2,877,624	2,877,624
Customer accounts receivable, net	-	310,611	310,611
Capital assets, net of accumulated depreciation	364,889	69,364,912	69,729,801
Construction in progress	-	2,433,111	2,433,111
Due from other governments	-	2,089,821	2,089,821
Other assets	-	9,374,348	9,374,348
Total Non-Current Assets	<u>364,889</u>	<u>86,450,427</u>	<u>86,815,316</u>
Total Assets	<u>2,868,697</u>	<u>98,079,459</u>	<u>100,948,156</u>
LIABILITIES			
Accounts payable and accrued expenses	61,023	(8,678)	52,345
Personal Time Off and retirement	46,909	133,013	179,922
Unearned revenues	-	74,580	74,580
Long-term liabilities			
Due within one year:			
Bonds and loans payable	-	1,523,853	1,523,853
Accrued interest	-	13,255	13,255
Deposits payable	-	2,256	2,256
Due in more than one year:			
Bonds and loans payable	-	13,726,474	13,726,474
Bond premium net of discount	-	9,168	9,168
Total liabilities	<u>107,932</u>	<u>15,473,921</u>	<u>15,581,853</u>
Deferred inflow of resources:			
Deferred Property Taxes	<u>1,027,614</u>	<u>-</u>	<u>1,027,614</u>
NET POSITION			
Net investment in capital assets	364,889	65,922,044	66,286,933
Restricted for:			
Debt Service	13,932	-	13,932
TABOR	55,000	-	55,000
Unrestricted	1,299,330	16,683,494	17,982,824
Total net position	<u>\$ 1,733,151</u>	<u>\$ 82,605,538</u>	<u>\$ 84,338,689</u>

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

**Pagosa Area Water and Sanitation District
Statement of Activities
For the Year Ended December 31, 2022**

Functions/Programs	Program Revenue				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	Total
Primary government							
Governmental Activities							
General Government	\$ 740,229	\$ -	\$ -	\$ -	\$ (740,229)	\$ -	\$ (740,229)
Interest on Long-term debt	11,546	-	-	-	(11,546)	-	(11,546)
Total governmental activities	<u>751,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(751,775)</u>	<u>-</u>	<u>(751,775)</u>
Business-type activities:							
Water	6,179,312	6,397,350	-	11,490	-	229,528	229,528
Wastewater	3,260,410	2,595,037	-	-	-	(665,373)	(665,373)
Total business-type activities	<u>9,439,722</u>	<u>8,992,387</u>	<u>-</u>	<u>11,490</u>	<u>-</u>	<u>(435,845)</u>	<u>(435,845)</u>
Total primary government	<u>10,191,497</u>	<u>8,992,387</u>	<u>-</u>	<u>11,490</u>	<u>(751,775)</u>	<u>(435,845)</u>	<u>(1,187,620)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 977,696	\$ -	\$ 977,696
Property taxes, levied for debt service					1,151,005	-	1,151,005
Specific ownership taxes					228,250	-	228,250
Unrestricted investment earnings					29,968	235,111	265,079
Miscellaneous					16,338	658,499	674,837
Transfers					<u>(375,000)</u>	<u>375,000</u>	<u>-</u>
Total general revenues, special items, and transfers					<u>2,028,257</u>	<u>1,268,610</u>	<u>3,296,867</u>
Change in net position					<u>1,276,482</u>	<u>832,765</u>	<u>2,109,247</u>
Net position - beginning					<u>456,669</u>	<u>81,772,773</u>	<u>82,229,442</u>
Net position - ending					<u>\$ 1,733,151</u>	<u>\$ 82,605,538</u>	<u>\$ 84,338,689</u>

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

Pagosa Area Water and Sanitation District
Balance Sheet
Governmental Funds
December 31, 2022

	General Fund	Debt Services Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,292,079	\$ 26,167	\$ 1,318,246
Taxes receivable, net	1,012,059	15,555	1,027,614
Taxes receivable, delinquent	145,601		145,601
Prepaid Expenses	12,350	-	12,350
Total assets	2,462,089	41,722	2,503,811
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	61,023	-	61,023
Accrued vacation and retirement	46,909	-	46,909
Total liabilities	107,932	-	107,932
Deferred inflow of resources:			
Deferred property taxes	1,012,059	15,555	1,027,614
Fund balances:			
Non spendable prepaid expense	12,350	-	12,350
Restricted - TABOR	55,000	-	55,000
Unassigned	1,274,748	-	1,274,748
Unreserved, reported in non-major:			
Restricted	-	26,167	26,167
Total fund balances	1,342,098	26,167	1,368,265
Total liabilities and fund balances	\$ 2,462,089	\$ 41,722	\$ 2,503,811

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

Pagosa Area Water and Sanitation District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2022

Total fund balance, governmental funds	\$ 1,368,265
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	364,889
Rounding	<u>(3)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 1,733,151</u></u>

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

Pagosa Area Water and Sanitation District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	<u>General Fund</u>	<u>Debt Services Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 977,696	\$ 1,151,005	\$ 2,128,701
SO Tax	228,250	-	228,250
Investment earnings	16,054	13,914	29,968
Miscellaneous	16,338	-	16,338
Total revenues	<u>1,238,338</u>	<u>1,164,919</u>	<u>2,403,257</u>
EXPENDITURES			
Audit and compilation	24,990	-	24,990
Board expense	4,731	-	4,731
Dues and permits	5,361	-	5,361
Employee expense	827	-	827
Treasurers fees	32,692	34,678	67,370
Fringe benefits	67,809	-	67,809
Insurance general	13,485	-	13,485
Legal fees	9,728	-	9,728
Office expense	51,642	-	51,642
Office maintenance and landscape	12,625	-	12,625
Outside services	72,180	-	72,180
Payroll taxes, vacation and sick pay	24,728	-	24,728
Personnel	323,771	-	323,771
Publications and recording fees	1,691	-	1,691
Repairs and maintenance	1,287	-	1,287
Telephone and utilities	28,207	-	28,207
Travel and training	5,149	-	5,149
Debt Service:			
Principal	-	1,085,000	1,085,000
Interest expense	-	33,006	33,006
Total Expenditures	<u>680,903</u>	<u>1,152,684</u>	<u>1,833,587</u>
Excess (deficiency) of revenues over expenditures	<u>557,435</u>	<u>12,235</u>	<u>569,670</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(375,000)</u>	-	<u>(375,000)</u>
Total other financing sources and uses	<u>(375,000)</u>	-	<u>(375,000)</u>
SPECIAL ITEM			
Net change in fund balances	182,435	12,235	194,670
Fund balances - beginning	1,159,663	13,932	1,173,595
Fund balances - ending	<u>\$ 1,342,098</u>	<u>\$ 26,167</u>	<u>\$ 1,368,265</u>

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

Pagosa Area Water and Sanitation District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended December 31, 2022

Net change in fund balances - total governmental funds:	\$	194,670
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which capital outlay of \$0 was less than depreciation of \$24,648 in the current period.</p>		(24,648)
<p>Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.</p>		1,085,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p> <p style="padding-left: 20px;">Amortization of bond premium and decrease in accrued interest payable</p>		<u>21,460</u>
Change in net position of governmental activities	\$	<u><u>1,276,482</u></u>

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

Pagosa Area Water and Sanitation District
Statement of Net Position
Proprietary Funds
December 31, 2022

	Enterprise Funds		Total
	Water Fund	Wasterwater Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,741,944	\$ 2,992,097	\$ 9,734,041
Accounts receivable, net	593,851	219,157	813,008
Inventories	1,046,833	82,346	1,129,179
Total current assets	8,382,628	3,293,600	11,676,228
Non-current assets:			
Restricted for capital projects and debt service			
Cash	1,780,497	1,097,127	2,877,624
Customer accounts receivable, net	191,628	118,983	310,611
Prepaid expenses	6,941	(54,136)	(47,195)
Utility system, net of accumulated depreciation	46,774,783	22,590,129	69,364,912
Construction in progress	2,215,258	217,852	2,433,110
Due from other governments	-	2,089,821	2,089,821
Other assets	9,374,348	-	9,374,348
Total non-current assets	60,343,455	26,059,776	86,403,231
Total assets	68,726,083	29,353,376	98,079,459
LIABILITIES			
Current Liabilities:			
Accounts payable	(9,737)	1,059	(8,678)
Other accrued expenses	95,830	50,439	146,269
Unearned revenue	68,853	5,727	74,580
Deposits	2,256	-	2,256
Bonds and loans payable, current portion	1,123,196	400,654	1,523,850
Total current liabilities	1,280,398	457,879	1,738,277
Non-current liabilities:			
Bond premiums net of discount	9,168	-	9,168
Bonds and loans payable	10,921,901	2,804,575	13,726,476
Total non-current liabilities	10,931,069	2,804,575	13,735,644
Total liabilities	12,211,467	3,262,454	15,473,921
NET POSITION			
Net investment in capital assets	46,319,292	19,602,752	65,922,044
Unrestricted	10,195,324	6,488,170	16,683,494
Total net position	\$ 56,514,616	\$ 26,090,922	\$ 82,605,538

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

Pagosa Area Water and Sanitation District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2022

	Enterprise Fund		Total
	Water Fund	Wasterwater Fund	
REVENUES			
Charges for services	\$ 4,700,355	\$ 1,855,764	\$ 6,556,119
Availability charges	434,491	266,637	701,128
Customer hookups	216,445	26,800	243,245
Late charges	18,675	2,268	20,943
Other operating revenues	960,437	346,094	1,306,531
Total operating revenues	<u>6,330,403</u>	<u>2,497,563</u>	<u>8,827,966</u>
OPERATING EXPENSES			
Source of Supply	636,747	-	636,747
Treatment	2,041,871	1,045,143	3,087,014
Administrative and general	756,243	377,968	1,134,211
Maintenance department	230,452	118,926	349,378
Distribution and collection	2,064,668	1,715,643	3,780,311
Total Operating Expenses	<u>5,729,981</u>	<u>3,257,680</u>	<u>8,987,661</u>
Operating income (loss)	<u>600,422</u>	<u>(760,117)</u>	<u>(159,695)</u>
NON-OPERATING REVENUES (EXPENSES)			
System investment fees	717,183	97,474	814,657
Interest income on delinquent accounts	7,567	-	7,567
Other interest and investment income	105,877	102,992	208,869
Capital expenditures	(184,895)	(2,730)	(187,625)
Interest expense	(263,703)	-	(263,703)
Bond discount and issue costs, net of bond premium	26,206	-	26,206
Total non-operating revenue (expenses)	<u>408,235</u>	<u>197,736</u>	<u>605,971</u>
Income (loss) before contributions and transfers	1,008,657	(562,381)	446,276
Capital contributions	11,490	-	11,490
Transfers in	255,000	120,000	375,000
Change in net position	1,275,147	(442,381)	832,766
Total net position - beginning	55,239,469	26,533,303	81,772,772
Total net position - ending	<u>\$ 56,514,616</u>	<u>\$ 26,090,922</u>	<u>\$ 82,605,538</u>

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

Pagosa Area Water and Sanitation District
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2022

	Enterprise Fund		Total
	Water Fund	Wastewater Fund	
Cash flows from operating activities:			
Cash received from customers	\$ 6,125,210	\$ 2,537,057	\$ 8,662,267
Cash paid to suppliers	(2,099,199)	(1,795,854)	(3,895,053)
Cash paid for personnel costs	(1,508,428)	(578,704)	(2,087,132)
Net cash flows from Operating Activities	<u>2,517,583</u>	<u>162,499</u>	<u>2,680,082</u>
Cash flows from non-capital financing activities			
Transfers from other funds	255,000	120,000	375,000
Interest on delinquent accounts	7,567	-	7,567
Net cash flows from non-capital financing activities	<u>262,567</u>	<u>120,000</u>	<u>382,567</u>
Cash flows from capital and related financing activities			
System investment fees	717,183	97,474	814,657
Bond principal (payments)	(1,094,618)	(400,654)	(1,495,272)
Payment on bond interest	(238,993)	-	(238,993)
Capital assets acquired or constructed	(1,755,521)	(237,585)	(1,993,106)
Capital expenditures	(184,895)	(2,730)	(187,625)
Net cash flows from capital and financing activities	<u>(2,556,844)</u>	<u>(543,495)</u>	<u>(3,100,339)</u>
Cash flows from investing activities			
Payments received on due from other governments	-	126,405	126,405
Interest income	105,877	102,992	208,869
Net cash flows from investing activities	<u>105,877</u>	<u>229,397</u>	<u>335,274</u>
Net increase (decrease) in cash and cash equivalents	329,183	(31,599)	297,584
Beginning of year	<u>8,193,258</u>	<u>4,120,823</u>	<u>12,314,081</u>
End of year	<u>\$ 8,522,441</u>	<u>\$ 4,089,224</u>	<u>\$ 12,611,665</u>

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

Pagosa Area Water and Sanitation District
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2022

	Enterprise Fund		
	Water Fund	Wasterwater Fund	Total
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ 600,422	\$ (760,117)	\$ (159,695)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	2,267,162	899,741	3,166,903
Changes in assets and liabilities (Increase) decrease in:			
Accounts receivable	(201,499)	40,906	(160,593)
Inventory	(160,556)	24,191	(136,365)
Prepaid expenses	43,521	(10,089)	33,432
Increase (decrease) in:			
Accounts payable	(41,052)	(39,888)	(80,940)
Accrued liabilities	13,279	9,167	22,446
Unearned revenues	(3,694)	(1,412)	(5,106)
Net cash flows from operating activities	<u>\$ 2,517,583</u>	<u>\$ 162,499</u>	<u>\$ 2,680,082</u>

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

Pagosa Area Water and Sanitation District
Notes to Financial Statements
December 31, 2022

1. Definition of Reporting Entity

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

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

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

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

2. Summary of Significant Accounting Policies

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

Government-Wide and Fund Financial Statements:

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

Basic Financial Statements:

Government-wide financial statements consist of a statement of net position and a statement of activities as well as reconciliations for these statements. These statements report all of the non-fiduciary activities of the primary government; neither fiduciary funds nor component funds that are fiduciary in nature are included. Governmental activities are reported separately from business-type activities. Governmental activities are

normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining.

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

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

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

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

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

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

The District has the following governmental funds:

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

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

Proprietary Funds reported by the District are as follows:

Enterprise Funds - Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily

through user charges, which are considered operating revenues. Non-operating revenues consist of charges to customers which are used to fund capital improvements, interest, and other investment income. The District's two enterprise funds are the Water Fund and the Wastewater Fund.

Cash and Cash Equivalents:

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

Deposits are stated at cost, which approximates fair value.

Receivables and Payables:

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

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

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

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

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

Inventories:

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

Prepaid Items:

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

Restricted Assets:

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

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

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

Capital Assets:

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

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

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

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

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

Personal Time Off and Retirement:

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

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

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

Long-Term Debt:

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

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

Net Position/Fund Balances:

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

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

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

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

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

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

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

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

Property Taxes:

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

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

The District contributes to the Colorado Retirement Association, a defined contribution pension plan administered by the Colorado Retirement Association. The Colorado Retirement Association (the "Association") was established in 1968 under 24-54-101 et. seq. Colorado Revised Statutes as amended, to serve as trustee and provide continuing administration of a trust fund for retirement benefits of eligible county and municipal officers and county, municipal, and special district employees. The Board can make changes to the plan as needed.

In the defined contribution pension plan, contributions of the employers are combined with employee contributions and invested in income earning instruments for the benefit of plan participants. Any county, municipality, or special district of the State of Colorado may, with the consent of the Association, become a member of the Association and participate in the plan by adopting it for its officers and employees. Employees and officers of association members are required to participate in the plan after the completion of one year of service, but participation is optional for all elected officials. Pagosa Area Water and Sanitation District requires employee participation upon employment; elected officials do not participate in their plan.

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

Net earnings or losses are allocated quarterly to plan participants. The allocation is based on each participant's balance as of the beginning of that quarter. Participants receiving benefit payments upon retirement or termination are allocated earnings through the date of the distribution.

Benefit payments are made as of the effective date of each participant's retirement or termination. At retirement, each participant has the option of receiving his or her vested balance in cash or having the Association place the funds in a bank account maintained under the joint control of the Association and the retiring individual. Any employer contribution forfeited by a participant due to termination of employment before becoming fully vested is returned to the member county, municipality, or special district.

Use of Estimates:

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

3. **Deposits and Investments**

Deposits:

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

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

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

Investments:

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

At year-end, the District had the following investments: COLOTRUST \$13,580,533

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

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

Rating – AAAM by S&P Global Ratings.

Liquidity – Same day liquidity available.

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

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy is to manage this risk by investing in short-term maturities.

4. Cash Flow Statement

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

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Unrestricted Assets:			
Cash	\$ 6,741,940	\$ 2,992,098	\$ 9,734,038
Restricted Assets:			
Cash	1,780,497	1,097,127	2,877,624
Totals for Cash Flow Statement	<u>\$ 8,522,437</u>	<u>\$ 4,089,225</u>	<u>\$ 12,611,662</u>

5. Interfund Transactions

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

Operating transfers between funds during the year are as follows:

	<u>Transfer In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 375,000
Water Fund	255,000	-
Wastewater Fund	120,000	-
	<u>\$ 375,000</u>	<u>\$ 375,000</u>

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

6. Commitments and Construction Work in Process

The District’s construction work in process, which is reported in the proprietary funds, consists primarily of work being done on water and wastewater lines. Construction costs that were added to construction work in process totaled \$1,897,249 during the year.

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

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

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Beginning balance	\$ 670,202	\$ 72,411	\$ 742,613
Additions	1,676,698	220,551	1,897,249
Less transfers to fixed assets	(131,642)	(75,111)	(206,753)
Ending balance	<u>\$ 2,215,258</u>	<u>\$ 217,851</u>	<u>\$ 2,433,109</u>

7. **Capital Assets**

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Land and improvements	\$ 113,056	\$ -	\$ -	\$ 113,056
Buildings	596,096	-	-	596,096
Capital equipment	243,358	-	-	243,358
Transportation equipment	76,287	-	-	76,287
Total	1,028,797	-	-	1,028,797
Less accumulated depreciation	(639,260)	(24,648)	-	(663,908)
Total Governmental Fixed Assets	\$ 389,537	\$ (24,648)	\$ -	\$ 364,889

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Water augmentation	\$ 217,639	\$ -	\$ -	\$ 217,639
Water rights	7,334,995	-	-	7,334,995
Source of supply	11,220,226	-	-	12,194,698
Land and improvements	460,640	-	-	460,640
Treatment plants	34,712,987	-	-	34,715,829
Collection, transmission and distribution systems	65,120,464	178,931	-	65,299,395
Buildings	518,820	27,821	-	546,641
Capital equipment	1,509,585	134,477	-	1,644,062
Transportation equipment	737,268	97,415	-	834,683
Total	121,832,624	438,644	-	122,271,268
Less accumulated depreciation	(49,739,453)	(3,166,903)	-	(52,906,356)
Total Business-Type Fixed Assets	\$ 72,093,171	\$ (2,728,259)	\$ -	\$ 69,364,912

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

Governmental Activities	
Administrative services	\$ (24,648)
Business-Type Activities	
Water	(2,267,162)
Wastewater	(899,741)
Total Depreciation Expense	\$ (3,166,903)

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

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

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

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

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

9. Long-Term Liabilities

Governmental Activities:

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

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

These two bond issues were paid in full in 2022.

Business-Type Activities:

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

Water Enterprise Revenue Refunding Bonds, Series 2015

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

The bonds are not subject to redemption prior to maturity.

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

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

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

<u>Calendar Year</u>	<u>Principal Maturities</u>	<u>Interest Rate</u>	<u>Interest Payments</u>	<u>Annual Debt Service Requirements</u>
2023	\$ 515,000	4.00%	\$ 40,400	\$ 555,400
2024	495,000	4.00%	19,800	514,800
	<u>\$ 1,010,000</u>		<u>\$ 60,200</u>	<u>\$ 1,070,200</u>

Drinking Water Revenue Bond – Series 2008

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

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

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

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

The amount currently outstanding on this note is as follows:

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Servicing Fee	Debt Service Requirements
2023	\$ 400,203	4.000%	\$ 47,456	\$ 89,486	\$ 537,145
2024	405,800	4.125%	38,200	89,486	533,486
2025	419,793	4.125%	24,000	89,486	533,279
2026	439,383	4.125%	4,696	84,117	528,196
2027	999,107	4.250%	(3,305)	75,168	1,070,970
2028	1,055,080	4.250%	(56,729)	39,373	1,037,724
	<u>\$ 3,719,336</u>		<u>\$ 54,318</u>	<u>\$ 467,116</u>	<u>\$ 4,240,800</u>

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

Colorado Water Conservation Board – Dry Gulch Reservoir Project

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

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

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

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

The amount currently outstanding on Loan A is as follows:

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Debt Service Requirements
2023	\$ 207,993	1.75%	\$ 48,137	\$ 256,130
2024	211,633	1.75%	44,497	256,130
2025	215,336	1.75%	40,794	256,130
2026	219,105	1.75%	37,025	256,130
2027	222,939	1.75%	33,191	256,130
2028-2032	1,174,603	1.75%	106,051	1,280,654
2033-2034	499,123	1.75%	13,139	512,262
	<u>\$ 2,750,732</u>		<u>\$ 322,834</u>	<u>\$ 3,073,566</u>

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

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

2009 ARRA Loan Agreement

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

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

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

The annual interest rate is zero percent.

2009 Base Program Loan Agreement

On September 4, 2009, the District entered into a loan agreement with Colorado Water Resources and Power Development Authority (CWRPDA) for \$3,211,129 to finance the costs of wastewater treatment projects. The

CWRPDA is authorized to loan money from the Water Pollution Control Revolving Fund subject to certain terms and conditions.

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

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

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

The annual interest rate is 0%.

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

Calendar Year	2009 ARRA Loan Agreement Principal Maturities	2009 Base Program Loan Agreement Principal Maturities	Debt Service Requirements
2023	\$ 351,827	\$ 48,826	\$ 400,653
2024	351,827	48,826	400,653
2025	351,827	48,826	400,653
2026	351,827	48,826	400,653
2027	351,827	48,826	400,653
2028	351,827	48,826	400,653
2029	351,827	48,826	400,653
2030	351,826	48,826	400,652
	<u>\$ 2,814,615</u>	<u>\$ 390,608</u>	<u>\$ 3,205,223</u>

Changes in Long-Term Debt:

	Beginning Balance	Payments	Additions (Deletions)	Ending Balance
Governmental Activities				
General Obligation Bonds				
Series 2012 dated March 27	\$ 365,000	\$ (365,000)	\$ -	\$ -
Series 2012 dated March 27	720,000	(720,000)	-	-
Total	<u>1,085,000</u>	<u>(1,085,000)</u>	<u>-</u>	<u>-</u>
Business-Type Activities				
Revenue Bonds				
2015 Revenue and Refunding	1,500,000	(490,000)	-	1,010,000
2008 Revenue Bond	4,119,568	(400,202)	-	3,719,366
CWRPDA – ARRA & Base	3,605,876	(400,653)	-	3,205,223
CWCB Loan A	2,955,148	(204,686)	-	2,750,732
CWCB Loan B	4,565,000	-	-	4,565,000
Total	<u>16,745,592</u>	<u>(1,495,541)</u>	<u>-</u>	<u>15,250,321</u>
Total Long-Term Debt	<u>\$ 17,830,592</u>	<u>\$ (2,580,541)</u>	<u>\$ -</u>	15,250,321
Less Current Portion				
Revenue Bonds				(1,523,850)
Total				<u>\$ 13,726,471</u>

Annual Debt Requirements for all Bonds (Principal Only):

	Bonds
2023	\$ 1,523,850
2024	1,513,086
2025	1,035,782
2026	1,059,141
2027	1,622,699
2028-2032	3,431,641
2033-2037	499,123
2038-2042	1,141,250
2043-2047	1,141,250
2048-2052	1,141,250
2053-2054	1,141,250
Total	<u>\$ 15,250,321</u>

Annual debt requirements are based on maximum annual payments due.

Subsequent to year-end the District entered into a financing agreement with Colorado Water Resources and Power Development Authority (the “Authority”) whereas the Authority will finance all or a portion of the costs of certain water resource projects. More specifically to replace the existing Snowball Water Treatment Plant that is nearing the end of its useful life with a new treatment plant and to address regulatory deficiencies with the existing water system. The estimated amount of the loan is to be \$38,444,000 with \$5,000,000 forgiven on the date financing is obtained, with the balance of \$33,444,000 being repaid over 30 years at an interest rate of 2.75%. Pledged property shall consist of Adjusted Net Revenues, as defined in the financing documents. Annual principal and interest payments are estimated to be \$1,644,420 beginning May 2023. As of April 2023, the construction contract had not been awarded due to the estimated construction costs being approximately ten-percent (10%) higher than the total amount of financing.

10. **Risk Management**

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

11. **Pension Plans**

For the current year, the District's total salaries were \$2,099,708 and contributions were \$135,218 for both the employer and the employees, based on eligible wages of \$2,099,708. The dollar amount of forfeitures during 2022 was \$1,541. The District did not have any unpaid pension contributions as of year-end.

In addition to participating in the plan, each participant may elect to contribute to a deferred compensation plan established pursuant to IRC Section 457. Through the deferred compensation plan, a member employer defers payment of a portion of an employee's current salary and deposits the deferred payment with the Association. Upon a participant's retirement or termination of employment, the Association may begin payment of this deferred amount. The District's participating employee contributions amounted to \$52,661 for the current year.

All plan administrative expenses are borne by the participants.

12. **Leasehold Agreements**

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

Occupancy and Agriculture Lease

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

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

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

Sand and Gravel Lease

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

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

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

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

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

	<u>General Fund</u>
Emergency Reserve - TABOR	<u>\$ 55,000</u>

14. Taxpayer's Bill of Rights (TABOR)

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

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

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

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

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

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

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

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

Emergency reserves as of year-end have been presented as a reservation of fund balance in the General Fund. This emergency reserve was calculated in the District's General Fund and is not a required reserve in any other funds. Under TABOR, the District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The amendment is complex and is subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, certain interpretations in the amendment's language have been made in order to determine its compliance.

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

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

15. Joint Venture

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

The Pool has contracted with other third parties to operate, administer, and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members. The joint venture summary audited financial information as of December 31, 2022, is as follows:

Admitted Assets	<u>\$ 68,195,261</u>
Liabilities	\$ 46,165,251
Surplus	<u>22,030,010</u>
Total Liabilities and Surplus	<u>\$ 68,195,261</u>
Revenues	\$ 24,889,624
Expenses	<u>(25,123,490)</u>
Net Income (Loss)	<u>\$ (233,866)</u>
Investment Income	<u>\$ 482,027</u>
Change in Non-Admitted Assets	<u>\$ (119,543)</u>

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

16. Related Party Transactions

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

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

1. Memorandum of Understanding and Confidentiality Agreement – This agreement is for the acquisition, planning, permitting, design, and construction of a water resources development known as the Dry Gulch Project. As of the end of the current year, Pagosa Area Water and Sanitation District has expended funds for \$9,817,939, for this project, which includes land acquisition. Because this project depends upon the growth of the community, future water demands, and public support for the project, it is not possible to estimate future costs. There were no additional costs capitalized during the current year. This asset has been reclassified as other assets.
2. Intergovernmental Agreement concerning Colorado Water Conservation Board Loan Financing for land acquisition and development of the Dry Gulch Project – This agreement is to facilitate the financing arrangements for the Dry Gulch Project. Pagosa Area Water and Sanitation District was awarded a loan of \$11,217,000 from the Colorado Water Conservation Board (CWCB) for land acquisition. In December 2011, an interest payment for \$322,678 was made. Pagosa Area Water and Sanitation District requested that San Juan Water Conservancy District pay a portion on the interest due in return for an increased percentage of ownership in the land. San Juan Water Conservancy agreed and paid \$20,110. This increased their equity ownership from 11.21% to 11.43% and decreased Pagosa Area Water and Sanitation District’s ownership from 88.79% to 88.57%. Any future payments by San Juan Water Conservancy District will further increase their ownership and decrease Pagosa Area Water and Sanitation District’s ownership.

17. Construction Commitments

During 2022, the board made a commitment to improve the water and wastewater systems. The board is in the process of construction and long-term financing to fund the project. The project is expected to take several years to complete. During construction, all construction costs will be recorded as construction in progress. When the project is complete, the total cost will be depreciated over its estimated useful life.

18. Intergovernmental Agreement with Pagosa Springs Sanitation General Improvement District

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

The note receivable balance as of December 31, 2022, was \$2,089,821. The note bears interest at 2.19% interest with principal and interest payments of \$174,940 due November 1 of each year until paid, with the final payment due November 2036. The note was current as of December 31, 2022.

Required Supplementary Information

**Pagosa Area Water and Sanitation District
Budget and Actual
General Fund
For the year ended December 31, 2022**

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property taxes	\$ 968,569	\$ 968,569	\$ 977,696	\$ 9,127
SO taxes	220,000	220,000	228,250	8,250
Investment earnings	1,000	1,000	16,054	15,054
Miscellaneous	4,000	4,000	16,338	12,338
Total revenues	<u>1,193,569</u>	<u>1,193,569</u>	<u>1,238,338</u>	<u>44,769</u>
EXPENDITURES				
Audit	24,990	24,990	24,990	-
Board expense	75,500	75,500	4,731	70,769
Contingency	23,049	23,049	-	23,049
Dues and permits	12,000	12,000	5,361	6,639
Employee expense	3,400	3,400	827	2,573
Fees	30,632	30,632	32,692	(2,060)
Fringe benefit	80,529	80,529	67,809	12,720
Insurance general	9,516	9,516	13,485	(3,969)
Legal fees	7,500	7,500	9,728	(2,228)
Office expense	38,500	38,500	51,642	(13,142)
Office maintenance and landscape	12,000	12,000	12,625	(625)
Outside services	112,772	112,772	72,180	40,592
Payroll taxes, vacation and sick pay	24,984	24,984	24,728	256
Personnel	332,025	332,025	323,771	8,254
Publications and recording fees	2,000	2,000	1,691	309
Repairs and maintenance	3,383	3,383	1,287	2,096
Telephone and utilities	29,000	29,000	28,207	793
Travel and training	12,208	12,208	5,149	7,059
Capital outlay	27,850	27,850	-	27,850
Total Expenditures	<u>861,838</u>	<u>861,838</u>	<u>680,903</u>	<u>180,935</u>
Excess (deficiency) of revenues over expenditures	<u>331,731</u>	<u>331,731</u>	<u>557,435</u>	<u>225,704</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(375,000)</u>	<u>125,000</u>
Total other financing sources and uses	<u>(500,000)</u>	<u>(500,000)</u>	<u>(375,000)</u>	<u>125,000</u>
Net change in fund balances	(168,269)	(168,269)	182,435	350,704
Fund balances - beginning	1,170,477	1,170,477	1,159,663	(10,814)
Fund balances - ending	<u>\$ 1,002,208</u>	<u>\$ 1,002,208</u>	<u>\$ 1,342,098</u>	<u>\$ 339,890</u>

**Pagosa Area Water and Sanitation District
Notes to Required Supplementary Information
December 31, 2022**

Budgets and Budgetary Accounting:

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

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

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

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

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

The following is a summary of the 2022 budget appropriations and expenditures by fund:

	Original Budget	Final Budget	Expenditures (Budgetary) Basis	Variance Favorable (Unfavorable)
General Fund	\$ 1,361,838	\$ 1,361,838	\$ 1,055,903	\$ 305,935
Debt Service Fund	1,155,006	1,155,006	1,152,684	2,322
Water Fund	7,072,240	7,072,240	6,751,554	310,686
Wastewater Fund	3,364,805	3,364,805	2,998,909	365,896
Totals	<u>\$ 12,953,889</u>	<u>\$ 12,953,889</u>	<u>\$ 11,969,050</u>	<u>\$ 984,839</u>

On or before October 15th of each year, the District's budget officer must prepare and submit a proposed budget to the Board for the next fiscal year. Thereupon, notice must be published stating, among other things, that the budget is open to inspection by the public and that interested electors may file or register any objection to the budget. Subject to certain exceptions and exclusions discussed hereafter, the District must submit a request for property tax increases in excess of the statutory limitation to the Division of Local Government (if

within TABOR limits) or submit the question of an increased levy directly to the electors of the District at a general or special election. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for the current year.

Budget appropriations lapse at the end of each year.

The encumbrance method of accounting is not used.

Other Supplementary Information

**Pagosa Area Water and Sanitation District
Budget and Actual
Debt Services Fund
For the year ended December 31, 2022**

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 1,162,212	\$ 1,162,212	\$ 1,151,005	\$ (11,207)
Investment earnings	1,000	1,000	13,914	12,914
Total revenues	<u>1,163,212</u>	<u>1,163,212</u>	<u>1,164,919</u>	<u>1,707</u>
EXPENDITURES				
Administration	37,000	37,000	34,678	2,322
Debt Service:				
Principal	1,085,000	1,085,000	1,085,000	-
Interest and other charges	<u>33,006</u>	<u>33,006</u>	<u>33,006</u>	<u>-</u>
Total Expenditures	<u>1,155,006</u>	<u>1,155,006</u>	<u>1,152,684</u>	<u>2,322</u>
Excess (deficiency) of revenues over expenditures	<u>8,206</u>	<u>8,206</u>	<u>12,235</u>	<u>4,029</u>
Net change in fund balances	8,206	8,206	12,235	4,029
Fund balances - beginning	18,265	18,265	13,932	(4,333)
Fund balances - ending	<u>\$ 26,471</u>	<u>\$ 26,471</u>	<u>\$ 26,167</u>	<u>\$ (304)</u>

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Water Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Availability charges	\$ 470,000	\$ 470,000	\$ 434,491	\$ (35,509)
Other Water Sales	250,000	250,000	194,942	(55,058)
Capital investment fee	490,000	490,000	412,929	(77,071)
Service fees	4,494,517	4,494,517	4,700,355	205,838
Other Revenues/Grants	75,000	75,000	11,490	(63,510)
Customer hookups	250,000	250,000	216,445	(33,555)
Inclusion Fee	5,000	5,000	11,504	6,504
Affordable Housing Surcharge	65,000	65,000	71,163	6,163
Irrigation	60,000	60,000	51,268	(8,732)
Raw water acquisition fee	370,000	370,000	304,253	(65,747)
Late charges and interest	15,000	15,000	18,675	3,675
Current tax interest	4,000	4,000	3,421	(579)
Interest income - RWAF	500	500	15,860	15,360
Interest income - CIF	600	600	8,976	8,376
Interest on delinquent taxes	500	500	4,146	3,646
Other interest	3,000	3,000	81,042	78,042
Transfer from general fund	340,000	340,000	255,000	(85,000)
Other revenues	-	-	631,560	631,560
Total revenues	6,893,117	6,893,117	7,427,520	534,403
Expenses				
Sources of Supply				
Ditches	1,000	1,000	1,386	(386)
Reservoirs	97,000	97,000	27,342	69,658
Raw water line - Jackson Mt	3,000	3,000	72	2,928
Raw water line - San Juan	126,600	126,600	163,599	(36,999)
Power Trujillo booster	70,000	70,000	42,091	27,909
Power SJ River booster	47,000	47,000	27,009	19,991
Power Lake Forest	2,000	2,000	1,482	518
Power Dutton Ditch	750	750	523	227
	347,350	347,350	263,504	83,846
Water Treatment Plant				
Hatcher WTR plant chemicals/lab	170,000	170,000	178,213	(8,213)
Snowball WTP chemicals/lab	80,000	80,000	92,097	(12,097)
San Juan WTP chemicals/lab	70,000	70,000	41,673	28,327
Health insurance	45,085	45,085	46,605	(1,520)
Retirement	12,849	12,849	15,716	(2,867)
Hatcher WTP fuel & power	140,000	140,000	151,450	(11,450)

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Water Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Snowball WTP fuel & power	23,000	23,000	20,197	2,803
San Juan WTP fuel & power	40,000	40,000	26,667	13,333
Insurance	9,436	9,436	11,952	(2,516)
Payroll taxes	17,698	17,698	20,550	(2,852)
Personnel	226,269	226,269	258,657	(32,388)
Vehicle maintenance	6,800	6,800	3,243	3,557
Hatcher WTP maintenance	156,333	156,333	82,956	73,377
Snowball WTP maintenance	33,333	33,333	7,481	25,852
San Juan maintenance	119,833	119,833	123,277	(3,444)
Training	4,840	4,840	1,329	3,511
	<u>1,155,476</u>	<u>1,155,476</u>	<u>1,082,063</u>	<u>73,413</u>
Distribution Systems				
Health insurance	112,633	112,633	106,205	6,428
Retirement	27,480	27,480	30,142	(2,662)
Fire hydrant maintenance	7,500	7,500	764	6,736
Fuel & power mission booster	700	700	608	92
Fuel & power pump stations	36,000	36,000	33,627	2,373
Town fill station - fuel & power	1,000	1,000	1,098	(98)
Trails fill station - fuel & power	750	750	934	(184)
Insurance	19,954	19,954	26,060	(6,106)
Payroll taxes	37,723	37,723	40,148	(2,425)
Personnel	489,088	489,088	517,009	(27,921)
Town fill station - maintenance	1,000	1,000	3,268	(2,268)
Trails fill station - maintenance	2,000	2,000	3,177	(1,177)
Water tank maintenance	224,100	224,100	20,659	203,441
Vehicle maintenance	14,357	14,357	8,929	5,428
Training	10,908	10,908	4,083	6,825
Uniforms	14,000	14,000	13,990	10
Water line maintenance	261,887	261,887	319,856	(57,969)
	<u>1,261,080</u>	<u>1,261,080</u>	<u>1,130,557</u>	<u>130,523</u>
Maintenance Department				
Building maintenance	14,920	14,920	3,132	11,788
Health insurance	7,017	7,017	7,533	(516)
Retirement	2,144	2,144	2,515	(371)
Vehicle maintenance	1,156	1,156	282	874
Equipment maintenance	28,948	28,948	31,976	(3,028)
Training	653	653	161	492
Gas, diesel and oil	54,000	54,000	80,768	(26,768)

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Water Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Insurance	1,574	1,574	2,152	(578)
Operating supplies	16,500	16,500	26,446	(9,946)
Payroll taxes	2,912	2,912	4,475	(1,563)
Personnel	36,630	36,630	50,955	(14,325)
Tools and small equipment	18,208	18,208	17,631	577
Utilities	5,500	5,500	2,424	3,076
	<u>190,162</u>	<u>190,162</u>	<u>230,450</u>	<u>(40,288)</u>
Billing				
Bad debts	50,000	50,000	50,000	-
Data processing	30,000	30,000	17,630	12,370
Health insurance	29,175	29,175	31,146	(1,971)
Retirement	8,907	8,907	10,391	(1,484)
Insurance	452	452	1,892	(1,440)
Payroll taxes	11,675	11,675	14,135	(2,460)
Personnel	153,202	153,202	183,570	(30,368)
Postage	19,000	19,000	20,075	(1,075)
Training	3,264	3,264	-	3,264
	<u>305,675</u>	<u>305,675</u>	<u>328,839</u>	<u>(23,164)</u>
Administration				
Audit	2,940	2,940	2,940	-
Dues and permits	7,000	7,000	4,714	2,286
Employee miscellaneous	3,000	3,000	514	2,486
Health insurance	30,478	30,478	23,332	7,146
Retirement	9,750	9,750	8,692	1,058
Vehicle maintenance	1,156	1,156	804	352
Insurance - general	78,364	78,364	82,724	(4,360)
Legal fees	5,100	5,100	5,529	(429)
Office expense	25,000	25,000	28,363	(3,363)
Maintenance of office building	12,000	12,000	6,841	5,159
Landscaping	2,000	2,000	1,705	295
Outside services	20,300	20,300	4,544	15,756
Payroll taxes	12,479	12,479	11,729	750
Publications	1,000	1,000	1,150	(150)
Vacation pay	-	-	16,131	(16,131)
Personnel	163,073	163,073	152,212	10,861
Telephone	17,040	17,040	14,664	2,376
Utilities	2,500	2,500	3,833	(1,333)
Trash removal	4,500	4,500	4,092	408

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Water Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Training	5,955	5,955	3,083	2,872
Inclusion expense	1,000	1,000	-	1,000
Computer support & upgrades	74,883	74,883	49,808	25,075
	<u>479,518</u>	<u>479,518</u>	<u>427,404</u>	<u>52,114</u>
Capital Expenditures				
Connections	160,000	160,000	177,890	(17,890)
Water rights	2,000	2,000	7,005	(5,005)
Water model	1,000	1,000	-	1,000
CIF Water Model	1,000	1,000	-	1,000
CIF Water SCADA System	15,667	15,667	83,950	(68,283)
CIF WTP upgrades	1,330,850	1,330,850	1,466,194	(135,344)
CIF Distribution system upgrades	66,063	66,063	-	66,063
Water SCADA system	62,669	62,669	-	62,669
Shared Buildings & Improvements	58,000	58,000	27,821	30,179
Distribution system upgrades	40,000	40,000	19,870	20,130
Capital Equipment	159,800	159,800	91,444	68,356
Transportation Equipment	82,280	82,280	66,242	16,038
	<u>1,979,329</u>	<u>1,979,329</u>	<u>1,940,416</u>	<u>38,913</u>
Debt Service				
Principle - 2015 refunding	490,000	490,000	490,000	-
Interest - 2015 refunding	60,000	60,000	65,864	(5,864)
Principal, CWPDA loan	400,203	400,203	400,202	1
Interest, CWPDA loan	57,830	57,830	56,942	888
Administrative fee - CWPDA Loan	89,486	89,486	89,486	-
Principal - CWCB loan	204,416	204,416	204,416	-
Interest, CWCB loan	51,715	51,715	51,411	304
Total debt retirement & transfers	<u>1,353,650</u>	<u>1,353,650</u>	<u>1,358,321</u>	<u>(4,671)</u>
Total expenditures	<u>7,072,240</u>	<u>7,072,240</u>	<u>6,761,554</u>	<u>310,686</u>
Excess of revenues over (under) expenses	<u>(179,123)</u>	<u>(179,123)</u>	<u>665,966</u>	<u>\$ 845,089</u>
Other Financing Sources (Uses)				
Unappropriated surplus	9,468,934	9,468,934	8,689,759	
Total Other Financing Sources (Uses)	<u>9,468,934</u>	<u>9,468,934</u>	<u>8,689,759</u>	
Change in Net Position (Budgetary Basis)	<u>\$ 9,289,811</u>	<u>\$ 9,289,811</u>	<u>9,355,725</u>	

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Water Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Reconciliation of Budgetary Basis to GAAP				
Basis Financial Statements				
Increase (Decrease) in Revenues and Other Financing Sources				
Unappropriated surplus			(8,689,759)	
Net (Decrease) in Revenues and Other Financing Sources			(8,689,759)	
(Increase) Decrease in Revenues and Other Financing Uses (Sources)				
Capital outlay costs			1,755,521	
Principal payments on 2015 refunding bonds			490,000	
Principal payments on CWDPA loan			400,202	
Principal payments on CWCB loan			204,416	
Amortization of bond premium			24,923	
Depreciation			(2,265,881)	
Net (Decrease) in Revenues and Other Financing Sources to GAAP Basis			609,181	
Change in Net Position GAAP Basis			\$ 1,275,147	

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Wastewater Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Favorable (Unfavorable)
Revenues				
Availability charges	\$ 290,000	\$ 290,000	\$ 266,636	\$ (23,364)
Customer hookups	30,000	30,000	26,800	(3,200)
Capital Investment fees	100,000	100,000	97,474	(2,526)
Service fees	1,773,329	1,773,329	1,842,500	69,171
Municipal wastewater treatment	195,000	195,000	203,464	8,464
Interest PSSGID	24,268	24,268	24,268	-
Interest PSSGID CIF	24,268	24,268	24,268	-
Inclusion fee	4,500	4,500	4,795	295
Waste hauling	125,000	125,000	129,032	4,032
Interest income - CIF	1,000	1,000	53,139	52,139
Interest on delinquent taxes	250	250	3,586	3,336
Penalty & interest delinquent accounts	1,800	1,800	-	(1,800)
Current tax interest	1,100	1,100	-	(1,100)
Other interest	2,000	2,000	-	(2,000)
Other income and affordable housing	12,500	12,500	22,067	9,567
Other Revenue	6,000	6,000	-	(6,000)
Transfer from general fund	160,000	160,000	120,000	(40,000)
Total Revenues	2,751,015	2,751,015	2,818,029	67,014
Expenses				
Wastewater Collection				
Health insurance	71,980	71,980	59,282	12,698
Retirement	18,132	18,132	17,325	807
Uniforms	6,500	6,500	7,030	(530)
Fuel and power lift stations	57,000	57,000	50,545	6,455
Insurance	8,420	8,420	11,124	(2,704)
Payroll taxes	25,008	25,008	23,709	1,299
General and pumps lift stations	160,000	160,000	124,258	35,742
Personnel	322,743	322,743	306,979	15,764
Wastewater line maintenance/repair	385,300	385,300	492,982	(107,682)
Vehicle maintenance	9,461	9,461	5,007	4,454
Training	7,064	7,064	2,547	4,517
	1,071,608	1,071,608	1,100,788	(29,180)
Wastewater Treatment				
Health insurance	49,156	49,156	48,041	1,115
Retirement	11,758	11,758	14,838	(3,080)
Lab supply & testing	-	-	68,700	(68,700)
Fuel, power & water Vista WWTP	265,000	265,000	226,302	38,698
Insurance	5,522	5,522	7,299	(1,777)
Payroll taxes	15,832	15,832	19,540	(3,708)

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Wastewater Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Personnel	205,220	205,220	248,002	(42,782)
Maintenance Vista WWTP	215,750	215,750	67,810	147,940
Lab supply & testing	71,000	71,000	-	71,000
Vehicle maintenance	6,800	6,800	2,796	4,004
Sludge removal	75,000	75,000	55,857	19,143
Training	4,840	4,840	1,071	3,769
	<u>925,878</u>	<u>925,878</u>	<u>760,256</u>	<u>165,622</u>
Maintenance Department				
Building maintenance	7,580	7,580	1,653	5,927
Vehicle maintenance	544	544	133	411
Equipment maintenance	15,152	15,152	15,048	104
Health insurance	3,302	3,302	5,303	(2,001)
Retirement	1,009	1,009	1,187	(178)
Gas, diesel and oil	25,000	25,000	38,000	(13,000)
Insurance	474	474	704	(230)
Operating supplies	9,000	9,000	12,543	(3,543)
Payroll taxes	1,370	1,370	2,676	(1,306)
Personnel	17,238	17,238	30,868	(13,630)
Tools and small equipment	8,691	8,691	9,119	(428)
Training	307	307	76	231
Utilities	3,500	3,500	1,616	1,884
	<u>93,167</u>	<u>93,167</u>	<u>118,926</u>	<u>(25,759)</u>
Billing				
Bad debts	50,000	50,000	50,000	-
Data processing	7,000	7,000	5,491	1,509
Health insurance	13,730	13,730	14,632	(902)
Retirement	4,191	4,191	4,900	(709)
Insurance	213	213	890	(677)
Payroll taxes	5,494	5,494	6,572	(1,078)
Personnel	72,095	72,095	85,342	(13,247)
Postage	9,000	9,000	10,050	(1,050)
Training	1,536	1,536	-	1,536
	<u>163,259</u>	<u>163,259</u>	<u>177,877</u>	<u>(14,618)</u>
Administration				
Audit	1,470	1,470	1,471	(1)
Inclusion expense	1,000	1,000	-	1,000
Employee expense	1,428	1,428	313	1,115
Health insurance	14,342	14,342	10,977	3,365
Retirement	4,588	4,588	4,090	498
Dues and permits	8,750	8,750	2,157	6,593

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Wastewater Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Insurance - general	35,518	35,518	35,965	(447)
Legal fees	2,400	2,400	3,289	(889)
Office expense	11,500	11,500	13,347	(1,847)
Maintenance of office building	5,350	5,350	3,237	2,113
Landscaping	1,050	1,050	802	248
Outside services	10,200	10,200	2,138	8,062
Payroll taxes	5,872	5,872	5,520	352
Personnel	76,740	76,740	70,440	6,300
Vacation pay		-	9,167	(9,167)
Publications	500	500	541	(41)
Vehicle maintenance	544	544	378	166
Telephone	7,960	7,960	7,196	764
Utilities	1,300	1,300	1,661	(361)
Trash removal	900	900	1,083	(183)
Training	2,803	2,803	1,299	1,504
Computer support & upgrades	35,239	35,239	25,020	10,219
	<u>229,454</u>	<u>229,454</u>	<u>200,091</u>	<u>29,363</u>
Capital Expenditures				
Connections	9,000	9,000	2,730	6,270
Wastewater Model	20,000	20,000	-	20,000
Shared Buildings & Improvements	16,000	16,000	-	16,000
Capital Equipment	75,200	75,200	43,033	32,167
Transportation Equipment	38,720	38,720	31,173	7,547
Wastewater SCADA system	29,491	29,491	21,252	8,239
CIF - SCADA System	7,373	7,373	-	7,373
CIF - Wastewater Treatment Plant	217,000	217,000	74,031	142,969
CIF - Collection Sys Upgrades	68,000	68,000	68,096	(96)
	<u>480,784</u>	<u>480,784</u>	<u>240,315</u>	<u>240,469</u>
Debt Service				
Principal - 09 base loan	48,827	48,827	48,828	(1)
Principal - 09 ARRA loan	351,828	351,828	351,828	-
	<u>400,655</u>	<u>400,655</u>	<u>400,656</u>	<u>(1)</u>
Total Expenses	<u>3,364,805</u>	<u>3,364,805</u>	<u>2,998,909</u>	<u>365,896</u>
Excess of revenues over (under) expenses	<u>(613,790)</u>	<u>(613,790)</u>	<u>(180,880)</u>	<u>\$ 432,910</u>
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	<u>3,617,777</u>	<u>3,617,777</u>	<u>3,616,023</u>	
Change in Net Position (Budgetary Basis)	<u>\$ 3,003,987</u>	<u>\$ 3,003,987</u>	<u>3,435,143</u>	

Pagosa Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
(Budgetary Basis)
Enterprise Fund - Wastewater Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Reconciliation of Budgetary Basis to GAAP				
Basis Financial Statements				
Increase (Decrease) in Revenues and Other Financing Sources				
Unappropriated surplus			(3,616,024)	
Net (Decrease) in Revenues and Other Financing Sources			(3,616,024)	
(Increase) Decrease in Revenues and Other Financing Uses				
Capital outlay costs			237,585	
Principal payments on revenue bonds and loans			400,656	
Depreciation			(899,741)	
Net (Decrease) in revenues and Other Financing Sources to GAAP basis			(261,500)	
Change in Net Position GAAP Basis			\$ (442,381)	