

Pagosa Area Water and Sanitation District

Financial Statements

December 31, 2019

Pagosa Area Water and Sanitation District
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Independent Auditor's Report

Board of Directors
Pagosa Area Water and Sanitation District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pagosa Area Water and Sanitation District (the "District"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the District as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages ii-ix and page 32, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, such as the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

rfarmer, llc

June 12, 2020

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, 2019.

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, 2019. 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 \$78,892,146; this is an increase of \$1,482,901 from the previous year.
2. Operating expenses of \$8,751,133 exceeded operating revenues of \$7,513,805 by \$1,218,428.
3. General revenues total \$2,701,248.

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 3) 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 4) 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 9).

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 13 to 33 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 2019, 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 \$866,007 in 2019 on water projects and \$85,542 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 \$10,217,719 of which \$3,052,698 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 2019: 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 \$500,000 was transferred to other funds. The major sources of revenue are monies collected for property taxes and specific ownership taxes. In 2019, the General Fund collected \$1,085,015. There was a \$22,453 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, 2019, was \$983,500 of this amount, \$33,301 is set aside as a reserve (see note 14 on page 28 of the financial statements). Non spendable prepaids and inventories are \$15,858 and the remaining balance of \$934,341 is undesignated.

The Debt Service Fund records the collection of property taxes for debt service payments on general obligation bonds. In 2019, property taxes collected for debt service were \$1,155,951; \$995,000 was paid in principal payments and \$120,254 was paid for interest. The 2019 fund balance for the Debt Service Fund increased by \$19,994 from 2018. The Debt Service Fund balance at the end of 2019 was \$26,009.

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 \$170,883 for 2019. Of this amount, the operating loss was (\$405,006); non-operating revenues and expenses have a surplus of \$182,050; and \$374,939 was supplied from transfers and a gain on asset disposal. The transfers from the General Fund of \$340,000 are cash additions. At the end of 2019, the Water Fund had a net position of \$53,917,609. Of this amount, \$46,824,922 is invested in capital assets, net of related debt and is not available for future appropriations and \$7,092,687 is unrestricted.

The Wastewater Fund had a decrease in Net Position of \$309,222 for 2019. Of this amount, operating loss was (\$61,195); non-operating revenues and expenses contributed \$193,975; and \$176,442 was from transfers and a gain on asset disposal. The transfers from the General Fund of \$160,000 are cash additions. At the end of 2019, the Wastewater Fund has a net position of \$26,775,494. Of this amount \$20,533,359 is invested in capital assets, net of related debt and is not available for future appropriations and \$6,242,135 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 building 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.

Financial Analysis

Condensed Statement of Net Position

A Condensed Statement of Net Position for 2019 and 2018 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 \$1,482,816 as a result of operations. The table also shows total restricted assets of \$5,185,157, of this amount \$2,806,451 is designated for future water and wastewater treatment, distribution and collection related capital projects that are projected to total approximately \$20,673,300. It is estimated that another \$17,866,849 will be needed to address water and wastewater system needs over the next 10 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 2018. As of December 31, 2019, governmental activities show a deficit in unrestricted net position of (\$1,800,957), which is a decrease in the deficit from 2018. The deficit is not an area of concern to the District, because this is a planned deficit due to the effects of the conversion to GASB 34 which brought in the liabilities for long term debt; future tax revenues will pay off this liability and reduce the deficit. Net Positions in the business-type activities indicate that \$13,334,822 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 \$67,358,281 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.

TABLE A: CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current Assets	\$ 1,910,892	\$ 1,846,324	\$ 7,177,953	\$ 5,716,376	\$ 9,088,845	\$ 7,562,700
Restricted Assets	1,205,305	1,217,421	3,979,852	4,235,228	5,185,157	5,452,649
Capital Assets	418,192	441,124	89,480,721	91,767,841	89,898,913	92,208,965
Total Assets	<u>3,534,389</u>	<u>3,504,869</u>	<u>100,638,526</u>	<u>101,719,445</u>	<u>104,172,915</u>	<u>105,224,314</u>
Current Liabilities	1,094,877	1,058,024	1,645,191	1,723,218	2,740,068	2,781,242
Long-Term Debt						
Outstanding	2,191,124	3,239,831	18,300,502	19,783,229	20,491,626	23,023,060
Total Liabilities	<u>3,286,001</u>	<u>4,297,855</u>	<u>19,945,693</u>	<u>21,506,447</u>	<u>23,231,694</u>	<u>25,804,302</u>
Deferred In-Flow of Resources	2,046,507	2,010,682	-	-	2,046,507	2,010,682
Net Position:						
Invested in capital assets, net if related debt	418,192	441,124	67,358,281	68,101,637	67,776,473	68,542,761
Restricted	59,310	54,476	-	-	59,310	54,476
Unrestricted	(2,278,459)	(3,299,268)	13,334,822	12,111,361	11,056,363	8,812,093
Total Net Position	<u>\$ (1,800,957)</u>	<u>\$ (2,803,668)</u>	<u>\$ 80,693,103</u>	<u>\$ 80,212,998</u>	<u>\$ 78,892,146</u>	<u>\$ 77,409,330</u>

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 2019 and 2018. An examination of Table 8 for 2019 shows that the District's change in net positions in the business-type activities is \$480,108; this is an increase from the prior year. Net income before contributions and transfers increased by \$164,843; contributions and transfers increased by \$33,000. The business-type activities show an operating loss of (\$473,000) for 2019. The business-type activities use transfers from the General Fund to partially meet their operating needs in the amount of \$500,000 in 2019. The operating loss has increased \$37,908 from that of 2018 due to service rate revenues decreasing after the extreme drought conditions in 2018.

The governmental funds use property taxes levied for general purposes to meet operating needs. Governmental activities show an increase in net positions of \$1,002,712.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Charges for services						
(grants/contributions)	\$ -	\$ -	\$ 7,532,705	\$ 7,429,247	\$ 7,532,705	\$ 7,429,247
Total operating expenses	<u>745,428</u>	<u>791,779</u>	<u>8,005,705</u>	<u>7,864,339</u>	<u>8,751,133</u>	<u>8,656,118</u>
Operating income (loss)	<u>(745,428)</u>	<u>(791,779)</u>	<u>(473,000)</u>	<u>(435,092)</u>	<u>(1,218,428)</u>	<u>(1,226,871)</u>
General revenues						
Property taxes and specific ownership taxes	2,240,966	2,227,184	-	-	2,240,966	2,227,184
Gain (loss) on asset disposal	-	-	18,382	(139,417)	18,382	(139,417)
Investment earnings and miscellaneous	<u>40,174</u>	<u>41,901</u>	<u>401,726</u>	<u>356,774</u>	<u>441,900</u>	<u>398,675</u>
General revenues	<u>2,281,140</u>	<u>2,269,085</u>	<u>420,108</u>	<u>217,357</u>	<u>2,701,248</u>	<u>2,486,442</u>
Net income before contributions and transfers	1,535,712	1,477,306	(52,892)	(217,735)	1,482,820	1,259,571
Capital contributions						
Donated assets	-	-	-	-	-	-
Transfers:						
Construction projects						
General fund	(533,000)	(500,000)	533,000	500,000	-	-
Debt service fund						
Special revenue fund						
Change in net position	<u>1,002,712</u>	<u>977,306</u>	<u>480,108</u>	<u>282,265</u>	<u>1,482,820</u>	<u>1,259,571</u>
Beginning net position	<u>(2,803,669)</u>	<u>(3,780,974)</u>	<u>80,212,995</u>	<u>79,930,733</u>	<u>77,409,326</u>	<u>76,149,759</u>
Ending net position	<u>\$(1,800,957)</u>	<u>\$(2,803,668)</u>	<u>\$ 80,693,103</u>	<u>\$ 80,212,998</u>	<u>\$ 78,892,146</u>	<u>\$ 77,409,330</u>

BUDGETARY HIGHLIGHTS

Pagosa Area Water and Sanitation District did not amend its budget in 2019.

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 \$1,117,436 and actually spent \$1,088,606.

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 2019, the District invested \$951,549 in capital projects. Capital projects that were substantially completed in 2019 were:

- Installation of ultra violet disinfection at the San Juan Water Treatment Plant
- Purchase of critical spare pumps and motors for San Juan pipeline

The following projects were capital projects still in process at the end of 2019:

- Upgrades to SCADA systems

At the conclusion of 2019, the District's outstanding debt was \$22,826,472 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 2020. Projected user fees, growth, and Capital Investment Fees are all evaluated and considered before a final budget is adopted. The 2020 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 2020 budget year.

The General Fund has budgeted \$1,183,384; this is an increase of \$65,948 over 2019 expenditures.

The Debt Service Fund has budgeted \$1,175,136; this is a decrease of \$2,294 from the 2019 expenditures.

The Water Fund has budgeted \$5,725,406; this is a decrease of \$197,468 from the 2019 expenditures. This decrease is primarily due to the completion of the UV treatment system at the San Juan Water Treatment plant.

The Wastewater Fund has budgeted \$2,636,374; this is an increase of \$206,228 from the 2019 expenditures. This increase is primarily due to increased allowances for lift station upgrades and maintenance.

Capital projects which are scheduled for 2020 are as follows:

- Replacement of Putt Hill Water Storage Tank
- Lift Station 6 & 11 upgrades
- Transitioning the SCADA Radio System to Ethernet
- Asphalt for Mill Creek fill station
- Installation of master meters at Lakeside Estates
- Snowball Water Treatment Plant Feasibility Study

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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 878,856	\$ 6,324,396	\$ 7,203,252
Receivables	1,032,036	546,709	1,578,745
Internal Balances	162	(162)	-
Inventories	-	804,048	804,048
Non-Current Assets:			
Cash	25,847	2,988,621	3,014,468
Customer accounts receivable, net	-	500,085	500,085
Taxes receivable, current	1,163,600	-	1,163,600
Prepaid Expenses	15,858	(5,892)	9,966
Capital assets, net of accumulated depreciation	418,192	77,443,334	77,861,526
Construction in progress	-	202,072	202,072
Due from other governments	-	2,460,967	2,460,967
Other assets	-	9,374,348	9,374,348
Total Non-Current Assets	<u>1,623,497</u>	<u>92,963,535</u>	<u>94,587,032</u>
Total Assets	<u>3,534,551</u>	<u>100,638,526</u>	<u>104,173,077</u>
LIABILITIES			
Accounts payable and accrued expenses	36,206	41,172	77,378
Personal Time Off and retirement	21,137	78,834	99,971
Unearned revenues	-	59,367	59,367
Long-term liabilities			
Due within one year:			
Bonds and loans payable	1,030,000	1,445,315	2,475,315
Accrued interest	7,534	20,233	27,767
Due in more than one year:			
Bonds and loans payable	2,135,000	18,216,158	20,351,158
Bond premium net of discount	56,124	84,344	140,468
Total liabilities	<u>3,286,001</u>	<u>19,945,423</u>	<u>23,231,424</u>
Deferred inflow of resources:			
Deferred Property Taxes	<u>2,049,507</u>	<u>-</u>	<u>2,049,507</u>
NET POSITION			
Net investment in capital assets	418,192	67,358,281	67,776,473
Restricted for:			
Debt Service	26,009	-	26,009
TABOR	33,301	-	33,301
Unrestricted	(2,278,459)	13,334,822	11,056,363
Total net position	<u>\$ (1,800,957)</u>	<u>\$ 80,693,103</u>	<u>\$ 78,892,146</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, 2019**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 643,853	\$ -	\$ -	\$ -	\$ (643,853)	\$ -	\$ (643,853)
Interest on Long-term debt	101,575	-	-	-	(101,575)	-	(101,575)
Total governmental activities	<u>745,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(745,428)</u>	<u>-</u>	<u>(745,428)</u>
Business-type activities:							
Water	5,537,062	5,035,105	-	18,900	-	(483,057)	(483,057)
Wastewater	2,468,643	2,478,700	-	-	-	10,057	10,057
Total business-type activities	<u>8,005,705</u>	<u>7,513,805</u>	<u>-</u>	<u>18,900</u>	<u>-</u>	<u>(473,000)</u>	<u>(473,000)</u>
Total primary government	<u>8,751,133</u>	<u>7,513,805</u>	<u>-</u>	<u>18,900</u>	<u>(745,428)</u>	<u>(473,000)</u>	<u>(1,218,428)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 854,054	\$ -	\$ 854,054
Property taxes, levied for debt service					1,155,951	-	1,155,951
Specific ownership taxes					230,961	-	230,961
Unrestricted investment earnings					36,256	277,287	313,543
Miscellaneous					3,918	124,439	128,357
Special item - gain (loss) on sale of assets					-	18,382	18,382
Transfers					(533,000)	533,000	-
Total general revenues, special items, and transfers					<u>1,748,140</u>	<u>953,108</u>	<u>2,701,248</u>
Change in net position					1,002,712	480,108	1,482,820
Net position - beginning					(2,803,669)	80,212,995	77,409,326
Net position - ending					<u>\$ (1,800,957)</u>	<u>\$ 80,693,103</u>	<u>\$ 78,892,146</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, 2019

	General Fund	Debt Services Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 878,856	\$ -	\$ 878,856
Taxes receivable, net	885,907	-	885,907
Taxes receivable, delinquent	146,129		146,129
Due from other funds	-	162	162
Prepaid Expenses	15,858	-	15,858
Restricted Assets:			
Cash	-	25,847	25,847
Receivables, net	-	1,163,600	1,163,600
Total assets	1,926,750	1,189,609	3,116,359
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	36,206	-	36,206
Accrued vacation and retirement	21,137	-	21,137
Total liabilities	57,343	-	57,343
Deferred inflow of resources:			
Deferred property taxes	885,907	1,163,600	2,049,507
Fund balances:			
Non spendable prepaid expense	15,858	-	15,858
Restricted - TABOR	33,301	-	33,301
Unassigned	934,341	-	934,341
Unreserved, reported in non-major:			
Restricted	-	26,009	26,009
Total fund balances	983,500	26,009	1,009,509
Total liabilities and fund balances	\$ 1,926,750	\$ 1,189,609	\$ 3,116,359

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, 2019

Total fund balance, governmental funds \$ 1,009,509

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. 418,192

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (3,221,124)

Accrued interest on GO Bonds (7,534)

Net Position of Governmental Activities in the Statement of Net Position \$ (1,800,957)

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, 2019

	<u>General Fund</u>	<u>Debt Services Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 854,054	\$ 1,155,951	\$ 2,010,005
SO Tax	230,961	-	230,961
Investment earnings	22,126	14,130	36,256
Miscellaneous	3,918	-	3,918
Total revenues	<u>1,111,059</u>	<u>1,170,081</u>	<u>2,281,140</u>
EXPENDITURES			
Audit and compilation	24,280	-	24,280
Board expense	92	-	92
Dues and permits	14,694	-	14,694
Employee expense	3,945	-	3,945
Treasurers fees	26,356	34,833	61,189
Fringe benefits	60,702	-	60,702
Insurance general	8,459	-	8,459
Legal fees	1,294	-	1,294
Office expense	48,379	-	48,379
Office maintenance and landscape	12,320	-	12,320
Outside services	46,920	-	46,920
Payroll taxes, vacation and sick pay	19,531	-	19,531
Personnel	283,147	-	283,147
Publications and recording fees	1,484	-	1,484
Repairs and maintenance	3,144	-	3,144
Telephone and utilities	20,566	-	20,566
Travel and training	10,090	-	10,090
Debt Service:			
Principal	-	995,000	995,000
Interest expense	-	120,254	120,254
Capital Outlay	3,203	-	3,203
Total Expenditures	<u>588,606</u>	<u>1,150,087</u>	<u>1,738,693</u>
Excess (deficiency) of revenues over expenditures	<u>522,453</u>	<u>19,994</u>	<u>542,447</u>
OTHER FINANCING SOURCES			
Transfers out	<u>(500,000)</u>	<u>(33,000)</u>	<u>(533,000)</u>
Total other financing sources and uses	<u>(500,000)</u>	<u>(33,000)</u>	<u>(533,000)</u>
SPECIAL ITEM			
Net change in fund balances	22,453	(13,006)	9,447
Fund balances - beginning	961,047	39,015	1,000,062
Fund balances - ending	<u>\$ 983,500</u>	<u>\$ 26,009</u>	<u>\$ 1,009,509</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, 2019

Net change in fund balances - total governmental funds: \$ 9,447

Amounts reported for Governmental Activities in the Statement of Activities are different because:

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. This is the amount by which capital outlay of \$3,203 was less than depreciation of \$26,105 in the current period. (22,902)

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. 995,000

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:
 Amortization of bond premium and change in accrued interest payable 21,166

Rounding 1
 Change in net position of governmental activities \$ 1,002,712

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, 2019

	<u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Wasterwater Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,962,869	\$ 2,361,526	\$ 6,324,395
Accounts receivable, net	323,188	223,522	546,710
Inventories	735,030	69,018	804,048
Total current assets	<u>5,021,087</u>	<u>2,654,066</u>	<u>7,675,153</u>
Non-current assets:			
Restricted for capital projects and debt service			
Cash	2,001,719	986,902	2,988,621
Customer accounts receivable, net	287,758	212,327	500,085
Prepaid expenses	17,352	(23,244)	(5,892)
Utility system, net of accumulated depreciation	52,595,431	24,847,903	77,443,334
Construction in progress	109,427	92,645	202,072
Due from other governments	-	2,460,967	2,460,967
Other assets	9,374,348	-	9,374,348
Total non-current assets	<u>64,386,035</u>	<u>28,577,500</u>	<u>92,963,535</u>
Total assets	<u>69,407,122</u>	<u>31,231,566</u>	<u>100,638,688</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	27,161	14,011	41,172
Due to other funds	162	-	162
Other accrued expenses	71,430	27,637	99,067
Unearned revenue	52,132	7,235	59,367
Bonds and loans payable, current portion	1,044,661	400,654	1,445,315
Total current liabilities	<u>1,195,546</u>	<u>449,537</u>	<u>1,645,083</u>
Non-current liabilities:			
Bond premiums net of discount	84,344	-	84,344
Bonds and loans payable	14,209,623	4,006,535	18,216,158
Total non-current liabilities	<u>14,293,967</u>	<u>4,006,535</u>	<u>18,300,502</u>
Total liabilities	<u>15,489,513</u>	<u>4,456,072</u>	<u>19,945,585</u>
NET POSITION			
Net investment in capital assets	46,824,922	20,533,359	67,358,281
Unrestricted	7,092,687	6,242,135	13,334,822
Total net position	<u>\$ 53,917,609</u>	<u>\$ 26,775,494</u>	<u>\$ 80,693,103</u>

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, 2019

	Enterprise Fund		
	Water Fund	Wasterwater Fund	Total
REVENUES			
Charges for services	\$ 3,700,201	\$ 1,744,320	\$ 5,444,521
Availability charges	510,095	311,462	821,557
Customer hookups	167,280	22,195	189,475
Late charges	16,379	2,000	18,379
Other operating revenues	243,379	323,178	566,557
Total operating revenues	<u>4,637,334</u>	<u>2,403,155</u>	<u>7,040,489</u>
OPERATING EXPENSES			
Source of Supply	675,341	-	675,341
Treatment	1,860,556	879,906	2,740,462
Administrative and general	622,090	314,495	936,585
Maintenance department	135,354	68,073	203,427
Distribution and collection	1,748,999	1,201,876	2,950,875
Total Operating Expenses	<u>5,042,340</u>	<u>2,464,350</u>	<u>7,506,690</u>
Operating income (loss)	<u>(405,006)</u>	<u>(61,195)</u>	<u>(466,201)</u>
NON-OPERATING REVENUES (EXPENSES)			
System investment fees	492,723	75,545	568,268
Interest income on delinquent taxes	6,257	-	6,257
Other interest and investment income	131,928	122,723	254,651
Capital expenditures	(154,489)	(4,293)	(158,782)
Interest expense	(339,303)	-	(339,303)
Bond discount and issue costs, net of bond premium	44,934	-	44,934
Total non-operating revenue (expenses)	<u>182,050</u>	<u>193,975</u>	<u>376,025</u>
Income (loss) before contributions and transfers	<u>(222,956)</u>	<u>132,780</u>	<u>(90,176)</u>
Capital contributions	18,900	-	18,900
Transfers in	362,440	170,560	533,000
Gain (loss) on asset disposal	12,499	5,882	18,381
Change in net position	<u>170,883</u>	<u>309,222</u>	<u>480,105</u>
Total net position - beginning	<u>53,746,726</u>	<u>26,466,272</u>	<u>80,212,998</u>
Total net position - ending	<u>\$ 53,917,609</u>	<u>\$ 26,775,494</u>	<u>\$ 80,693,103</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, 2019

	<u>Enterprise Fund</u>		
	<u>Water Fund</u>	<u>Wasterwater Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 4,645,849	\$ 2,408,277	\$ 7,054,126
Cash paid to suppliers	(1,866,130)	(1,258,227)	(3,124,357)
Cash paid for personnel costs	(1,063,367)	(399,832)	(1,463,199)
Net cash flows from Operating Activities	<u>1,716,352</u>	<u>750,218</u>	<u>2,466,570</u>
Cash flows from non-capital financing activities			
Decrease in due from accounts	85,000	40,000	125,000
Transfers from other funds	362,440	170,560	533,000
Interest on delinquent taxes	6,257	-	6,257
Net cash flows from non-capital financing activities	<u>453,697</u>	<u>210,560</u>	<u>539,257</u>
Cash flows from capital and related financing activities			
System investment fees	492,723	75,545	568,268
Proceeds from sale of equipment	19,584	9,216	28,800
Bond principal (payments)	(1,024,661)	(400,654)	(1,425,315)
Payment on bond interest	(339,303)	-	(339,303)
Capital assets acquired or constructed	(866,007)	(85,542)	(951,549)
Capital expenditures	(154,489)	(4,293)	(158,782)
Net cash flows from capital and financing activities	<u>(1,872,153)</u>	<u>(405,728)</u>	<u>(2,277,881)</u>
Cash flows from investing activities			
Payments received on due from other governments	-	118,451	118,451
Interest income	131,928	122,723	254,651
Net cash flows from investing activities	<u>131,928</u>	<u>241,174</u>	<u>373,102</u>
Net increase (decrease) in cash and cash equivalents	429,824	796,224	1,101,048
Beginning of year	5,534,767	2,552,203	8,086,970
End of year	<u>\$ 5,964,591</u>	<u>\$ 3,348,427</u>	<u>\$ 9,188,018</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, 2019

	<u>Enterprise Fund</u>		
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (405,006)	\$ (61,195)	\$ (466,201)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	2,224,901	885,486	3,110,387
Changes in assets and liabilities (Increase) decrease in:			
Accounts receivable	10,543	19,594	30,137
Inventory	(128,284)	(45,355)	(173,639)
Prepaid expenses	40,941	23,243	64,184
Increase (decrease) in:			
Accounts payable	(25,103)	(58,790)	(83,893)
Accrued liabilities	388	1,707	2,095
Unearned revenues	(2,028)	(14,472)	(16,500)
Net cash flows from operating activities	<u>\$ 1,716,352</u>	<u>\$ 750,218</u>	<u>\$ 2,466,570</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, 2019

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.

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.

The governmental activities net position, unrestricted is a deficit of \$1,800,957. The deficit is a result of prior Boards electing to record assets purchased with general obligation bonds as assets in the utility funds that will utilize those assets. As a result, the Water and Wastewater funds recorded the assets and a contributed capital amount. The Water and Wastewater funds are also depreciating the applicable assets.

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. The reserves at December 31, 2019, were \$349,346 for the Water Fund and \$399,130 for the Wastewater Fund.

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. The allowance at year-end was \$36,532.

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.

The amount of accrued PTO and retirement as of December 31, 2019 was \$99,971, with each fund recording their respective amount.

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 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 balance 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.

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	<u>\$ 10,071,337</u>
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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. 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.

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	\$ 3,962,871	\$ 2,361,525	\$ 6,324,396
Restricted Assets:			
Cash	<u>2,001,720</u>	<u>986,902</u>	<u>2,988,622</u>
Totals for Cash Flow Statement	<u>\$ 5,964,591</u>	<u>\$ 3,348,427</u>	<u>\$ 9,313,018</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	\$ -	\$ 500,000
Debt Service	-	33,000
Water Fund	362,440	-
Wastewater Fund	<u>170,560</u>	<u>-</u>
	<u>\$ 533,000</u>	<u>\$ 533,000</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 \$73,465 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:

	Water	Wastewater	Total
Beginning balance	\$ 140,607	\$ 83,840	\$ 224,447
Additions	47,968	25,497	73,465
Less transfers to fixed assets	(79,148)	(16,692)	(95,840)
Ending balance	<u>\$ 109,427</u>	<u>\$ 92,645</u>	<u>\$ 202,072</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2019, 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	217,651	3,203	-	220,854
Transportation equipment	76,287	-	-	76,287
Total	1,003,090	3,203	-	1,006,293
Less accumulated depreciation	(561,966)	(26,135)	-	(588,101)
Total Governmental Fixed Assets	<u>\$ 441,124</u>	<u>\$ (22,932)</u>	<u>\$ -</u>	<u>\$ 418,192</u>
	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	12,188,076	5,534	-	12,193,610
Land and improvements	460,640	-	-	460,640
Treatment plants	33,952,739	763,090	-	34,715,829
Collection, transmission and distribution systems	62,802,299	38,891	-	62,841,190
Buildings	518,820	-	-	518,820
Capital equipment	2,071,090	110,036	-	2,181,126
Transportation equipment	566,710	56,959	(21,934)	601,735
Total	120,113,008	974,510	(21,934)	121,065,584
Less accumulated depreciation	(40,523,378)	(3,110,387)	11,515	(43,622,250)
Total Business-Type Fixed Assets	<u>\$ 79,589,630</u>	<u>\$ (2,135,877)</u>	<u>\$ (10,419)</u>	<u>\$ 77,443,334</u>

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

Governmental Activities	
Administrative services	\$ 26,135
Business-Type Activities	
Water	\$ 2,224,901
Wastewater	885,486
Total Depreciation Expense	<u>\$ 3,110,387</u>

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 principle 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.

Repayments on General Obligation Refunding Bonds, District Series 2012 are as follows:

	<u>Principle</u>	<u>Interest</u>	<u>Debt Service Requirement</u>
2020	\$ 685,000	\$ 59,010	\$ 744,010
2021	700,000	41,200	741,200
2022	720,000	21,600	741,600
Total	<u>\$ 2,105,000</u>	<u>\$ 121,810</u>	<u>\$ 2,226,810</u>

Repayments on General Obligation Refunding Bonds, Sub-District Series 2012 are as follows:

	Principle	Interest	Debt Service Requirement
2020	\$ 345,000	\$ 31,394	\$ 376,394
2021	350,000	21,906	371,906
2022	365,000	11,406	376,406
Total	<u>\$ 1,060,000</u>	<u>\$ 64,706</u>	<u>\$ 1,124,706</u>

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 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. Principle payments are due December 1 of each year.

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

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Annual Debt Service Requirements
2020	\$ 475,000	3.00%	\$ 88,650	\$ 563,650
2021	480,000	3.00%	74,400	554,400
2022	490,000	4.00%	60,000	550,000
2023	515,000	4.00%	40,400	555,400
2024	495,000	4.00%	19,800	514,800
	<u>\$ 2,455,000</u>		<u>\$ 283,250</u>	<u>\$ 2,738,250</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
2020	\$ 372,216	1.75%	\$ 70,129	\$ 89,486	\$ 531,831
2021	389,008	1.75%	63,540	89,486	542,034
2022	400,202	1.75%	57,831	89,486	547,519
2023	400,203	1.75%	47,456	89,486	537,145
2024	405,800	1.75%	60,025	89,486	555,311
2025-2028	2,913,363	1.75%	(31,338)	288,144	3,170,169
	<u>\$ 4,880,792</u>		<u>\$ 267,643</u>	<u>\$ 735,574</u>	<u>\$ 5,884,009</u>

During February 2019, the Authority lowered the interest rate to 1.75%. 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% and is for 20 years with annual payments of \$256,130, which includes principle and interest. Loan B is in the amount of \$4,565,000, bears interest at 3.5% 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
2020	\$ 197,445	1.75%	\$ 58,685	\$ 256,130
2021	200,900	1.75%	55,230	256,130
2022	204,416	1.75%	51,714	256,130
2023	207,993	1.75%	48,137	256,130
2024	211,633	1.75%	44,497	256,130
2025-2029	1,115,031	1.75%	165,620	1,280,651
2030-2034	1,216,075	1.75%	64,580	1,280,655
	<u>\$ 3,353,493</u>		<u>\$ 488,463</u>	<u>\$ 3,841,956</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% with 20 annual payment of \$70,361, including principle 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 0%.

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 principle 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
2020	\$ 351,827	\$ 48,827	\$ 400,654
2021	351,827	48,827	400,654
2022	351,827	48,827	400,654
2023	351,827	48,827	400,654
2024	351,827	48,827	400,654
2025-2029	1,759,135	244,130	2,003,265
2030	351,826	48,826	400,654
	<u>\$ 3,870,096</u>	<u>\$ 537,091</u>	<u>\$ 4,407,189</u>

Changes in Long-Term Debt:

	Beginning Balance	Payments	Additions (Deletions)	Ending Balance
Governmental Activities				
General Obligation Bonds				
Series 2012 dated March 27	\$ 1,390,000	\$ (330,000)	\$ -	\$ 1,060,000
Series 2012 dated March 27	2,770,000	(665,000)	-	2,105,000
Total	<u>4,160,000</u>	<u>(995,000)</u>	<u>-</u>	<u>3,165,000</u>
Business-Type Activities				
Revenue Bonds				
2015 Revenue and Refunding	2,905,000	(450,000)	-	2,455,000
2008 Revenue Bond	5,261,405	(380,613)	-	4,880,792
CWRPDA – ARRA & Base	4,807,840	(400,653)	-	4,407,187
CWCB Loan A	3,547,542	(194,049)	-	3,353,493
CWCB Loan B	4,565,000	-	-	4,565,000
Total	<u>21,086,787</u>	<u>(1,425,315)</u>	<u>-</u>	<u>19,661,472</u>
Total Long-Term Debt	<u>\$ 25,246,787</u>	<u>\$ (2,420,315)</u>	<u>\$ -</u>	<u>22,826,472</u>
Less Current Portion				
General Obligation Bonds				(1,030,002)
Revenue Bonds				(1,445,315)
Total				<u>\$ 20,351,155</u>

Annual Debt Requirements for all Bonds (Principal Only):

	Bonds
2020	\$ 2,475,315
2021	2,520,562
2022	2,580,272
2023	1,523,850
2024	1,513,117
2025-2029	6,031,659
2030-2034	1,616,697
2035-2039	1,141,250
2040-2044	1,141,250
2045-2049	1,141,250
2050-2054	1,141,250
Total	<u>\$ 22,826,472</u>

Annual debt requirements are based on maximum annual payments due.

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

The District contributes to the Colorado County Officials and Employees Retirement Plan, a defined contribution pension plan administered by the Colorado County Officials and Employees Retirement Association. The Colorado County Officials and Employees 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.

For the current year, the District's total salaries were \$1,585,658 and contributions were \$86,478 for both the employer and the employees, based on eligible wages of \$1,445,800. The dollar amount of forfeitures during 2019 was \$-0-. 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's contributions amounted to \$14,710 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. 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 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. 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>\$ 33,301</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 totaling \$33,301 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.

It is anticipated that transfers to the Water and Wastewater Enterprise Funds will be reduced at some point to preserve the General Fund's fund equity in light of the District's election on a referred measure. 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, 2018, is as follows:

Admitted Assets	<u>\$ 63,918,422</u>
Liabilities	\$ 39,345,647
Surplus	<u>24,572,775</u>
Total Liabilities and Surplus	<u>\$ 63,918,422</u>
Revenues	\$ 20,983,559
Expenses	<u>(22,973,705)</u>
Net Income (Loss)	<u>\$ (1,990,146)</u>
Investment Income	<u>\$ 898,330</u>
Change in Non-Admitted Assets	<u>\$ (122,776)</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

The District is committed to providing the highest quality water and wastewater services and to comply with the various legal requirements. While the district does not have any immediate plans for new construction, changes in the use, in regulations, and in maintenance could require new construction in the future. As a result, there is a small amount of construction in progress at the end of 2019.

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 re-bid 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.

This project was completed during 2016. PAWSD is charging service fees based on usage and PSSGID is paying those fees.

The note receivable balance as of December 31, 2019, was \$2,460,967. The note bears interest at 2.19% interest with principle 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, 2019.

Required Supplementary Information

Pagosa Area Water and Sanitation District
Budget and Actual
General Fund
For the year ended December 31, 2019

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
REVENUES				
Property taxes	\$ 852,376	\$ 852,376	\$ 854,054	\$ 1,678
SO taxes	200,000	200,000	230,961	30,961
Investment earnings	21,895	21,895	22,126	231
Miscellaneous	5,300	5,300	3,918	(1,382)
Total revenues	<u>1,079,571</u>	<u>1,079,571</u>	<u>1,111,059</u>	<u>31,488</u>
EXPENDITURES				
Emergency fund	18,005	18,005	-	18,005
Audit	24,280	24,280	24,280	-
Board expense	500	500	92	408
Dues and permits	16,000	16,000	14,694	1,306
Employee expense	3,400	3,400	3,945	(545)
Fees	26,200	26,200	26,356	(156)
Fringe benefit	61,811	61,811	60,702	1,109
Insurance general	7,979	7,979	8,459	(480)
Legal fees	4,000	4,000	1,294	2,706
Office expense	38,445	38,445	48,379	(9,934)
Office maintenance and landscape	11,000	11,000	12,320	(1,320)
Outside services	60,050	60,050	46,920	13,130
Payroll taxes, vacation and sick pay	21,285	21,285	19,531	1,754
Personnel	281,249	281,249	283,147	(1,898)
Publications and recording fees	2,500	2,500	1,484	1,016
Repairs and maintenance	2,587	2,587	3,144	(557)
Telephone and utilities	19,350	19,350	20,566	(1,216)
Travel and training	10,545	10,545	10,090	455
Total Expenditures	<u>617,436</u>	<u>617,436</u>	<u>588,606</u>	<u>28,830</u>
Excess (deficiency) of revenues over expenditures	<u>462,135</u>	<u>462,135</u>	<u>522,453</u>	<u>60,318</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balances	(37,865)	(37,865)	22,453	60,318
Adjustment to GAAP fund balance	-	-	-	1,403
Fund balances - beginning	873,444	873,444	961,047	(87,603)
Fund balances - ending	<u>\$ 835,579</u>	<u>\$ 835,579</u>	<u>\$ 983,500</u>	<u>\$ 35,560</u>

**Pagosa Area Water and Sanitation District
Notes to Required Supplementary Information
December 31, 2019**

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. Budgets reported in the accompanying financial statements are on the same basis of accounting as described above.

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 budget was adopted. There was a supplemental appropriation made during the year.

The following is a summary of the 2019 budget appropriations and expenditures by fund:

	Original Budget	Final Budget	Expenditures (Budgetary) Basis	Variance Favorable (Unfavorable)
General Fund	\$ 1,117,436	\$ 1,117,436	\$ 1,088,606	\$ 28,830
Debt Service Fund	1,182,826	1,182,826	1,183,087	(261)
Water Fund	5,922,874	5,922,874	5,193,143	729,731
Wastewater Fund	2,434,229	2,434,229	2,069,353	364,876
Totals	\$ 10,657,365	\$ 10,657,365	\$ 9,534,189	\$ 1,123,176

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 is not used.

Other Supplementary Information

**Pagosa Area Water and Sanitation District
Budget and Actual
Debt Services Fund
For the year ended December 31, 2019**

	<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	\$ 1,160,806	\$ 1,160,806	\$ 1,155,951	\$ (4,855)
Investment earnings	14,500	14,500	14,130	(370)
Total revenues	<u>1,175,306</u>	<u>1,175,306</u>	<u>1,170,081</u>	<u>(5,225)</u>
EXPENDITURES				
Administration	34,573	34,573	34,833	(260)
Debt Service:				
Principal	995,000	995,000	995,000	-
Interest and other charges	120,253	120,253	120,254	(1)
Total Expenditures	<u>1,149,826</u>	<u>1,149,826</u>	<u>1,150,087</u>	<u>(261)</u>
Excess (deficiency) of revenues over expenditures	<u>25,480</u>	<u>25,480</u>	<u>19,994</u>	<u>(5,486)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>-</u>
Net change in fund balances	(7,520)	(7,520)	(13,006)	(5,486)
Fund balances - beginning	38,184	38,184	39,015	(831)
Fund balances - ending	<u>\$ 30,664</u>	<u>\$ 30,664</u>	<u>\$ 26,009</u>	<u>\$ (6,317)</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Favorable (Unfavorable)
Revenues				
Availability charges	\$ 489,300	\$ 489,300	\$ 510,095	\$ 20,795
Other Water Sales	115,000	115,000	120,772	5,772
Capital investment fee	321,000	321,000	278,205	(42,795)
Service fees	3,720,000	3,720,000	3,700,201	(19,799)
Contributed Assets		-	18,900	18,900
Customer hookups	215,000	215,000	167,280	(47,720)
Tap Fees - Main Line Extension		-	3,209	3,209
Inclusion Fee	8,900	8,900	1,967	(6,933)
Irrigation	55,500	55,500	42,066	(13,434)
Raw water acquisition fee	243,000	243,000	211,310	(31,690)
Late charges and interest	13,185	13,185	16,379	3,194
Current tax interest	4,260	4,260	4,452	192
Interest income - RWAF	10,000	10,000	20,118	10,118
Interest income - CIF	8,000	8,000	21,988	13,988
Interest on certified accounts	-	-	1,359	1,359
Interest on delinquent taxes	250	250	446	196
Other interest	47,762	47,762	89,822	42,060
Transfer from general fund	340,000	340,000	340,000	-
Transfer from DS - Interest	22,440	22,440	22,440	-
Gain or Loss on Asset Disposal	-	-	12,499	12,499
Other revenues	60,000	60,000	78,574	18,574
Total revenues	<u>5,673,597</u>	<u>5,673,597</u>	<u>5,662,082</u>	<u>(11,515)</u>
Expenses				
Sources of Supply				
Ditches	1,000	1,000	926	74
Reservoirs	66,000	66,000	78,445	(12,445)
Raw water line - Jackson Mt	-	-	22,060	(22,060)
Raw water line - San Juan	26,000	26,000	43,675	(17,675)
Power Trujillo booster	61,020	61,020	68,047	(7,027)
Power SJ River booster	33,375	33,375	43,436	(10,061)
Power Lake Forest	5,000	5,000	1,494	3,506
Power Dutton Ditch	600	600	567	33
	<u>192,995</u>	<u>192,995</u>	<u>258,650</u>	<u>(65,655)</u>
Water Treatment Plant				
Hatcher WTR plant chemicals/lab	130,000	130,000	152,819	(22,819)
Snowball WTP chemicals/lab	50,000	50,000	78,375	(28,375)
San Juan WTP chemicals/lab	156,000	156,000	66,937	89,063

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, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Health insurance	35,798	35,798	32,322	3,476
Retirement	8,714	8,714	8,602	112
Hatcher WTP fuel & power	135,000	135,000	134,204	796
Snowball WTP fuel & power	19,000	19,000	19,271	(271)
San Juan WTP fuel & power	85,000	85,000	27,913	57,087
Insurance	5,320	5,320	5,429	(109)
Payroll taxes	13,801	13,801	13,395	406
Personnel	181,512	181,512	175,264	6,248
Vehicle maintenance	3,484	3,484	1,103	2,381
Hatcher WTP maintenance	115,500	115,500	120,335	(4,835)
Snowball WTP maintenance	55,433	55,433	18,716	36,717
San Juan maintenance	42,000	42,000	56,454	(14,454)
Training	4,420	4,420	1,866	2,554
	<u>1,040,982</u>	<u>1,040,982</u>	<u>913,005</u>	<u>127,977</u>
Distribution Systems				
Health insurance	71,857	71,857	76,545	(4,688)
Retirement	18,520	18,520	18,888	(368)
Fire hydrant maintenance	9,500	9,500	4,826	4,674
Fuel & power mission booster	650	650	1,943	(1,293)
Fuel & power pump stations	30,000	30,000	33,237	(3,237)
Town fill station - fuel & power	1,400	1,400	843	557
Trails fill station - fuel & power	1,200	1,200	788	412
Insurance	11,306	11,306	12,344	(1,038)
Payroll taxes	25,505	25,505	26,831	(1,326)
Personnel	331,990	331,990	350,553	(18,563)
Town fill station - maintenance	1,000	1,000	4,399	(3,399)
Trails fill station - maintenance	750	750	1,826	(1,076)
Water tank maintenance	218,906	218,906	197,826	21,080
Vehicle maintenance	10,000	10,000	10,044	(44)
Training	5,801	5,801	2,820	2,981
Uniforms	10,750	10,750	10,374	376
Water line maintenance	550,000	550,000	134,255	415,745
	<u>1,299,135</u>	<u>1,299,135</u>	<u>888,341</u>	<u>410,794</u>
Maintenance Department				
Building maintenance	10,060	10,060	11,675	(1,615)
Health insurance	5,995	5,995	5,996	(1)
Retirement	2,137	2,137	2,003	134
Vehicle maintenance	884	884	1,170	(286)

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Favorable (Unfavorable)
Equipment maintenance	19,250	19,250	13,704	5,546
Gas, diesel and oil	42,500	42,500	43,921	(1,421)
Insurance	1,305	1,305	1,111	194
Operating supplies	14,500	14,500	9,051	5,449
Payroll taxes	2,832	2,832	2,734	98
Personnel	35,620	35,620	33,392	2,228
Tools and small equipment	5,860	5,860	5,489	371
Utilities	4,300	4,300	5,107	(807)
	<u>145,243</u>	<u>145,243</u>	<u>135,354</u>	<u>9,889</u>
Billing				
Bad debts	50,000	50,000	49,924	76
Data processing	35,000	35,000	33,361	1,639
Health insurance	31,866	31,866	33,666	(1,800)
Retirement	6,040	6,040	5,979	61
Insurance	164	164	180	(16)
Payroll taxes	7,325	7,325	7,365	(40)
Personnel	105,077	105,077	105,087	(10)
Postage	18,500	18,500	19,725	(1,225)
Training	2,924	2,924	-	2,924
	<u>256,896</u>	<u>256,896</u>	<u>255,288</u>	<u>1,608</u>
Administration				
Audit	2,860	2,860	2,860	-
Dues and permits	7,000	7,000	6,265	735
Employee miscellaneous	2,972	2,972	2,588	384
Health insurance	22,038	22,038	22,484	(446)
Retirement	8,187	8,187	8,035	152
Vehicle maintenance	884	884	925	(41)
Insurance - general	69,239	69,239	75,982	(6,743)
Legal fees	2,500	2,500	880	1,620
Office expense	22,450	22,450	22,066	384
Maintenance of office building	11,400	11,400	6,378	5,022
Landscaping	2,000	2,000	1,833	167
Payroll taxes	10,431	10,431	10,789	(358)
Publications	1,000	1,000	1,009	(9)
Vacation pay	-	-	2,041	(2,041)
Personnel	137,450	137,450	140,285	(2,835)
Telephone	10,375	10,375	11,725	(1,350)
Outside services	2,380	2,380	2,405	(25)

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, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Utilities	3,000	3,000	2,098	902
Trash removal	2,250	2,250	1,919	331
Training	4,978	4,978	6,006	(1,028)
Inclusion expense	600	600	656	(56)
Computer support & upgrades	36,750	36,750	37,573	(823)
	<u>360,744</u>	<u>360,744</u>	<u>366,802</u>	<u>(6,058)</u>
Inspection Services				
Health insurance	9,400	9,400	1,574	7,826
Retirement	2,728	2,728	373	2,355
Insurance	1,665	1,665	254	1,411
Payroll taxes	4,174	4,174	583	3,591
Construction Inspector Salary	55,786	55,786	7,720	48,066
Vehicle maintenance	884	884	-	884
	<u>74,637</u>	<u>74,637</u>	<u>10,504</u>	<u>64,133</u>
Capital Expenditures				
Connections	172,000	172,000	140,450	31,550
Water rights	20,000	20,000	14,009	5,991
CIF Water Model	-	-	2,767	(2,767)
CIF Water SCADA System	3,200	3,200	4,267	(1,067)
CIF WTP upgrades	5,500	5,500	-	5,500
CIF Distribution system upgrades	17,500	17,500	3,453	14,047
Water model	-	-	2,767	(2,767)
Water SCADA system	12,800	12,800	10,853	1,947
Water treatment plant upgrades	52,120	52,120	-	52,120
Capital Equipment	72,998	72,998	68,218	4,780
Transportation Equipment	45,560	45,560	38,732	6,828
Distribution system upgrades	73,500	73,500	18,900	54,600
Water Rights - Dry Gulch Res	-	-	23	(23)
San Juan UV	706,000	706,000	706,140	(140)
	<u>1,181,178</u>	<u>1,181,178</u>	<u>1,010,578</u>	<u>170,600</u>
Debt Service				
Principle - 2015 refunding	450,000	450,000	450,000	-
Interest - 2015 refunding	102,150	102,150	99,077	3,073
Principal, CWPDA loan	380,613	380,613	380,612	1
Interest, CWPDA loan	92,684	92,684	89,884	2,800
Administrative fee - CWPDA Loan	89,486	89,486	89,486	-

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, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Principal - CWCB loan	194,049	194,049	194,049	-
Interest, CWCB loan	62,082	62,082	60,273	-
Total debt retirement & transfers	<u>1,371,064</u>	<u>1,371,064</u>	<u>1,363,381</u>	<u>7,683</u>
Total expenditures	<u>5,922,874</u>	<u>5,922,874</u>	<u>5,201,902</u>	<u>720,972</u>
Excess of revenues over (under) expenses	<u>(249,277)</u>	<u>(249,277)</u>	<u>460,180</u>	<u>\$ 709,457</u>

Other Financing Sources (Uses)

Unappropriated surplus	<u>6,202,962</u>	<u>6,202,962</u>	<u>5,825,397</u>
Total Other Financing Sources (Uses)	<u>6,202,962</u>	<u>6,202,962</u>	<u>5,825,397</u>

Change in Net Position (Budgetary Basis)	<u>5,953,685</u>	<u>\$ 5,953,685</u>	<u>6,285,577</u>
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**Reconciliation of Budgetary Basis to GAAP
Basis Financial Statements**

Increase (Decrease) in Revenues and Other Financing Sources			
Unappropriated surplus			<u>(5,825,397)</u>
Net (Decrease) in Revenues and Other Financing Sources			<u>(5,825,397)</u>
(Increase) Decrease in Revenues and Other Financing Uses (Sources)			
Construction project expenditures			866,007
Principal payments on 2015 refunding bonds			450,000
Principal payments on CWDPA loan			380,612
Principal payments on CWCB loan			194,049
Bond issue costs amortized			(928)
Amortization of bond premium			45,864
Depreciation			<u>(2,224,901)</u>
Net (Decrease) in Revenues and Other Financing Sources to GAAP Basis			<u>(289,297)</u>
Change in Net Position GAAP Basis			<u>\$ 170,883</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, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Availability charges	\$ 317,972	\$ 317,972	\$ 311,462	\$ (6,510)
Customer hookups	30,000	30,000	22,195	(7,805)
Capital Investment fees	84,000	84,000	75,545	(8,455)
Service fees	1,712,338	1,712,338	1,744,320	31,982
Municipal wastewater treatment	212,000	212,000	223,272	11,272
Interest PSSGID	28,245	28,245	28,245	-
Interest PSSGID CIF	28,245	28,245	28,245	-
Inclusion fee	4,500	4,500	(16)	(4,516)
Waste hauling	70,000	70,000	94,701	24,701
Interest income - CIF	18,500	18,500	19,441	941
Interest on delinquent taxes	500	500	196	(304)
Penalty & interest delinquent accounts	2,500	2,500	2,000	(500)
Current tax interest	1,100	1,100	1,244	144
Other interest	31,585	31,585	45,352	13,767
Other operating revenues	8,900	8,900	5,221	(3,679)
Gain or Loss on Asset Disposal	-	-	5,882	5,882
Transfer from general fund	160,000	160,000	160,000	-
Transfer from DS - Bond Int	10,560	10,560	10,560	-
Total Revenues	2,720,945	2,720,945	2,777,865	56,920
Expenses				
Wastewater - CIF Projects				
CIF - Wastewater SCADA Systems	7,800	7,800	1,277	6,523
CIF - WW Treatment Plants	7,800	7,800	-	7,800
CIF - Collection Sys Upgrades	20,000	20,000	8,304	11,696
	<u>35,600</u>	<u>35,600</u>	<u>9,581</u>	<u>26,019</u>
Wastewater Collection				
Health insurance	40,694	40,694	42,385	(1,691)
Retirement	10,913	10,913	11,037	(124)
Uniforms	5,100	5,100	4,965	135
Fuel and power lift stations	60,000	60,000	58,808	1,192
Insurance	4,351	4,351	5,105	(754)
Payroll taxes	14,977	14,977	15,675	(698)
General and pumps lift stations	15,000	15,000	10,359	4,641
Personnel	194,502	194,502	204,453	(9,951)
Wastewater line maintenance/repair	360,000	360,000	245,082	114,918
Vehicle maintenance	5,500	5,500	5,689	(189)
Training	3,209	3,209	1,921	1,288
	<u>714,246</u>	<u>714,246</u>	<u>605,479</u>	<u>108,767</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Favorable (Unfavorable)
Wastewater Treatment				
Health insurance	32,720	32,720	31,139	1,581
Retirement	7,872	7,872	7,860	12
Fuel, power & water Vista WWTP	237,000	237,000	233,432	3,568
Insurance	3,138	3,138	3,020	118
Payroll taxes	12,236	12,236	11,882	354
Personnel	161,995	161,995	158,314	3,681
Maintenance Vista WWTP	132,000	132,000	63,496	68,504
Lab supply & testing	28,000	28,000	31,994	(3,994)
Vehicle maintenance	4,016	4,016	896	3,120
Sludge removal	83,000	83,000	47,619	35,381
Training	2,080	2,080	1,165	915
	<u>704,057</u>	<u>704,057</u>	<u>590,818</u>	<u>113,239</u>
Maintenance Department				
Building maintenance	4,738	4,738	6,466	(1,728)
Vehicle maintenance	416	416	551	(135)
Equipment maintenance	11,693	11,693	7,463	4,230
Health insurance	2,822	2,822	2,822	-
Retirement	1,006	1,006	943	63
Gas, diesel and oil	20,000	20,000	21,336	(1,336)
Insurance	401	401	320	81
Operating supplies	7,000	7,000	4,567	2,433
Payroll taxes	1,333	1,333	1,287	46
Personnel	16,762	16,762	15,714	1,048
Tools and small equipment	3,200	3,200	3,491	(291)
Utilities	3,200	3,200	3,113	87
	<u>72,571</u>	<u>72,571</u>	<u>68,073</u>	<u>4,498</u>
Billing				
Bad debts	50,000	50,000	49,594	406
Data processing	8,500	8,500	6,217	2,283
Health insurance	14,995	14,995	15,843	(848)
Retirement	2,842	2,842	2,813	29
Insurance	77	77	85	(8)
Payroll taxes	3,447	3,447	3,466	(19)
Personnel	49,448	49,448	49,453	(5)
Postage	9,000	9,000	9,282	(282)
Training	1,376	1,376	-	1,376
	<u>139,685</u>	<u>139,685</u>	<u>136,753</u>	<u>2,932</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Favorable (Unfavorable)
Inspection Services				
Health insurance	4,424	4,424	741	3,683
Retirement	1,284	1,284	176	1,108
Insurance	512	512	74	438
Personnel	26,252	26,252	3,633	22,619
Payroll taxes	1,964	1,964	274	1,690
Vehicle maintenance	416	416	-	416
	<u>34,852</u>	<u>34,852</u>	<u>4,897</u>	<u>29,955</u>
Administration				
Audit	1,430	1,430	1,420	10
Inclusion expense	1,000	1,000	-	1,000
Employee expense	1,428	1,428	1,218	210
Health insurance	10,370	10,370	10,595	(225)
Retirement	3,853	3,853	3,781	72
Dues and permits	9,250	9,250	8,398	853
Insurance - general	31,378	31,378	32,641	(1,263)
Legal fees	1,000	1,000	414	586
Office expense	10,690	10,690	10,338	352
Maintenance of office building	5,350	5,350	3,012	2,338
Landscaping	1,050	1,050	862	188
Outside services	1,120	1,120	1,132	(12)
Payroll taxes	4,910	4,910	5,077	(167)
Personnel	64,634	64,634	66,016	(1,382)
Vacation pay	-	-	1,707	(1,707)
Publications	750	750	475	275
Vehicle maintenance	416	416	435	(19)
Telephone	5,900	5,900	6,733	(833)
Utilities	1,000	1,000	1,269	(269)
Trash removal	900	900	912	(12)
Training	2,343	2,343	2,826	(483)
Computer support & upgrades	17,900	17,900	18,481	(581)
	<u>176,672</u>	<u>176,672</u>	<u>177,742</u>	<u>(1,070)</u>
Capital Expenditures				
Connections	6,000	6,000	4,290	1,710
Capital Equipment	44,352	44,352	41,818	2,534
Transportation Equipment	21,440	21,440	18,227	3,213
Wastewater treatment plants	52,900	52,900	5,184	47,716
Wastewater SCADA system	31,200	31,200	5,838	25,362

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, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Collection system upgrades	155,892	155,892	75,357	80,535
Debt Service				
Principal - 09 base loan	48,827	48,827	48,827	1
Principal - 09 ARRA loan	351,828	351,828	351,827	1
	400,655	400,655	400,654	1
Total Expenses	2,434,230	2,434,230	2,069,353	364,877
Excess of revenues over (under) expenses	286,715	286,715	708,512	421,797
Other Financing Sources (Uses)				
Unappropriated surplus				
Total Other Financing Sources (Uses)	2,806,723	2,806,723	2,402,179	
Change in Net Position (Budgetary Basis)	\$ 3,093,438	\$ 3,093,438	3,110,691	
Reconciliation of Budgetary Basis to GAAP Basis Financial Statements				
Increase (Decrease) in Revenues and Other Financing Sources				
Unappropriated surplus			(2,402,179)	
Net (Decrease) in Revenues and Other Financing Sources			(2,402,179)	
(Increase) Decrease in Revenues and Other Financing Uses				
Capital outlay costs			85,542	
Principal payments on revenue bonds and loans			400,654	
Depreciation			(885,486)	
Net (Decrease) in revenues and Other Financing Sources to GAAP basis			(399,290)	
Change in Net Position GAAP Basis			\$ 309,222	