

**Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)**

Financial Statements

December 31, 2022

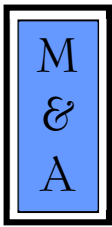


**Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)**

**Financial Statements
December 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Pagosa Lakes Property Owners Association
Pagosa Springs, Colorado**

Opinion

We have audited the financial statements of Pagosa Lakes Property Owners Association (the "Association"), which comprise the balance sheets as of December 31, 2022 and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Pagosa Lakes Property Owners Association
Pagosa Springs, Colorado

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 12 – 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Pagosa Lakes Property Owners Association
Pagosa Springs, Colorado

Required Supplementary Information

U.S. GAAP requires that the supplementary information on future major repairs and replacements on page 17 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial 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 U.S. GAAS, 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.

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
April 17, 2023

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2022
(With Comparative Totals For December 31, 2021)

	2022				2021	
	Operating Fund	Capital Fund	Reserve Fund	Settlement Fund	Total	Total
Assets:						
Cash and cash equivalents	530,649	385,526	717,222	74,396	1,707,793	1,461,277
Investments - Certificates of deposit	124,794	-	203,342	-	328,136	612,085
Accounts receivable, net	32,647	-	-	-	32,647	80,656
Prepaid expenses	34,150	-	-	-	34,150	42,900
Property and equipment, net	4,100,763	-	-	-	4,100,763	4,163,313
Due (to) from other fund	(155,598)	155,598	-	-	-	-
Total Assets	4,667,405	541,124	920,564	74,396	6,203,489	6,360,231
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	46,767	4,091	6,189	-	57,047	35,141
Accrued payroll and compensated absences	46,748	-	-	-	46,748	65,362
Deferred assessments	19,549	-	-	-	19,549	31,358
Contract liability	128,578	-	-	-	128,578	97,841
Total Liabilities	241,642	4,091	6,189	-	251,922	229,702
Fund Balances:						
Investment in property and equipment, net	4,100,763	-	-	-	4,100,763	4,163,313
Operating Fund balance	75,000	-	-	-	75,000	3,819
Designated - Emergency contingency	250,000	-	-	-	250,000	250,000
Designated - Capital Fund balance	-	537,033	-	-	537,033	455,631
Designated - Reserve Fund balance	-	-	914,375	-	914,375	1,183,882
Restricted - Settlement Fund balance	-	-	-	74,396	74,396	73,884
Total Fund Balances	4,425,763	537,033	914,375	74,396	5,951,567	6,130,529
Total Liabilities and Fund Balances	4,667,405	541,124	920,564	74,396	6,203,489	6,360,231

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

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2022
(With Comparative Totals For the Year Ended December 31, 2021)

	2022				2021	
	Operating Fund	Capital Fund	Reserve Fund	Settlement Fund	Total	Total
Revenues:						
Assessments and related fees	1,736,970	271,251	359,400	-	2,367,621	2,096,609
Property and environmental management	176,887	-	-	-	176,887	189,122
Recreational amenities	480,945	-	-	-	480,945	426,711
Community standards fees and fines	150,473	-	-	-	150,473	182,950
Community lifestyle	11,813	-	-	-	11,813	19,473
Other revenue	45,824	-	-	-	45,824	700
Interest income	1,191	3,174	2,393	512	7,270	3,180
Total Revenues	2,604,103	274,425	361,793	512	3,240,833	2,918,745
Expenses:						
Administrative services	737,767	-	-	-	737,767	691,414
Property and environmental management	618,683	-	-	-	618,683	558,157
Recreational amenities	479,319	-	-	-	479,319	453,389
Community standards	445,191	-	-	-	445,191	357,055
Community lifestyle	43,022	-	-	-	43,022	48,482
Utilities	44,855	-	-	-	44,855	36,444
Bad debt expense	43,737	-	-	-	43,737	75,489
Depreciation	201,880	-	-	-	201,880	208,014
Loss on disposal of fixed assets	2,485	-	-	-	2,485	17,361
Capital improvement (Page 15)	-	328,738	-	-	328,738	109,699
Replacement (Page 16)	-	-	474,118	-	474,118	421,804
Total Expenses	2,616,939	328,738	474,118	-	3,419,795	2,977,308
Excess (Deficiency) of Revenues Over Expenses	(12,836)	(54,313)	(112,325)	512	(178,962)	(58,563)
Fund Balances - Beginning	4,417,132	455,631	1,183,882	73,884	6,130,529	6,189,092
Transfer from / (to) other fund(s), net	21,467	135,715	(157,182)	-	-	-
Fund Balances - Ending	4,425,763	537,033	914,375	74,396	5,951,567	6,130,529

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

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals For the Year Ended December 31, 2021)

	2022				2021	
	Operating Fund	Capital Fund	Reserve Fund	Settlement Fund	Total	Total
Cash Flows From Operating Activities:						
Cash received from owners	2,626,801	271,251	359,400	-	3,257,452	2,906,186
Interest received	1,535	3,174	2,922	512	8,143	222
Other cash receipts	45,533	-	-	-	45,533	79,037
Cash paid for goods and services	(873,246)	(324,647)	(467,929)	-	(1,665,822)	(1,573,111)
Cash paid for payroll and employee benefits	(1,540,055)	-	-	-	(1,540,055)	(1,194,040)
Transfers	(110,000)	-	110,000	-	-	-
Net Cash Provided (Used) by Operating Activities	150,568	(50,222)	4,393	512	105,251	218,294
Cash Flows From Investing Activities:						
Cash paid to purchase investments	(125,138)	-	-	-	(125,138)	-
Cash received from sale of investments	-	-	408,214	-	408,214	-
Cash paid to purchase equipment	-	(19,883)	(157,182)	-	(177,065)	-
Cash received on sale of equipment	35,254	-	-	-	35,254	4,668
Net Cash Provided (Used) by Investing Activities	(89,884)	(19,883)	251,032	-	141,265	4,668
Net Increase (Decrease) in Cash and Cash Equivalents	60,684	(70,105)	255,425	512	246,516	222,962
Cash and Cash Equivalents - Beginning	469,965	455,631	461,797	73,884	1,461,277	1,238,315
Cash and Cash Equivalents - Ending	530,649	385,526	717,222	74,396	1,707,793	1,461,277
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:						
Excess (deficiency) of revenues over expenses	(12,836)	(54,313)	(112,325)	512	(178,962)	(58,563)
Adjustments:						
Depreciation	201,880	-	-	-	201,880	208,014
Earnings on investments	344	-	529	-	873	(2,958)
Transfer (to)/from other fund	(110,000)	-	110,000	-	-	-
(Gain)/loss on sale of assets	2,485	-	-	-	2,485	17,361
(Increase) decrease - Accounts receivable	120,260	-	-	-	120,260	(99,587)
Increase (decrease) - Allowance for doubtful accounts	(71,960)	-	-	-	(71,960)	13,502
(Increase) decrease - Accounts receivable - Other	(291)	-	-	-	(291)	78,337
(Increase) decrease - Prepaid expenses	8,750	-	-	-	8,750	(74)
Increase (decrease) - Accounts payable	11,622	4,091	6,189	-	21,902	(925)
Increase (decrease) - Accrued payroll and compensated absences	(18,614)	-	-	-	(18,614)	3,142
Increase (decrease) - Deferred assessments	(11,809)	-	-	-	(11,809)	20,011
Increase (decrease) - Contract liability	30,737	-	-	-	30,737	40,034
Total Adjustments	163,404	4,091	116,718	-	284,213	276,857
Net Cash Provided (Used) by Operating Activities	150,568	(50,222)	4,393	512	105,251	218,294

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

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022

1. Organization

Pagosa Lakes Property Owners Association (the "Association") was incorporated March 14, 1972, in the State of Colorado as a non-profit corporation organized for the purpose of operating and maintaining the common property of the Association, pursuant to the Declaration of Restrictions (the "Declaration") recorded June 24, 1970.

The Association, which is located in Archuleta County, Colorado, consists of 6,031 whole-owned units and 329 timeshare units.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when assessed or earned, and expenses when incurred.

B. Fund Accounting

The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Association's Board of Directors (the "Board") and General Manager, and consistent with the approved annual budget. The Capital Fund consists of Operating Fund balances designated by the Board in the annual budget for expansion of the Association's parks, trails, open space and recreation amenities, as guided by the Association's *Parks, Trails, Open Space and Recreation Master Plan*. The Reserve Fund is designated for major repairs and replacements. The Settlement Fund accounts for funds received pursuant to a court order following the bankruptcy of a related developer in 1997, with expenditures restricted to benefit only specific communities / property owners within the Association.

C. Cash, Cash Equivalents, and Investments

All checking, savings, and money market accounts are considered cash equivalents by the Association for the purpose of the Statement of Cash Flows, since all such funds are highly liquid with no stated maturities.

Certificates of deposit held for investment that are not debt instruments and with original maturities of greater than 90 days when purchased are reported as "Investments – Certificates of Deposit".

D. Allowance for Doubtful Accounts

The Association utilizes the allowance method of recognizing the future potential uncollectibility of unpaid owner assessments and other receivables. An allowance for allowance for doubtful accounts of \$101,181 has been recorded at December 31, 2022 to provide for the possibility of some balances not being collected.

The Association's policy is to retain legal counsel and place liens on the properties of owners who are delinquent in paying their assessments. Accounts are considered delinquent if assessments are not received by May 1 of the year in which the assessment was levied.

**Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(Continued)**

2. Summary of Significant Accounting Policies (continued)

E. Prepaid Expenses

Prepaid expenses represent amounts paid in the current fiscal year that benefit subsequent fiscal years.

F. Recognition of Assets

Real and personal common property acquired by the original members from the developer is recognized on the Association's financial statements; however, its disposition by the Board is restricted.

The Association recognizes as assets on its financial statements only real and personal property with an acquisition cost greater than \$5,000, to which the Association holds title and can dispose of for cash, while retaining the proceeds thereto. These assets are recorded at cost and, other than land and lakes, are depreciated, using the straight-line method, over the following estimated useful lives:

	Estimated Useful Lives
Furniture, equipment and vehicles	3 - 10 years
Buildings and improvements	30 - 40 years

G. Deferred Assessments

Deferred assessments represents assessments paid in advance of the fiscal year in which the assessments are due.

H. Revenue and Revenue Recognition

Assessments are the primary source of revenue for the Association. The Board, with the assistance of management, prepares an annual budget to estimate the expenses of maintaining the Association's common elements. On an annual basis, members of the Association are assessed for their respective pro-rata share of these estimated expenses.

The Association has determined that the relationship of the members to the Association is not that of a customer as defined in generally accepted accounting principles, since the members control the governance of the Association, and it is not possible to separate the members from the Association itself. Further, the nature of the Association's governing documents as it relates to the billing and collection of member assessments does not meet the definition of a contract under generally accepted accounting principles. Consequently, all assessment revenues are recognized as revenue by the Association when levied, as determined by the Board-approved annual budget.

The Association also recognizes revenues from various administrative fees and fines as earned upon provision of the underlying goods or service. Fishing and boating permits expire each calendar year-end, so the related revenues are recognized ratably from receipt through the end of the year. Recreation center passes are valid for one year from the date of purchase, so pass revenues are recognized ratably over the one-year use period. All such revenues are non-refundable.

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(Continued)

2. Summary of Significant Accounting Policies (continued)

H. Revenue and Revenue Recognition (continued)

Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses is repaid to the members or recovered from the members, retained as a reserve to reduce future assessments, or, with the approval of the Board, transferred to the Reserve Fund.

I. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

The income tax returns of the Association are subject to examination by the Internal Revenue Service and Colorado Department of Revenue. The Association's tax returns are no longer subject to examination for tax years prior to 2019 by the Internal Revenue Service and for tax years prior to 2018 by the Colorado Department of Revenue.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Comparative Information

The financial statements include certain prior year comparative information in total, but not by fund. As such, prior year information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, prior year totals should be read in conjunction with the Association's audited financial statements for the year ended December 31, 2021, from which they were derived.

L. Subsequent Events

Management has evaluated subsequent events through April 17, 2023; the date these financial statements were available to be issued.

3. Investments – Certificates of Deposit

Certificates of deposit, maturing within one year,
interest at 2.65% - 3.4% per annum

\$ 328,136

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(Continued)

4. Property and Equipment

Land	\$	506,377
Lakes		425,755
Buildings and improvements		5,558,746
Equipment and vehicles		894,967
At cost		7,385,845
Less: Accumulated depreciation		(3,285,082)
Property and equipment, net	\$	4,100,763

5. Revenue from Contracts with Customers

For the year ended December 31, 2022, the Association recognized revenue totaling \$787,607 for goods transferred or performance obligations met at a point in time. Aggregate revenues of \$251,092 were recognized in 2022 for goods transferred or performance obligations met over time. Revenues are primarily collected from members of the Association.

Revenues may be affected by general economic conditions and inflationary pressures.

The Association's contract liability activity for the year ended December 31, 2022 was as follows:

Contract liability - Beginning	\$	97,841
Revenue recognized that was included in contract liability at the beginning of the year		(97,841)
Increase in contract liability due to cash received during the year		128,578
Contract liability - Ending	\$	128,578

6. Future Major Repairs and Replacements

As permitted by the Declarations, the Association is accumulating funds for future major repairs and replacements of the Association's common property. Accumulated funds are held in separate money market accounts and are generally not available for expenses for normal operations.

The Association commissioned a study by independent reserve study engineers in 2022 to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were based on current estimated replacement costs. The table included in the unaudited supplementary Schedule of Future Major Repairs and Replacements on page 17 is based on the study. The information has been classified into major areas of the Association's common elements and property.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based upon the study's estimates of replacement costs and considering amounts previously accumulated in the Reserve Fund. During 2022, the Association levied aggregate Reserve Fund assessments of \$359,400, including \$52,400 specifically for trail maintenance.

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(Continued)

6. Future Major Repairs and Replacements (continued)

Funds are being accumulated in the Reserve Fund based on estimated costs for repairs and replacements of common property components. Actual expenditures and investment incomes may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

7. Retirement Plan

The Association provides eligible employees with a Simplified Employee Pension plan (the "SEP Plan"), as described under section 408(k) of the Internal Revenue Code (the "IRC"). Participating employees may elect to contribute a percentage of their wages to the SEP Plan on a pre-tax basis. In addition, the Association contributes a fixed percentage of each eligible employee's base wages to the SEP Plan, with the percentage determined annually by the Board. Maximum annual individual SEP Plan contribution limits are set by the IRC and by regulation. For 2022, the Association contributed a total of \$32,968 to the SEP Plan accounts of participating employees.

8. Accrued Compensated Absences

The Association's full-time employees accrue paid vacation leave based on the employee's years of continuous service to the Association, with the maximum vacation leave carried over at the end of any calendar year limited to 160 hours. At December 31, 2022, the estimated value of accumulated accrued compensated absences, including related payroll taxes, is \$35,257.

9. Related Party Transaction

A Board member holds an ownership interest in an entity that provided community enhancement services totaling \$40,467 for the Association during 2022.

10. Concentration of Credit Risk

The Association's cash balances held with financial institutions at December 31, 2022 were insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000 per depositor or Securities Investor Protection Corporation ("SIPC") for cash balances up to \$500,000 per depositor at each separately-chartered FDIC or SIPC member financial institution, without regard to the nature of the accounts. At December 31, 2022, the Association's uninsured cash balances totaled \$26,228.

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund - Budget and Actual Comparison
For the Year Ended December 31, 2022
(With Comparative Actual Amounts For the Year Ended December 31, 2021)

	<u>2022</u>		Variance: Positive (Negative)	<u>2021</u>
	Budget (Unaudited)	Actual		Actual
Revenues:				
Assessments and related fees:				
Assessments	1,542,175	1,543,786	1,611	1,318,767
Late charges	30,000	20,410	(9,590)	29,575
Lot consolidation fees	20,000	44,393	24,393	43,475
Other	125,100	128,381	3,281	137,692
Total - Assessments and related fees	<u>1,717,275</u>	<u>1,736,970</u>	<u>19,695</u>	<u>1,529,509</u>
Property and environmental management:				
Fishing permits	154,000	160,759	6,759	176,050
Boat permits	9,000	9,574	574	9,850
Other	3,400	6,554	3,154	3,222
Total - Property and environmental management	<u>166,400</u>	<u>176,887</u>	<u>10,487</u>	<u>189,122</u>
Recreational amenities:				
Association members	256,852	251,092	(5,760)	200,504
Timeshare members	158,981	211,974	52,993	211,974
Sponsored events and programs	12,300	11,848	(452)	8,120
Other	8,050	6,031	(2,019)	6,113
Total - Recreational amenities	<u>436,183</u>	<u>480,945</u>	<u>44,762</u>	<u>426,711</u>
Community standards fees and fines:				
Permit fees	16,000	16,050	50	22,110
Review and inspection fees	100,000	122,400	22,400	119,402
Other	3,800	12,023	8,223	41,438
Total - Community standards fees and fines	<u>119,800</u>	<u>150,473</u>	<u>30,673</u>	<u>182,950</u>
Community lifestyle:				
Newsletter advertising	8,000	2,211	(5,789)	12,200
Rent	8,750	5,612	(3,138)	4,411
Other	4,900	3,990	(910)	2,862
Total - Community lifestyle	<u>21,650</u>	<u>11,813</u>	<u>(9,837)</u>	<u>19,473</u>
Other revenue:				
Other revenue	-	45,824	45,824	-
Interest income:				
Interest income	3,000	1,191	(1,809)	119
Total Revenues	<u>2,464,308</u>	<u>2,604,103</u>	<u>139,795</u>	<u>2,347,884</u>

(Continued)

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund - Budget and Actual Comparison
For the Year Ended December 31, 2022
(With Comparative Actual Amounts For the Year Ended December 31, 2021)
(Continued)

	<u>2022</u>		Variance: Positive (Negative)	<u>2021</u>
	<u>Budget (Unaudited)</u>	<u>Actual</u>		<u>Actual</u>
Expenses:				
Administrative services:				
Bank and credit card charges	13,225	13,380	(155)	13,073
Elections	16,000	10,940	5,060	11,598
Equipment and technology	34,500	41,078	(6,578)	49,072
Insurance	69,000	56,408	12,592	51,267
Office	16,200	13,693	2,507	10,819
Other	20,400	9,295	11,105	15,317
Personnel	459,505	441,360	18,145	419,259
Professional services	104,500	151,613	(47,113)	121,009
Total - Administrative services	<u>733,330</u>	<u>737,767</u>	<u>(4,437)</u>	<u>691,414</u>
Property and environmental management:				
Capital	12,000	8,080	3,920	7,023
Equipment and tools	33,800	35,424	(1,624)	31,225
Lakes:				
Fisheries maintenance	10,000	5,550	(4,450)	9,184
Stocking	98,000	103,750	(5,750)	91,973
Weed and algae control	30,000	22,913	7,087	24,959
Maintenance	53,800	67,606	(13,806)	45,635
Other	1,000	265	735	15
Personnel	391,150	362,831	28,319	335,125
Professional services	7,900	5,676	2,224	5,545
Signage	12,000	6,588	5,412	7,473
Total - Property and environmental management	<u>649,650</u>	<u>618,683</u>	<u>22,067</u>	<u>558,157</u>
Recreational amenities:				
Equipment	13,000	8,878	4,122	14,615
Maintenance	36,500	34,801	1,699	23,632
Other	8,000	11,802	(3,802)	6,309
Personnel	329,555	329,924	(369)	333,175
Supplies	10,123	8,820	1,303	10,087
Utilities	93,900	85,094	8,806	65,571
Total - Recreational amenities	<u>491,078</u>	<u>479,319</u>	<u>11,759</u>	<u>453,389</u>
Community standards:				
Community enhancement	32,000	40,467	(8,467)	31,085
Equipment	5,100	3,785	1,315	3,286
Office	10,000	13,051	(3,051)	8,838
Other	1,500	14	1,486	413
Personnel	407,500	387,326	20,174	312,299
Printing	1,500	399	1,101	940
Professional services	500	149	351	194
Total - Community standards	<u>458,100</u>	<u>445,191</u>	<u>12,909</u>	<u>357,055</u>

(Continued)

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund - Budget and Actual Comparison
For the Year Ended December 31, 2022
(With Comparative Actual Amounts For the Year Ended December 31, 2021)
(Continued)

	<u>2022</u>		Variance: Positive (Negative)	<u>2021</u>
	<u>Budget (Unaudited)</u>	<u>Actual</u>		<u>Actual</u>
Expenses (continued):				
Community lifestyle:				
Community activities	20,000	16,525	3,475	15,537
Clubhouse	4,700	3,216	1,484	2,221
Newsletter	30,000	19,120	10,880	27,382
Other	500	217	283	204
Website and Association Voice	6,000	3,944	2,056	3,138
Total - Community lifestyle	<u>61,200</u>	<u>43,022</u>	<u>18,178</u>	<u>48,482</u>
Utilities:				
Electricity	23,300	14,589	8,711	11,256
Natural gas	6,400	8,507	(2,107)	5,495
Telephone and cellular	11,500	8,918	2,582	10,307
Waste	3,700	3,071	629	3,337
Water	6,050	9,770	(3,720)	6,049
Total - Utilities	<u>50,950</u>	<u>44,855</u>	<u>6,095</u>	<u>36,444</u>
Bad debt expense:				
Bad debt expense	<u>70,000</u>	<u>43,737</u>	<u>26,263</u>	<u>75,489</u>
Depreciation:				
Depreciation	<u>-</u>	<u>201,880</u>	<u>(201,880)</u>	<u>208,014</u>
Loss on disposal of fixed assets:				
Loss on disposal of fixed assets	<u>-</u>	<u>2,485</u>	<u>(2,485)</u>	<u>17,361</u>
Total Expenses	<u>2,514,308</u>	<u>2,616,939</u>	<u>(102,631)</u>	<u>2,445,805</u>
Excess (Deficiency) of Revenues Over Expenses	<u>(50,000)</u>	<u>(12,836)</u>	<u>37,164</u>	<u>(97,921)</u>

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Capital Fund Expenses
For the Year Ended December 31, 2022
(With Comparative Actual Amounts For the Year Ended December 31, 2021)

	2022	2021
Improvements to the General Common Elements:		
Capital improvements:		
Mailbox improvements	88,522	58,142
Lake facilities	1,135	24,204
Dog park	-	25,989
Total - Capital improvements	89,657	108,335
Parks and trails improvements:		
Trails	215,117	-
Dog park	7,363	-
Total - Parks and trails improvements	222,480	-
Recreation center improvements:		
Landscaping	14,170	419
Parking lot	2,431	-
Total - Recreation center improvements	14,170	419
 Improvements to Capital Assets:		
Capital improvements:		
Hatcher restrooms	19,883	-
Total - Capital improvements	19,883	-
Parks and trails improvements:		
Hatcher Circle	-	610
Engineering services	-	335
Total - Parks and trails improvements	-	945
 Total expenses - Capital Fund	348,621	109,699
Less:		
Improvements to capital assets reported in the Operating Fund	(19,883)	-
 Total Expenses - Capital Fund	328,738	109,699

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Reserve Fund Expenses
For the Year Ended December 31, 2022
(With Comparative Actual Amounts For the Year Ended December 31, 2021)

	2022	2021
Replacements, Major Repairs and Improvements:		
General Common Elements:		
Fence	15,703	-
Fishing pier dock	19,826	-
Reserve study	9,075	-
Paving and seal coating	17,890	44,810
Recreation center projects	145,851	-
Pool projects	230,426	357,002
Recreation center equipment	2,500	8,084
Gazebo	7,272	-
Other equipment	11,176	-
Other	14,399	11,908
Total - General Common Elements	474,118	421,804
Capital Assets:		
Equipment	77,786	-
Recreation center equipment	28,178	-
Vehicles	51,218	-
Total - Capital Assets	157,182	-
Total expenditures - Reserve Fund	631,300	421,804
less:		
Replacements and improvements to capital assets reported in the Operating Fund	(157,182)	-
Total Expenses - Reserve Fund	474,118	421,804

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Future Major Repairs and Replacements
December 31, 2022
(Unaudited)

During 2022, the Board commissioned a study by independent reserve study engineers to estimate the remaining useful lives and the replacement costs of the components of common property. The study, which is reviewed annually by the Board and management, projected future replacement costs over a 30-year period, using a 3% annual inflation adjustment.

The Board has elected not to allocate the Reserve Fund balance to specific components of common property.

The following table summarizes the current remaining useful lives and estimated costs for the next replacement cycle, as outlined in the study, and presents significant information about the components of the Association's common property. The full study is available on the Association's website at <https://www.plpoa.com>

Components	Estimated Remaining Useful Lives (Years)	Estimated Replacement Costs (all components)	Reserve Fund Balance at Dec. 31, 2022
Exterior building elements:			
Administration building	1 - 25	207,845	
Clubhouse	3 - 25	143,300	
Maintenance shop	1 - 26	130,700	
Recreation Center	0 - 18	455,860	
Interior building elements:			
Administration building	2 - 12	92,860	
Clubhouse	6 - 18	229,650	
Recreation Center	1 - 22	645,694	
Building services elements:			
Administration building	8 - 15	22,500	
Clubhouse building	13	11,000	
Maintenance shop	2 - 14	16,500	
Recreation Center	0 - 21	385,500	
Property site elements:			
Administration building and Clubhouse	2 - 30	208,140	
Maintenance shop	3 - 22	28,600	
Recreation Center	2 - 30	236,180	
Lakes and common areas:			
Dams	3 - 14	300,696	
Parking and sidewalks	2 - 30	476,640	
Bridge, docks, and fences	2 - 24	331,390	
Gazebos and playground equipment	11 - 19	162,000	
Dredging and erosion control	4 - 30	240,000	
Mailbox stations	1 - 30	892,000	
Maintenance equipment:			
Boat, ATV, and other equipment	1 - 14	293,200	
Tractors and trailers	2 - 20	155,000	
Vehicles	3 - 12	258,000	
Totals		5,923,255	914,375