

TOWN OF PAONIA, COLORADO

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

August 8, 2019

To the Board of Trustees
Town of Paonia, Colorado

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 the Town of Paonia, Colorado, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 that 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, each major fund, and the aggregate remaining fund information of the Town of Paonia, Colorado, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the



Board of Trustees
Town of Paonia, Colorado

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 3–8 and 44–49 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 Town of Paonia, Colorado's basic financial statements. The combining and individual nonmajor fund financial statements, the budget to actual schedules for the non-major governmental funds and the proprietary funds, and the Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budget to actual schedules for the non-major governmental funds and the proprietary funds, and the Highway Finance Report are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Old Pension Plan information on page 62 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.

TOWN OF PAONIA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended December 31, 2018

As management of the Town of Paonia, we offer readers of the Town of Paonia Financial Statements this narrative overview and analysis of the financial activities and performance of the Town of Paonia for Fiscal Year ended December 31, 2018.

INTRODUCTION

The Town operates under a Mayor - Town Board form of government with a contract Town Administrator. The Town Board provides strategic leadership, goal setting and policy-making authority, and employs the Town Administrator who is responsible for the day-to-day management, financial and technical support to ensure equitable, efficient and effective implementation of government services to our citizens.

The Town provides a full range of public services, including a Police Department, Municipal Utilities (water, wastewater, and trash), Infrastructure (drainage, streets, public buildings, airport, and sidewalks), and Cultural and Recreational programs (parks and recreation activities).

Other governmental services are provided through various agencies and special districts that include: fire protection through the Paonia Volunteer Fire Department (Delta County FPD#2), North Fork EMS, the North Fork Pool, Parks and Recreation District, and the Paonia Public Library; a branch office of the Delta County Library District; and two Cemetery Districts.

HIGHLIGHTS AND NOTABLE FINANCIAL STATEMENT COMPARISONS OF FY 2017 TO FY 2018:

1. Change in cash position has decreased from 2017 to 2018 for Governmental Activities, Business-Type Activities for a total of \$2,227,359; with a total decrease of \$251,669.
2. Change in net capital fixed assets has increased from 2017 to 2018 for Governmental Activities, Business-Type Activities for a total of \$15,791,552; with a total increase of \$240,621.
3. Long-Term Liabilities for Governmental Activities, Business-Type Activities decreased by \$284,233.
4. Governmental Funds Tax revenue increased from 2017 to 2018 totaling \$669,294; with a total increase of \$91,949.
5. Governmental Funds Intergovernmental revenue decreased from 2017 to 2018 by \$215,608.
6. Governmental Funds Other revenue increased from 2017 to 2018 by \$6,133.
7. Governmental Funds Expenditures increased by \$263,852.
8. Governmental Funds Fund Balance increased by \$35,474.
9. Enterprise Funds revenue decreased from 2017 to 2018 by a total of \$486,222. However, in 2017 the Town sold sewer property totaling \$502,516. Therefore, standard revenue increased by \$16,294.
10. Enterprise Funds expenditures increased from 2017 to 2018 by a total of \$504,075.
11. Enterprise Funds Change In Net Position increased in 2018 by \$274,809.

For the Fiscal Year Adopted 2018 Budget, the Town Board for the Town of Paonia focused on one major project which is highlighted as follows:

COMPLETION OF THE WATER PROJECT:

The water project began in 2014, with expected completion by October 2018. \$500,000 was set aside in the 2014 Grant/Project Budget as matching funds. This project has been funded by a DOLA (Department of Local Affairs) EIAF grant of \$1,000,000; Colorado Water Power Development Authority (CWPDA) principal forgiveness grant of \$847,920; a DWSRF (Drinking Water State Revolving Fund) loan with a 2.08% rate of \$3,000,000; the Gunnison Basin Round Table grant of \$75,000; and a Colorado Water Conservation Board (CWCB) grant of \$310,000. Project total: \$5,732,920.

OVERVIEW OF THE FISCAL YEAR 2018 FINANCIAL STATEMENTS

By way of introduction and definition to the Town of Paonia's basic financial statements, the Town's financial statements are comprised of three components:

1. Governmental Financial Statements
2. Fund Financial Statements
3. Notes to the 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 Town of Paonia finances in a manner similar to a private-sector business.

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

The "*Statement of Activities*" presents information showing how the government's net assets changed during the most recent Fiscal Year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the Town of Paonia that are principally supported by taxes and intergovernmental revenues (***governmental activities***) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (***enterprise business-type activities***).

The Governmental-wide Financial Statement include only the Town of Paonia itself (known as the primary government) as there are **no component units** of the Town.

The Governmental Funds of the Town of Paonia include the:

1. **General Fund:** The General Fund is the Town's major operating fund. All revenues, by law or administrative control, that are not in otherwise designated funds are deposited in the General Fund.

The General Fund is used to provide for Administration, Building Permits, Public Safety, Streets, and Parks and Recreation services. The primary sources of revenues for the General Fund are 1. Sales taxes (Town and Delta County), 2. Property taxes, 3. Franchise Taxes and 4. Intergovernmental revenues specifically Highway Users Tax.

2. **Conservation Trust Fund:** The Conservation Trust Fund is used to account for monies received by the Town from the State of Colorado lottery proceeds. These funds are restricted for use in the acquisition, development and maintenance of new park and conservation sites or for capital improvements and maintenance of any existing public site for recreational purposes.
3. **Sales Tax Capital Improvement Fund:** The Sales Tax Capital Improvement Fund is funded by 1% of the 3% Town Sales Tax and used to account for capital projects and purchases.
4. **Street Capital Improvement Fund:** The Street Capital Improvement fund was added in 2018 and is funded by an 3% impact fees paid by the Water, Sewer and Trash Funds and is to be used for capital improvements (reconstruction and paving) to the roads.
5. **Bridge Fund:** The Bridge Fund is deferred revenue which was received from Delta County in January 2010 for the total of \$800,000 which by contract is amortized at \$40,000/year.
6. **Sidewalk Fund:** The Sidewalk Fund is funded by a \$3.00 fee assessed monthly on in-Town properties only through our current utility billing to be used to repair and replace existing sidewalks.
7. **Space-to-Create Fund:** In 2017, the Town received a grant from the Boettcher Foundation of \$35,000 to begin Space-to-Create project. Space-to-Create will advance a feasibility analysis of creative sector workforce space in the Town of Paonia. The initiative began with a preliminary feasibility study and community engagement work, followed by and arts market survey. In addition in 2018, the Town received a \$25,000 REDI Grant from DOLA for the feasibility study, a \$17,500 DOLA Grant for the Market Survey, a \$50,000 Grant from Colorado Creative Industries (CCI) for the ongoing development of the Space-to-Create project and a \$915.00 contribution from the public.

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.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. 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.

In particular, **Unassigned Fund Balance** may serve as a useful measure of a government's net resources available for spending at the end of the Fiscal Year.

Governmental fund statements are presented separately for revenue, expenditures, and changes in fund balances for the General Fund, Sales Tax Capital Improvement Fund, Street Capital Improvement Fund, Conservation Trust Fund, Sidewalk Fund and the Space to Create Fund. The General Fund and Sales Tax Capital Improvement Fund are considered major funds of the Town.

Individual fund data for each of these five major governmental funds are provided in the form of “**Combining Statements**” elsewhere in this report.

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.

The Enterprise Funds (business-type activities) of the Town of Paonia include the:

Water Fund: The Town operates two water treatment facilities. The upper system, also known as the 2.0 Million Gallon (2MG) Water Treatment Plant (WTP) services primarily the out-of-town customers, water companies and the northeast end of Town. The lower system, also known as the 1.0 Million Gallon (1MG) Water Treatment Plant or commonly referred to as the "Clock Plant" services mostly Town proper. The primary sources of revenue are charges for service. This fund is used to account for the revenues and expenses associated with the operations and maintenance of the water treatment and delivery (distribution) system. Also to be included in the charges for services or any rate consideration for this fund are the repayment of loans for the water treatment facilities and monies for capital re-investment to these systems.

1. **Grant Project Fund:** The Grant Project Fund is funded by refundable grants designated to specific projects plus Town matching funds. This fund is a “pass through fund” specifically for the tracking of grants awarded. This fund is combined with the water fund as a sub-fund in the current year.

Sewer Fund: The Town operates a Waste Water Treatment Plant (WWTP) and sanitary sewer collection system. The primary sources of revenue are charges for service. This fund is used to account for the revenues and expenses associated with the operations and maintenance of the waste water treatment plant and collections system. Also to be included in the charges for services or any rate consideration for this fund are the repayment of loans for the waste water treatment plant facility and monies for capital re-investment to this system.

Sanitation (Trash) Fund: The Trash Fund is used to account for revenues and expenses associated with the collection and disposal of trash for In-Town residents and businesses. Charges for the service are the only revenue source for this activity.

The Enterprise Funds are used to report the same functions presented as **business-type activities** in the government-wide financial statements. The Town of Paonia uses Enterprise Funds to account for its Water, Sewer and Trash Funds, all of which are considered to be major funds of the Town of Paonia.

Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information: is in addition to the basic financial statements and accompanying notes. This report also presents certain "*Required Supplementary Information*" concerning the Town of Paonia' budgetary comparison schedules.

FINANCIAL ANALYSIS FOR THE TOWN OF PAONIA AS A WHOLE

As noted earlier, the Town of Paonia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The 2018 Fund Balances are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund	336,284	220,337	178,787	94,900
Sales Tax Capital Improvement Fund	296,990	354,942	338,969	270,325
Street Capital Improvement Fund	19,416	0	0	0
Conservation Trust Fund	0	18,905	14,941	10,902
Grant Project Fund	0	0	0	781,095
Sidewalk Fund	3,659	18,498	888	17,798
Space To Create Fund	<u>29,219</u>	<u>37,410</u>	<u>0</u>	<u>0</u>
Governmental Funds	685,568	650,092	533,585	1,175,020

The General Fund is the chief operating fund to the Town of Paonia. At the end of FY 2018, **Unassigned Fund Balance** of the General Fund is \$148,710.

The committed Bridge reserve is \$120,832 plus the Unearned revenue is \$480,000 totaling \$600,832.

The restricted fund for the Airport Capital Improvement total \$37,242 at the end of FY 2018.

Available Resources of the Enterprise Funds at the end of the Fiscal Year 2018 is as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Water Fund	105,507	1,203,966	822,179	686,079
Sewer Fund	555,190	1,056,096	302,498	424,684
Trash Fund	248,637	208,538	256,376	162,291

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets are the Town of Paonia investments in capital assets for its governmental and business-type activities as of December 31, 2018, which for this fiscal year amounts to \$15,791,553 (Net of Accumulated Depreciation). This investment in capital assets includes land, buildings, construction in progress, improvements other than buildings, infrastructure, and equipment.

Major capital asset events during Fiscal Year 2018 included the improvements and upgrades to the Town's Water System in response to the State of Colorado Department of Public Health Drinking Water Enforcement Order. As well as a new lining for the Clock Water Plant (1MG) storage tank due to a deficiency found during the State's Sanitary Survey.

Long-Term Debt includes the Sewer Plant, the 1MG Water Plant and the 2MG Water Plant and the improvements to the Distribution System. The Town's total bond and other indebtedness as of December 31, 2018 was \$4,325,899. The Town of Paonia has no General Obligation debt.

ECONOMIC FACTORS AND RATES

The Town of Paonia and Delta County are primarily agricultural based economies. Given the still uncertain economic environment, the Town of Paonia Fiscal Year 2018 Budget maintains operating expenditures in line (balanced, not exceeding) with sources of revenues by re-evaluating services, reducing costs, specifically personnel related costs, and performing modest capital improvements such as the sidewalk construction project by utilizing funds maintained in reserve.

The Town increased water rates in February 2017 by 2% per base unit and sewer rates in May 2017 \$3.00 per base unit in order for the funds to remain financially solvent. Solid Waste (Trash) rates were increased \$1.00 per base unit in 2018.

There are no other known facts, decisions or conditions that are expected to have an effect on the Town's financial position or results of operations such as rate increase, increases in service areas, etc.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Paonia's finances for all those with an interest in the Town government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Finance Officer, Cindy Jones, Town of Paonia, 214 Grand Avenue, PO Box 460, Paonia, CO 81428 and Telephone: (970) 527-4101.

Respectfully Presented By:

Kenneth D Knight, Town Administrator
Ross King, Town Treasurer
Cindy Jones, Finance Officer

Town of Paonia, Colorado

STATEMENT OF NET POSITION

December 31, 2018

	Governmental Activities	Business- Type Activities	Total
Assets			
Pooled cash and investments	\$ 588,504	\$ 736,694	\$ 1,325,198
Restricted cash and investments (Notes 5 and 10)	600,832	617,870	1,218,702
Property taxes receivable	100,478	-	100,478
Accounts receivable, net	21,147	131,421	152,568
Grants receivable	-	249,481	249,481
Due from other governments	42,849	-	42,849
Inventories	-	137,420	137,420
FPPA net pension asset (Note 8)	26,228	-	26,228
Capital assets (Note 12)			
Nondepreciable	246,481	834,157	1,080,638
Depreciable, net of accumulated depreciation	2,860,495	11,850,419	14,710,914
Total Assets	<u>4,487,013</u>	<u>14,557,462</u>	<u>19,044,475</u>
Deferred outflows of resources			
FPPA pension (Note 8)	62,224	-	62,224
Liabilities			
Overdrawn pooled cash and investments	-	316,541	316,541
Accounts payable	13,255	9,295	22,550
Accrued payroll liabilities	24,508	-	24,508
Accrued interest payable	-	19,846	19,846
Unearned other revenue	530,000	-	530,000
Noncurrent liabilities:			
Due within one year (Note 6)	20,982	178,990	199,972
Due in more than one year (Note 6)	-	4,146,909	4,146,909
Total Liabilities	<u>588,745</u>	<u>4,671,581</u>	<u>5,260,326</u>
Deferred inflows of resources			
FPPA pension (Note 8)	11,267	-	11,267
Deferred property tax revenue	100,478	-	100,478
Total Deferred Inflows of Resources	<u>111,745</u>	<u>-</u>	<u>111,745</u>
Net position			
Net investment in capital assets	3,106,976	8,358,677	11,465,653
Restricted for:			
Emergencies (Note 3)	29,500	-	29,500
Airport capital improvements (Note 11)	37,242	-	37,242
Water utility maintenance (Note 6)	-	208,080	208,080
Debt service (Notes 6 and 10)	-	617,870	617,870
Unrestricted	675,029	701,253	1,376,282
Total Net Position	<u>\$ 3,848,747</u>	<u>\$ 9,885,880</u>	<u>\$ 13,734,627</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities							
General government	\$ 354,595	\$ 43,127	\$ -	\$ -	\$ (311,468)	\$ -	\$ (311,468)
Public safety	266,975	28,137	3,273	-	(235,565)	-	(235,565)
Public works	107,720	30,434	46,407	-	(30,879)	-	(30,879)
Culture and recreation	106,174	-	18,989	51,374	(35,811)	-	(35,811)
Total government activities	835,464	101,698	68,669	51,374	(613,723)	-	(613,723)
Business-type Activities							
Water operations	1,226,804	908,632	-	-	-	(318,172)	(318,172)
Sewer operations	513,620	463,911	-	64,703	-	14,994	14,994
Trash	165,495	211,898	-	-	-	46,403	46,403
Total business-type activities	1,905,919	1,584,441	-	64,703	-	(256,775)	(256,775)
Total primary government	<u>\$ 2,741,383</u>	<u>\$ 1,686,139</u>	<u>\$ 68,669</u>	<u>\$ 116,077</u>	<u>(613,723)</u>	<u>(256,775)</u>	<u>(870,498)</u>
General Revenues:							
Property taxes					99,936	-	99,936
Specific ownership taxes					17,793	-	17,793
Sales taxes					531,347	-	531,347
Franchise taxes					58,897	-	58,897
Miscellaneous					30,486	-	30,486
Severance tax					7,094	-	7,094
Mineral leasing					6,002	-	6,002
Investment earnings					16,429	12,776	29,205
Gain on sale of asset					(409)	15,000	14,591
Transfers					45,810	(45,810)	-
Total general revenues					813,385	(18,034)	795,351
Total change in net position					199,662	(274,809)	(75,147)
Beginning net position					3,631,512	10,160,689	13,792,201
Prior period adjustment					17,573	-	17,573
Beginning net position, restated					3,649,085	10,160,689	13,809,774
					<u>\$ 3,848,747</u>	<u>\$ 9,885,880</u>	<u>\$ 13,734,627</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

BALANCE SHEET- GOVERNMENTAL FUNDS

December 31, 2018

	General Fund	Sales Tax Capital Improvement Fund	Total Nonmajor Funds	Total
Assets				
Pooled cash and investments	\$ 174,145	\$ 278,091	\$ 136,268	\$ 588,504
Restricted cash and investments	600,832	-	-	600,832
Taxes receivable	100,478	-	-	100,478
Due from other governments	26,042	10,099	6,708	42,849
Due from other funds	43,390	8,800	-	52,190
Accounts receivable	18,438	-	2,709	21,147
Total assets	963,325	296,990	145,685	1,406,000
Liabilities				
Accounts payable	13,255	-	-	13,255
Accrued payroll liabilities	24,508	-	-	24,508
Due to other funds	8,800	-	43,391	52,191
Unearned revenue bridge agreement	480,000	-	50,000	530,000
Total liabilities	526,563	-	93,391	619,954
Deferred Inflows of Resources				
Deferred property taxes	100,478	-	-	100,478
Fund Balance				
Restricted				
Reserve for emergencies	29,500	-	-	29,500
Airport capital improvements	37,242	-	-	37,242
Commmitted				
Bridge reserve	120,832	-	-	120,832
Capital acquisition	-	296,990	-	296,990
Sidewalk improvement	-	-	3,659	3,659
Street improvement	-	-	19,416	19,416
Space to create	-	-	29,219	29,219
Unassigned	148,710	-	-	148,710
Total fund balance	\$ 336,284	\$ 296,990	\$ 52,294	\$ 685,568

The accompanying footnotes are an integral part of this statement.

Town of Paonia, Colorado

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

December 31, 2018

Amounts reported for governmental activities on the statement of net assets are different because:

Total fund balance - governmental funds		\$ 685,568
Capital assets used in governmental activities are no current financial resources and therefore, are not reported in the funds		
Governmental capital assets	\$ 4,948,049	
Less: Accumulated depreciation	<u>(1,841,073)</u>	
		3,106,976
Net pension assets are not current assets available to cover current year expenditures and, therefore, are not reported as assets in the governmental funds.		26,228
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows of resources are related to the difference between expected and actual experience, changes of assumptions and the difference between contributions and proportionate share of contributions to the plan.		62,224
Deferred inflows of resources related to pensions are applicable in future periods and, therefore, are not reported in the funds. Deferred inflows of resources are related to the difference between expected and actual experience, the difference between projected and actual earnings on pension plan investments and change in proportionate share of total contributions to the plan.		(11,267)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position. Balance at year-end are:		
Compensated absences	<u>(20,982)</u>	<u>(20,982)</u>
Total governmental activities net assets		<u>\$ 3,848,747</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended December 31, 2018

	General Fund	Sales Tax Capital Improvement Fund	Nonmajor Fund	Total
Revenues				
Taxes	\$ 503,337	\$ 144,323	\$ 21,634	\$ 669,294
Fees and fines	23,283	-	30,435	53,718
Licenses and permits	39,280	-	-	39,280
Intergovernmental	91,295	-	31,708	123,003
Interest income	16,331	-	-	16,331
Miscellaneous	79,433	7,650	1,016	88,099
Total revenues	752,959	151,973	84,793	989,725
Expenditures				
Current				
General government	213,351	-	40,899	254,250
Public safety	277,875	-	-	277,875
Public works	76,913	-	2,777	79,690
Culture and recreation	61,375	-	27,492	88,867
Capital outlay	7,498	209,925	81,956	299,379
Total expenditures	637,012	209,925	153,124	1,000,061
Revenues in excess (deficiency) of expenditures	115,947	(57,952)	(68,331)	(10,336)
Other financing sources (uses)				
Transfers in	-	-	45,810	45,810
Total other financing sources (uses)	-	-	45,810	45,810
Revenues and other sources in excess (deficiency) of expenditures and other (uses)	115,947	(57,952)	(22,521)	35,474
Fund balance, beginning	202,764	354,942	74,812	632,518
Prior period adjustment	17,573	-	-	17,573
Fund balance, restated	220,337	354,942	74,812	650,091
Fund balance, ending	\$ 336,284	\$ 296,990	\$ 52,291	\$ 685,565

The accompanying notes are an integral part of this statement.

Town of Paonia

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES

December 31, 2018

Amounts reported for governmental activities on the statement of net assets are different because:

Net change in fund balances - total governmental funds	\$ 35,474
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital assets current additions	\$ 291,408	
Depreciation expense	<u>(155,226)</u>	
Excess of capital outlay over depreciation		136,182

This is the effect of asset disposals on the government-wide statements not recognized in the funds.	(409)
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Pension benefits reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds. This is the change in net pension liability.	4,727
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Payments of principle on capital leases are reported as expenditures in the governmental funds when actually paid. However, on the government - wide statement of net position, principle payments are recorded as a decrease in liability, and there is no effect on the statement of activities.	27,097
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Payments of compensated absences are reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of activities compensated absences are expensed as they are accrued. Changes in the compensated absences liability are a reconciling item.	<u>(3,409)</u>
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Changes in Net Position of Governmental Funds	<u><u>\$ 199,662</u></u>
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The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF NET POSITION
ENTERPRISE FUNDS

December 31, 2018

	Water	Sewer	Trash	Total
Assets				
Current Assets				
Pooled cash and investments	\$ -	\$ 504,041	\$ 232,653	\$ 736,694
Restricted cash and investments	-	617,870	-	617,870
Accounts receivable, net	72,479	39,788	19,154	131,421
Grants receivable	239,603	9,878	-	249,481
Inventories	132,180	5,240	-	137,420
Total current assets	444,262	1,176,817	251,807	1,872,886
Capital Assets				
Land and improvements	269,777	564,380	-	834,157
Utility system	11,530,106	5,105,840	-	16,635,946
Equipment and furniture	187,506	99,060	112,558	399,124
Less accumulated depreciation	(3,530,141)	(1,541,952)	(112,558)	(5,184,651)
Net capital assets	8,457,248	4,227,328	-	12,684,576
Total Assets	8,901,510	5,404,145	251,807	14,557,462
Liabilities				
Current Liabilities				
Due to pooled cash	316,541	-	-	316,541
Accounts payable	2,368	3,757	3,170	9,295
Accrued interest payable	19,846	-	-	19,846
Current portion of long-term debt	148,544	30,446	-	178,990
Total current liabilities	487,299	34,203	3,170	524,672
Long-term Liabilities				
Compensated absences	-	-	-	-
Notes payable	2,556,338	1,590,571	-	4,146,909
Total long-term liabilities	2,556,338	1,590,571	-	4,146,909
Total liabilities	3,043,637	1,624,774	3,170	4,671,581
Net Position				
Net investment in capital assets	5,752,366	2,606,311	-	8,358,677
Restricted for debt service	-	617,870	-	617,870
Restricted for water maintenance	208,080	-	-	208,080
Unrestricted	(102,574)	555,190	248,637	701,253
Total net position	\$ 5,857,872	\$ 3,779,371	\$ 248,637	\$ 9,885,880

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS

Year Ended December 31, 2018

	Water	Sewer	Trash	Total
Operating Revenues				
Charges for services	\$ 908,632	\$ 463,911	\$ 211,898	\$ 1,584,441
Total operating revenues	908,632	463,911	211,898	1,584,441
Operating Expenses				
Personnel expenses	320,915	132,434	95,679	549,028
Contractual services	-	-	33,624	33,624
Professional fees	34,339	68,057	10,065	112,461
Utilities	24,507	37,821	3,033	65,361
Repairs and maintenance	439,060	32,297	12,554	483,911
Other supplies and expense	41,383	62,235	6,348	109,966
Insurance claims and expense	19,017	6,901	4,192	30,110
Depreciation	297,926	102,115	-	400,041
Total operating expenses	1,177,147	441,860	165,495	1,784,502
Net income (loss) from operations	(268,515)	22,051	46,403	(200,061)
Nonoperating Revenues (Expenses)				
Grants	54,825	9,878	-	64,703
Interest income	-	12,776	-	12,776
Interest expense	(49,657)	(71,760)	-	(121,417)
Total non-operating revenues (expenses)	5,168	(49,106)	-	(43,938)
Net income (loss) before capital contributions and transfers	(263,347)	(27,055)	46,403	(243,999)
Capital contributions - tap fees	-	15,000	-	15,000
Capital contributions	-	-	-	-
Transfers(out)	(25,587)	(13,919)	(6,304)	(45,810)
Change in net position	(288,934)	(25,974)	40,099	(274,809)
Net position, beginning	6,146,806	3,805,345	208,538	10,160,689
Net position, ending	\$ 5,857,872	\$ 3,779,371	\$ 248,637	\$ 9,885,880

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

Year Ended December 31, 2018

	Water	Sewer	Trash	Total
Cash flows from operating activities:				
Charges for sales and services	\$ 901,248	\$ 454,524	\$ 210,901	\$ 1,566,673
Payments to employees	(320,914)	(132,434)	(95,679)	(549,027)
Payments to suppliers	(255,826)	(214,326)	(69,836)	(539,988)
Net cash provided by operating activities	324,508	107,764	45,386	477,658
Cash flows from non-capital financing activities:				
Due (to) from other funds	244,211	-	-	244,211
Transfers from (to) other funds	(25,587)	(13,919)	(6,304)	(45,810)
Net cash provided (used) by non-capital financing activities	218,624	(13,919)	(6,304)	198,401
Cash flows from capital and related financing activities				
Grant revenues	8,739	9,878	-	18,617
Acquisition of capital assets	(876,864)	-	-	(876,864)
Principal paid on loans and leases	(254,992)	(29,241)	-	(284,233)
Interest expense	(49,506)	(74,134)	-	(123,640)
Proceeds from tap fees	-	15,000	-	15,000
Net cash provided (used) by capital and related financing activities	(1,172,623)	(78,497)	-	(1,251,120)
Cash flows from investing activities				
Investment income	-	12,776	-	12,776
Net cash provided (used) by investing activities	-	12,776	-	12,776
Net increase (decrease) in cash and cash equivalents	(629,491)	28,124	39,082	(562,285)
Cash at beginning of year	629,491	1,093,787	193,571	1,916,849
Cash at end of year	\$ -	\$ 1,121,911	\$ 232,653	\$ 1,354,564

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

Year Ended December 31, 2018

	Water	Sewer	Trash	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 104,540	\$ 22,051	\$ 46,403	\$ 172,994
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	297,926	102,115	-	400,041
(Increase) decrease in accounts receivable	(7,384)	(9,387)	(997)	(17,768)
Increase (decrease) in accounts payable	(70,574)	(7,654)	(20)	(78,248)
Increase (decrease) in inventory	-	639	-	639
Total adjustments	219,968	85,713	(1,017)	304,664
Net cash provided by operating activities	<u>\$ 324,508</u>	<u>\$ 107,764</u>	<u>\$ 45,386</u>	<u>\$ 477,658</u>
Reconciliation of cash flow statement to statement of net position				
Cash	\$ -	\$ 504,041	\$ 232,653	\$ 736,694
Restricted cash and investments	-	617,870	-	617,870
	<u>\$ -</u>	<u>\$ 1,121,911</u>	<u>\$ 232,653</u>	<u>\$ 1,354,564</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Paonia, Colorado (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town's significant accounting policies are described below:

Financial Reporting Entity

The Town is a statutory municipality with a mayor – council form of government with six trustees and one separately elected mayor serving as elected Town Board of Trustees (the Town Board) members. The Town administrator is an appointed positions of the Town. As required by GAAP, these financial statements present the Town's (the primary government) financial position. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective government body.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

- *The General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.
- *The Sales Tax Capital Improvement Fund*, which accounts for the Town's additional sales tax that is to be used for capital improvements

The following funds are considered nonmajor governmental funds:

- *The Conservation Trust Fund*, which accounts for State of Colorado lottery funds to be used for parks and recreation services and capital investment.
- *The Street Capital Improvement Fund*, which accounts for funds committed by the Board of Trustees to be used or street construction from Highways Users tax and impact fees.
- *The Sidewalk Fund*, which accounts for the Town's sidewalk fees that are to be used for sidewalk repairs and maintenance.
- *The Space to Create Fund*, which accounts for the Town's revenues that are to be used to fund a feasibility analysis of creative sector workforce space in the Town.

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interests in the activities and sources of funding supporting these operations.

The Town reports the following major enterprise fund business-type activities:

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

- *Water, Sewer and Trash Funds*, which account for all operations of the Town's water, sewer and refuse services. They are primarily financed by user charges.

Measurement Focus & Basis of Accounting

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

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become 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 be used to pay liabilities of the current period. For the Town, "available" means collected within 60 days of year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due, and compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available resources.

Those revenues susceptible to accrual are interest revenue and charges for services. Entitlement revenues are not susceptible to accrual because, generally, they are not measurable until received. Grant revenues are recognized as expenditures are made.

Cash and Cash Equivalents

For purposes of the statement of cash flows of the enterprise funds, cash and cash equivalents consist of operating and restricted cash and highly liquid securities with an initial maturity of three months or less.

Fair Value Measurement

The Town adopted GASB Statement No. 72, Fair Value Measurement and Application, which generally requires state and local governments to measure assets and liabilities at fair value. GASB's goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosure to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. The Town's investments consist of external investment pools and certificates of deposit.

Town of Paonia, Colorado
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include property, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capitalized assets are defined by the Town as assets that have a useful life of one or more years and for which the initial individual value equals or exceeds \$5,000.

All purchased assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated assets are valued at their acquisition value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Building and other improvements	25 - 40 years
Water and sewer systems	15 - 40 years
Furniture and equipment	5 - 10 years
Infrastructure	15 - 40 years

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capitalized assets as their useful lives often extend beyond most other capital assets, and they are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities.

Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At year end, outstanding balances between funds are reported as "due to/from other funds." Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred property tax revenue, which arises under both the full accrual (government-wide financial statement) and the modified accrual (fund financial statement) bases of accounting that qualified for reporting in this category. Accordingly, the deferred property taxes are reported in both the statement of net position and in the balance sheet of governmental funds. These future revenues are deferred and recognized as an inflow of resources in the period that the amounts become available (calendar year 2019).

Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

Long-Term Liabilities

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or enterprise fund-type statement of net position. The long-term compensated absences are serviced from revenues of the General Fund from future appropriations.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Police Officers Pension Plan

Eligible police officers of the Town are provided with pensions through the Statewide Defined Benefit Plan (SWDBP), a cost-sharing multi-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the SWDBP plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by FPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

In the fund financial statements, governmental funds report the following classification of fund balance:

- Nonspendable Fund Balance: amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted Fund Balance: amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed Fund Balance: amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned Fund Balance: amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority (the Town Administrator has been given this authority by the governing body) and
- Unassigned Fund Balance: amounts that are available for any purpose; positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Town Council has provided otherwise in its commitment or assignment actions.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Property Tax

Property taxes for the current year are levied and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable and as deferred inflows of resources at December 31.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between the total fund balances of the governmental funds, and the net position of the governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the governmental fund statements during the consolidation of governmental activities.

NOTE 3 – TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the Amendment), which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments, excluding "enterprises." The Town's voters on November 8, 1994 approved a ballot measure to permit the Town to collect, retain and expend the full proceeds of the Town's sales tax and nonfederal grants.

The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the Amendment.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

The Amendment requires that an emergency reserve be maintained at 3% of fiscal year spending. A portion of the General Fund's fund balance is classified as restricted for emergencies as required by the Amendment. The amount restricted at December 31, 2018 was \$27,000.

NOTE 4 - BUDGETS

The Town adheres to the following procedures in establishing budgetary data reflected in the financial statements:

- By mid-August of each year, the Town Administrator, as the Budget Officer, gives public notice of the budget calendar for the next fiscal year. The Town Administrator asks that all Town departments, boards, commissions or citizens submit, within 30 days from the notice, any request for funds under the budget being prepared. The Town Administrator, with assistance from the Town Finance Officer, then prepares a proposed budget for the ensuing fiscal year and submits it to the Town Board no later than 45 days prior to any date required by state law for the certification to Delta County (the County) of the tax levy.
- The budget provides a complete financial plan of all Town funds and activities for the ensuing fiscal year indicating anticipated revenues, proposed operating and capital expenditures, a provision for contingencies and anticipated net surplus or deficit for the ensuing fiscal year.
- A public hearing on the proposed budget is held by the Town Board by no later than early December.
- The Town Board adopts the budget by resolution on or before the final day established by law for the certification of the ensuing year's tax levy to the County. Adoption of the budget by the Town Board shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated and shall constitute a levy of the property tax therein proposed.
- If, during the fiscal year, the Town Administrator and the Town Finance Officer determine that there are expenses in excess of those estimated in the budget, the Town Board by resolution may make supplemental appropriations for the year up to the amount of such excess. To meet an emergency affecting public property, health, peace or safety, the Town Board may make emergency appropriations. If, at any time during the fiscal year, it appears probable to the Town Administrator and Town Finance Officer that the revenues available will be insufficient to meet the amount appropriated, the Town Administrator reports to the Town Board, indicating the estimated amount of deficit, any remedial action already taken and a recommendation as to any other steps to be taken. At any time during the fiscal year, the Town Administrator, as Budget Officer, may transfer part or all of any unencumbered appropriation balance within a department.
- Budget appropriations lapse at the end of each year.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

- Expenditures may not exceed appropriations at the fund level. Budget amounts included in the financial statements are based on the final amended budget.
- Budgets for governmental funds are adopted on a basis consistent with GAAP, except for long-term receivables and advances and capital lease financing, which are budgeted when liquidated rather than when the receivable/liability is incurred. Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.

NOTE 5 – DEPOSITS AND INVESTMENTS

Cash Deposits

The Town maintains a cash pool that is used by all of the Town's funds.

The composition of the Town's cash and investments is as follows:

Cash and investments	
Cash on hand	\$ 225
Cash with County Treasurer	1,785
Bank deposits	177,446
Certificates of deposit	1,001,796
Colotrust	<u>1,046,107</u>
Total	<u><u>\$ 2,227,359</u></u>
Cash and investments in the statement of net position	
Pooled cash and investments	\$ 1,325,198
Restricted cash and investments	1,218,702
Overdrawn pooled cash and investments	<u>(316,541)</u>
Total	<u><u>\$ 2,227,359</u></u>

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40.

At December 31, 2018, the bank balance of the Town's deposits was \$1,215,199, of which \$250,000 was covered by federal depository insurance and \$965,199 was collateralized under PDPA.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities, certain international agency securities, general obligation and revenue bonds of U.S. local government entities, bankers' acceptances of certain banks, commercial paper, local government investment pools, and written repurchase agreements collateralized by certain authorized securities, certain money market funds and guaranteed investment contracts. The Town's investment policy follows Colorado statutes.

Interest Rate Risk - The Town does not have a formal policy limiting investment maturities which would help manage its exposure to fair value losses from increasing interest rates other than the five-year policy established by state statute.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Town's policy to limit its investments to U.S. Treasury obligations, certain U.S. government agencies securities, commercial paper, local government investment pools, repurchase agreements and money market funds.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Town follows Colorado State Statutes for investing. The Town's investment policy does not specifically address this risk.

The Town's investment maturities at December 31, 2018 are as follows:

Investment by Type	Rating	Investment maturities		Total
		Less than One Year	One ot Five Year	
Certificates of Deposit	Unrated	\$ 1,001,796	\$ -	\$ 1,001,796
COLOTRUST		1,046,107	-	1,046,107
Total		<u>\$ 2,047,903</u>	<u>\$ -</u>	<u>\$ 2,047,903</u>

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

The Town invested \$1,046,107 in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities Commission administers and enforces all state statutes governing public investment pools. The investment is an external investment pool that reports at the fair value per share of the pool's underlying portfolio. The unit of account is each share held, and the value of the position is the fair value of the pool's share price multiplied by the number of shares held. For pricing and redeeming shares, COLOTRUST maintains a stable net asset value (NAV) of \$1 per share, which approximates fair value. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables and payables. All COLOTRUST investments are reported at NAV and do not have any unfunded commitments, redemption restrictions or redemption notice periods. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, which are both rated AAAM by Standard & Poor's. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Financial statements and information about the pool for COLOTRUST may be obtained through its website at www.colotrust.com. COLOTRUST may, without the necessity of a formal meeting of their Board, temporarily suspend the right of redemption or postpone the date of payment for redeemed shares under certain specific conditions described in their trust indenture and during any financial emergency when it is not reasonably practicable because of substantial losses which might be incurred.

Certificates of deposits held by the Town are considered to have a Level 1 valuation within the fair value hierarchy required under GASB 72.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 6 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Government-wide Activities					
Compensated absences	\$ 17,573	\$ 3,409	\$ -	\$ 20,982	\$ 20,982
Capital lease - equipment	27,097	-	27,097	-	-
Total	<u>\$ 44,670</u>	<u>\$ 3,409</u>	<u>\$ 27,097</u>	<u>\$ 20,982</u>	<u>\$ 20,982</u>
Business-type Activities					
RUS Loan	\$ 1,650,258	\$ -	\$ 29,240	\$ 1,621,018	\$ 30,446
Loan - WPA	2,595,971	-	133,887	2,462,084	127,807
Premium - WPA	20,991	-	1,211	19,780	1,211
Loan - CWRPDA	242,912	-	19,895	223,017	19,526
Line of Credit	100,000	-	100,000	-	-
Total	<u>\$ 4,610,132</u>	<u>\$ -</u>	<u>\$ 284,233</u>	<u>\$ 4,325,899</u>	<u>\$ 178,990</u>

RUS Loan Payable

The Town has an obligation to the U.S. Department of Agriculture's Rural Utilities Service (RUS), bearing interest at 4.375%. The bonds are payable in semi-annual installments of \$50,521, including interest, and are collateralized by the sewer system's pledged revenues through 2046, which is approximately \$3,250,000. Pledged revenues received amounted to \$101,042 during the year. The proportion of the pledged revenue to total sewer revenue is not estimable because annual total fees collected fluctuate. The purpose of the bonds was for construction improvements to the wastewater treatment plant and collection system. Principal and interest payments for the years following December 31, 2018 are as follows:

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

	Principal	Interest	Total
2019	\$ 30,446	\$ 70,596	\$ 101,042
2020	31,793	69,249	101,042
2021	33,199	67,843	101,042
2022	34,668	66,374	101,042
2023	35,799	65,243	101,042
2024 - 2028	204,439	300,771	505,210
2029 - 2033	254,144	251,066	505,210
2034 - 2038	316,344	188,866	505,210
2039 - 2043	393,540	111,670	505,210
2044 - 2046	286,646	22,291	308,937
Total	<u>\$ 1,621,018</u>	<u>\$ 1,213,969</u>	<u>\$ 2,834,987</u>

This loan requires a debt service reserve. See Note 10 for more information on this requirement.

CWRPDA Loan

The Town has a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA), which originally enabled the Town to borrow up to \$448,200 at 1.75% interest annually, with payments of \$23,343 per year. The purpose of the loan was for upgrades to the lower water treatment plant. The project was completed in 2011, and the Town is no longer able to draw on the loan agreement. The Town pledged its net revenue from the operation of the water utility for repayment of the loan in the amount of approximately \$338,000 through 2029. Pledged revenues received during 2018 were \$23,343. The proportion of the pledged revenue to total related revenues is not estimable because annual total fees collected fluctuate. The Town is required to provide rates and charges in order to maintain coverage of 110% of the debt service due on the governmental agency bond coming due in each calendar year.

As of December 31, 2018, the Town borrowed \$395,969, of which the Town has made principal payments of \$172,952. Principal and interest payments for the years following December 31, 2018 are as follows:

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 19,526	\$ 3,818	\$ 23,344
2020	19,869	3,475	23,344
2021	20,218	3,125	23,343
2022	20,573	2,770	23,343
2023	20,935	2,408	23,343
2024 - 2028	110,326	6,391	116,717
2029	<u>11,570</u>	<u>101</u>	<u>11,671</u>
Total	<u>\$ 223,017</u>	<u>\$ 22,088</u>	<u>\$ 245,105</u>

WPA Loan

The Town has a Water Power Authority (WPA) loan agreement with CWRPDA for \$2,996,494 at 1.75% interest annually, with twice yearly payments ranging from about \$83,000 to \$91,000. The purpose of the loan is for improvements and the expansion of the existing water treatment facilities and distribution system. The Town pledged its net revenue from the operation of the water utility for repayment of the loan in the amount of approximately \$3,707,000 through 2035. Pledge revenues received during 2018 were \$181,184. The proportion of the pledged revenue to total related revenues is not estimable because annual total fees collected fluctuate. The Town is required to provide rates and charges in order to maintain coverage of 110% of the debt service due on the governmental agency bond coming due in each calendar year.

The loan balance includes a premium of \$25,431, which will be amortized over the life of the loan on a straight-line basis. Yearly amortization will be \$1,211. The remaining premium balance is \$19,780 as of December 31, 2018.

The agreement states that the Town must maintain an operation and maintenance reserve in an amount equal to three months of operating expense, excluding depreciation of the water utility system, as set forth in the annual budget. At no time should the budget reserve be greater than \$1,250,000. As of December 31, 2018, the Town's budgeted reserve was \$208,080.

Principal and interest payments for the years following December 31, 2018 are as follows:

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

	Principal	Interest	Total
2019	\$ 127,807	\$ 19,100	\$ 146,907
2020	128,838	18,050	146,888
2021	129,870	17,000	146,870
2022	130,901	15,950	146,851
2023	132,275	14,900	147,175
2024 - 2028	685,440	58,750	744,190
2029 - 2033	780,806	31,000	811,806
2034 - 2035	346,147	3,850	349,997
Total	<u>\$ 2,462,084</u>	<u>\$ 178,600</u>	<u>\$ 2,640,684</u>

Line of Credit

The Town had a \$1,000,000 working-capital line of credit with an interest rate of 1.55% and a maturity date of July 2019. As of December 31, 2018, there was a \$0.00 outstanding balance on the line of credit.

NOTE 7 – LEASE AGREEMENTS

The Town entered into three capital lease commitments effective May and June 2014 in order to acquire public safety and public works vehicles and equipment. Monthly payments on the capital leases range from approximately \$550 to \$700 per lease. All leases were for 60 months, with maturity dates in May and June 2019. These leases were paid off during 2018.

NOTE 8 – EMPLOYEE BENEFIT PLANS

Defined Contribution Pension Plan

The Town provides pension benefits for all its employees through a defined contribution plan through Mutual of Omaha. In May 2014, the Town changed its 401(b) plan through Dreyfus Company to a defined contribution 457(b) plan through Mutual of Omaha.

The Town contributes 5%, and there are no matching requirements for the employees. Total contributions in 2018, 2017 and 2016 were \$17,778, \$18,363, and \$17,339 respectively. The employees are 100% vested at all times and are eligible for the plan after the probation period.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

SWDBP for Police Officers

Plan Description

Eligible police officers of the Town are provided with pensions through the Statewide Defined Benefit Plan, a cost-sharing multi-employer defined benefit pension plan administered by FPPA. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Benefits Provided

The Statewide Defined Benefit Plan (SWDB plan) provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. A member is eligible for a normal retirement pension once the member has completed 25 years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2% of the average of the member's highest 3 years' base salary for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually.

Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to SWDB plan. Benefits paid to retired members are evaluated and may be predetermined every October 1. The amount of any increase is based on the Board's discretion and can range from 0% to the higher of 3% or the Consumer Price Index (CPI).

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least 5 years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest 3 years' base salary for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter.

Contributions

Contribution rates for the SWDB plan are established by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of SWDB plan and their employers are contributing at the rate of 9.5% and 8%, respectively, of base salary for a total contribution rate of 17.5% in 2017. In 2014, the members elected to increase the member contribution rate to SWDB plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8%, resulting in a combined contribution rate of 20% in 2022.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Contributions from members and employers or departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 21.5% of base salary in 2017. It is a local decision as to whether the member or employer pays the additional 4% contribution. Per the 2014 member election, the reentry group could also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022, for a total combined member and employer contribution rate of 24% in 2022.

The contribution rate for members and employers of affiliated Social Security employers is 4.75% and 4%, respectively, of base salary for a total contribution rate of 8.75% in 2017. Per the 2014 member election, members of the affiliate Social Security group will have their required contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of base salary. Employer contributions will remain at 4% resulting in a combined contribution rate of 10% in 2022.

Employer contributions are recognized by SWDB plan in the period in which the compensation becomes payable to the member, and the Town is statutorily committed to pay the contributions to SWDB plan. Employer contributions recognized by SWDB plan from the Town were \$10,173 for the year ended December 31, 2018.

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the Town reported an asset of \$26,228 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2018, which was unchanged from December 31, 2017. The Town's proportion of the net pension asset was based on Town contributions to the SWDB plan for the calendar year 2017 relative to the total contributions of participating employers to the SWDB plan.

At December 31, 2017, the Town's proportionate share was 0.00018%, which was an increase of 0.00002% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Town recognized a reduction of pension expense of \$4,726. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,914	\$ 291
Changes of assumptions	3,952	-
Net difference between projected and actual earning on pension plan investments	-	8,905
Change in proportion	29,185	2,071
Town contributions subsequent to the measurement date	10,173	-
Total	<u>\$ 62,224</u>	<u>\$ 11,267</u>

The SWDB plan reported \$10,173 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase in net pension asset in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Amounts Recognized in Pension Expense
2019	\$ 6,631
2020	6,225
2021	2,440
2023	1,037
2024	6,310
Thereafter	18,141
Total	<u>\$ 40,784</u>

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Actuarial Assumptions

The January 1, 2018 actuarial valuation used the following actuarial assumptions and other inputs:

	Total Pension Liability
Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return*	7.50%
Projected Salary Increases	4.0% - 14.0%
Cost of Living Adjustments (COLA)	0.00%
*Includes inflation at 2.5%	

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

Changes in Assumptions

There were no changes in assumptions or benefit terms.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation as of December 31, 2017 are summarized in the following table:

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	37.00%	8.33%
Equity Long/Short	9.00%	7.15%
Illiquid Alternatives	24.00%	9.70%
Fixed Income	15.00%	3.00%
Absolute Return	9.00%	6.46%
Managed Futures	4.00%	6.85%
Cash	2.00%	2.26%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of the valuation, the expected rate of return on pension plan investments is 7.50%, the municipal bond rate is 3.31% (based on the weekly rate closest to but not later than the measurement date of the state and local bonds rate from Federal Reserve statistical release (H.15)) and the resulting single discount rate is 7.50%.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.

Regarding the sensitivity of the net pension liability (asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability (asset) would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
\$ 28,554	\$ (26,228)	\$ (71,718)

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Pension Plan Fiduciary Net Position

Detailed information about SWDB plan's fiduciary net position is available in FPPA's comprehensive annual financial report, which can be obtained at <http://www.fppaco.org>.

Other Post-Employment Benefit Plan - Statewide Death and Disability Defined Benefit Plan

Plan Description

The Town's full-time police officers participate in FPPA's Statewide Death and Disability Plan (the Plan), a cost-sharing multiple-employer defined benefit plan. The plan was established in 1980 pursuant to Colorado Revised Statutes and can only be amended through such statutes. Contributions to the Plan are used solely for the payment of death and disability benefits.

Benefits

If a member dies prior to retirement, the surviving spouse is entitled to a benefit equal to 40% of the member's monthly base salary. Dependent children are also entitled to benefits according to an established scale. Benefit entitlement continues until death or remarriage of the spouse and death, marriage or other termination of dependency of children.

A member who becomes disabled prior to retirement shall be eligible for disability benefits. The benefit is 70% of base salary for cases of total disability and 50% for cases of occupational disability, reduced by the amount of certain other benefits received.

Benefits paid to members are evaluated and may be re-determined on October 1 of each year. Any increase in the level of benefits cannot exceed the lesser of the increase in the CPI or 3%.

Contributions

Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado statute. The state made a one-time contribution in 1997 of \$39,000,000 to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further state contributions are anticipated. Members hired on or after January 1, 1997 contribute a percentage of the payroll based on actuarial experience. This percentage was 8% for 2018, 8% for 2017 and 8% for 2016. The Town contributed \$3,460, \$8,531, and \$8,265 to the Plan during 2018, 2017 and 2016, respectively.

NOTE 9 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a public entity risk pool currently operating as a common risk management and insurance program for property/casualty and workers' compensation coverage. CIRSA is to be self-sustaining through member premiums and reinsures

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

through commercial companies for claims in excess of certain limits for each insured event. CIRSA members are subject to a supplemental assessment in the event of a deficiency. Claims have not exceeded coverage in the previous three years.

NOTE 10 – RESTRICTED CASH

The Town has restricted cash in the Sewer Fund of \$617,870 for the RUS loan. The RUS loan documents require that \$842 per each month be designated into restricted cash until the sum of \$101,040 is reached. At June 30, there is 103,619 including earned interest. The remaining \$514,250 is land sale proceeds that can only be spent on sewer projects per a USDA grant agreement.

As of December 31, 2018, the Town has restricted cash in the governmental activities of \$600,000 related to the Samuel Wade Road and Bridge (the Bridge). In January 2010, the Town entered into an intergovernmental agreement with the County. The Town has agreed to accept ownership of the Bridge in "as is" condition in exchange for \$800,000 from the County to be used only for transportation-related expenditures. The Town, in exchange, shall be responsible to maintain this section of the Bridge. If at any point there is noncompliance with the agreement terms, the title of the Bridge will revert back to the County, and the Town will be responsible for return of the funds based on allocated use over the 20-year term of the agreement. The likelihood of noncompliance is considered remote.

NOTE 11 – COMMITMENTS

The Town has reserved monies received for out-of-town taps to be used for water storage facilities or studies.

In September 2009, the Town entered into an agreement with the County for the ownership, maintenance and management of the North Folk Valley Airport. Per the agreement, the Town owns 75% of the airport, and therefore, any future capital improvements will be 75% funded by the Town. The Town currently has one representative on the board and does not have control over the decisions of the board; accordingly, this arrangement does not constitute a joint venture or qualify for component unit reporting. The County assumes responsibility for the operations and maintenance of the airport. The agreement was amended in February 2014 to include how the proceeds from the wireless communication facility at the airport are to be divided. Per the agreement, any proceeds will be divided 75% to the Town and 25% to the County. The Town must hold its 75% share as a reserve for the Town's contributions to future capital improvements. As of December 31, 2018, the Town has a reserve for airport capital improvements of \$37,242.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 12 – CAPITAL ASSETS

	Balance January 1, 2018	Additions	Disposals	Transfers	Balance December 31, 2018
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 246,481	\$ -	\$ -	\$ -	\$ 246,481
Construction in progress	-	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>246,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,481</u>
Capital assets being depreciated					
Buildings	619,704	71,288	-	-	690,992
Improvements, other than buildings	389,079	37,358	(1,645)	-	424,792
Infrastructure	2,702,930	88,669	-	-	2,791,599
Equipment	<u>700,092</u>	<u>94,094</u>	<u>-</u>	<u>-</u>	<u>794,186</u>
Total Capital Assets Being Depreciated	<u>4,411,805</u>	<u>291,409</u>	<u>(1,645)</u>	<u>-</u>	<u>4,701,569</u>
Less accumulated depreciation;					
Buildings	(329,205)	(15,455)	-	-	(344,660)
Improvements	(250,558)	(17,307)	1,234	-	(266,631)
Infrastructure	(566,143)	(74,817)	-	-	(640,960)
Equipment	<u>(541,175)</u>	<u>(47,647)</u>	<u>-</u>	<u>-</u>	<u>(588,822)</u>
Total Accumulated Depreciation	<u>(1,687,081)</u>	<u>(155,226)</u>	<u>1,234</u>	<u>-</u>	<u>(1,841,073)</u>
Capital assets depreciated, net	<u>2,724,724</u>	<u>136,183</u>	<u>(411)</u>	<u>-</u>	<u>2,860,496</u>
Total Governmental Activities Capital Assets	<u>\$ 2,971,205</u>	<u>\$ 136,183</u>	<u>\$ (411)</u>	<u>\$ -</u>	<u>\$ 3,106,977</u>

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

	Balance January 1, 2018	Additions	Disposals	Transfers	Balance December 31, 2018
Business-type Activities					
Capital assets not being depreciated					
Land and water rights	\$ 834,157	\$ -	\$ -	\$ -	\$ 834,157
Construction in progress	-	-	-	-	-
Total Capital Assets, Not Being Depreciated	834,157	-	-	-	834,157
Capital assets being depreciated					
Distributions system	3,513,953	478,491	-	-	3,992,444
Collection system	529,476	-	-	-	529,476
Vehicles and equipment	399,124	-	-	-	399,124
Treatment plant	12,087,626	26,400	-	-	12,114,026
Less: Accumulated depreciation	(4,784,610)	(400,041)	-	-	(5,184,651)
Total Capital Assets Being Depreciated, Net	11,745,569	104,850	-	-	11,850,419
Total Business-type Activities Capital Assets	\$ 12,579,726	\$ 104,850	\$ -	\$ -	\$ 12,684,576

Deprecation charged to governmental activities by department is as follows:

General government	\$ 18,627
Public safety	3,105
Public works	71,404
Culture and recreation	62,090
Total	\$ 155,226

NOTE 13 – INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General	Conservation Trust	\$ 27,492
General	Space to Create	15,899
Total		\$ 43,391

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The purposes of the interfund transactions were to finance capital projects. All interfund balances are expected to be collected within one year.

Interfund transfers are used to report revenues from the fund that is required to collect them to the fund that is required to expend them as unrestricted revenues collected to finance various programs and capital purchases accounted for in other funds in accordance with budgetary authorizations.

	<u>Transfers In</u>	<u>Transfers Out</u>
Street Capital Fund	\$ 45,810	\$ -
Water Fund	-	25,587
Sewer Fund	-	13,919
Trash Fund	-	6,304
	<u>\$ 45,810</u>	<u>\$ 45,810</u>

NOTE 14 – CONTINGENT LIABILITIES

The Town is subject to various claims arising from events occurring in its ordinary operations. Town management believes that the disposition of these matters will not have a material adverse effect on the financial position of the Town.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

In the prior year accrued compensated absences in the amount of \$17,573 were included in the general fund's accrued liabilities and expense. These expenses should have only been included in the government-wide statement of net position. The effect was an overstatement of expense in the general fund and overstated expense in the statement of activities due to the expense being recognized twice at the government-wide level. In the current year a prior period adjustment has been reported to increase fund balance and net position in the amount of \$17,573.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Paonia, Colorado

SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
General propoerty taxes	\$ 100,133	\$ 100,133	\$ 99,660	\$ (473)
Specific ownership taxes	15,500	17,800	17,793	(7)
Sales tax - town	137,500	221,600	218,421	(3,179)
Sales tax - county	97,800	107,400	106,934	(466)
Franchise taxes	61,500	56,125	58,897	2,772
Cigarette taxes	1,100	1,460	1,357	(103)
Delinquent taxes	100	5	6	1
Interest on delinquent taxes	450	267	269	2
Total taxes	<u>414,083</u>	<u>504,790</u>	<u>503,337</u>	<u>(1,453)</u>
Licenses and permits				
Liquor licenses	3,950	6,730	6,732	2
Building permits	20,600	27,600	27,613	13
Miscellaneous permits	2,500	1,425	1,425	-
Special reviews	500	2,350	2,350	-
VIN inspections	950	1,170	1,160	(10)
Total licenses and permits	<u>28,500</u>	<u>39,275</u>	<u>39,280</u>	<u>5</u>
Intergovernmental				
State				
Highway users tax	48,000	43,250	46,180	2,930
Motor vehicle fees	5,800	5,950	5,947	(3)
Severance tax	7,500	7,090	7,094	4
Mineral leasing	9,300	6,000	6,002	2
Motor vehicle licenses	-	-	-	-
GOCO	-	19,700	19,665	(35)
Other governments				
Road and bridge	6,200	6,400	6,407	7
Total intergovernmental revenue	<u>76,800</u>	<u>88,390</u>	<u>91,295</u>	<u>2,905</u>
Fines and forfeitures				
Court fines	100	50	54	4
Police fines	20,500	18,975	18,984	9
PD Grant	3,500	3,270	3,273	3
Miscellaneous	1,100	970	972	2
Total fines and forfeitures	<u>25,200</u>	<u>23,265</u>	<u>23,283</u>	<u>18</u>
Investment income	10,400	15,350	16,331	981
Miscellaneous	26,166	147,795	79,433	(68,362)
Total miscellaneous revenue	<u>36,566</u>	<u>163,145</u>	<u>95,764</u>	<u>(67,381)</u>
Total Revenues	<u>\$ 581,149</u>	<u>\$ 818,865</u>	<u>\$ 752,959</u>	<u>\$ (65,906)</u>

Town of Paonia, Colorado

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures				
General Government				
Mayor and trustee	\$ 7,200	\$ 7,150	\$ 7,125	\$ 25
Salaries and wages	19,947	17,875	16,658	1,217
Employee benefits	3,418	6,075	3,537	2,538
Contract labor	13,364	48,275	48,121	154
Supplies	4,160	7,475	6,054	1,421
Legal and professional fees	40,900	79,400	72,314	7,086
Telephone	1,900	2,000	1,818	182
Travel and meetings	5,563	2,500	2,314	186
Insurance and bonds	4,253	3,425	3,334	91
Utilities	5,450	5,500	5,354	146
Janitorial services	-	-	-	-
Publishing ads	2,850	5,000	4,823	177
Dues and subscriptions	8,245	6,500	6,339	161
Audit fees	7,250	7,000	6,863	137
Postage	700	350	506	(156)
Human services	7,150	7,075	7,075	-
Town Hall expense	2,790	15,015	13,769	1,246
Data processing	16,000	5,300	5,220	80
Treasurer's fees	2,500	2,500	2,127	373
Total general government	153,640	228,415	213,351	15,064
Public Safety - Police Department				
Salaries and wages	156,301	170,900	172,198	(1,298)
Judge	3,600	3,600	3,600	-
Employee benefits	31,709	37,400	34,814	2,586
Supplies	3,822	9,500	8,344	1,156
Repairs and Maintenance	265	400	359	41
Legal services	500	650	641	9
Telephone	1,350	1,900	1,698	202
Travel and meetings	4,500	3,000	2,690	310
Insurance and bonds	13,931	13,100	13,035	65
Utilities	1,950	2,500	2,101	399
Vehicle expense	12,750	13,200	11,965	1,235
Dues and subscriptions	3,510	3,500	3,553	(53)
Miscellaneous	575	20,805	698	20,107
Uniforms	-	-	-	-
Publishing and ads	-	75	64	11
Officer's training	-	-	-	-
Juvenile diversion	-	-	-	-
Data processing	6,810	9,000	8,482	518
FPPA	12,824	13,755	13,633	122
Total public safety	254,397	303,285	277,875	25,410

Town of Paonia, Colorado

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued from previous page)				
Public Works				
Salaries and wages	9,306	6,500	6,303	197
Employee benefits	5,713	4,650	4,093	557
Supplies	912	1,100	1,062	38
Repairs and maintenance	58,500	20,000	11,316	8,684
Legal and engineering	1,800	11,000	10,695	305
Telephone	900	200	171	29
Insurance and bonds	5,137	5,200	5,122	78
Utilities	1,525	25,000	20,765	4,235
Snow removal	19,000	7,500	3,629	3,871
Street lighting	20,500	-	-	-
Vehicle expense	10,000	9,500	8,627	873
Miscellaneous	3,400	23,465	7	23,458
Shop expense	2,000	6,000	5,123	877
Total public works	138,693	120,115	76,913	43,202
Culture and Recreation				
Salaries and wages	1,742	7,500	3,012	4,488
Employee benefits	937	965	680	285
Supplies	3,810	5,200	4,338	862
Repairs and maintenance	9,545	8,000	6,838	1,162
Legal fees	3,500	2,000	1,125	875
Telephone	106	200	106	94
Miscellaneous	1,197	5,725	3,802	1,923
Insurance bonds	3,382	3,500	3,473	27
Utilities	7,200	8,000	7,128	872
Park improvements	-	19,700	19,665	35
Contract services	2,000	2,000	2,000	-
Capital outlay	-	-	8,800	(8,800)
Vehicle expense	1,000	500	408	92
Total culture and recreation	34,419	63,290	61,375	1,915
Other Expenditures				
Principal payments on capital leases	-	-	-	-
Capital Outlay	-	73,285	7,498	65,787
	-	73,285	7,498	65,787
Total Expenditures	581,149	788,390	637,012	151,378
Net change in fund balance	\$ -	\$ 30,475	\$ 115,947	\$ 85,472

Town of Paonia, Colorado

SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION
ASSET (LIABILITY) - FPPA STATEWIDE DEFINED BENEFIT PLAN

Year Ended December 31, 2017 (Measurement Date)

	2017	2016	2015	2014
Town's portion of the new pension asset (liability)	0.0182%	0.0162%	0.0239%	0.0432%
Town's proportionate share of the net pension asset (liability)	\$ 26,228	\$ (5,871)	\$ 421	\$ 48,715
Town's covered payroll	\$ 125,516	\$ 107,806	\$ 103,306	\$ 198,701
Town's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	20.90%	5.45%	0.41%	24.52%
Plan fiduciary net position as a percentage of the total pension asset	106.30%	98.21%	100.10%	106.80%

NOTES TO SCHEDULE

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town is presenting information for those years for which information is available.

Town of Paonia, Colorado

SCHEDULE OF TOWN'S CONTRIBUTIONS TO THE PENSION PLAN
FPPA STATEWIDE DEFINED BENEFIT PLAN

Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 10,024	\$ 10,442	\$ 6,946	\$ 8,910
Contributions in relation to the contractually required contribution	<u>10,024</u>	<u>10,442</u>	<u>6,946</u>	<u>8,910</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	125,296	125,516	107,806	103,306
Contributions as a percentage of covered payroll	8.00%	8.32%	6.44%	8.62%

NOTES TO SCHEDULE

- 1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town is presenting information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

RSI NOTE A – BUDGETARY INFORMATION

Budgets for governmental funds are adopted on a basis consistent with GAAP, except for long-term receivables and advances and capital lease financing, which are budgeted when liquidated rather than when the receivable/liability is incurred. Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.

SUPPLEMENTARY INFORMATION

Town of Paonia, Colorado

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2018

	Steet Capital Improvement Fund	Conservation Trust Fund	Sidewalk Fund	Space to Create Fund	Total Non-Major Governmental Funds
Asset					
Pooled cash	\$ 19,416	\$ 27,492	\$ 950	\$ 88,410	\$ 136,268
Due from other governments	-	-	-	6,708	6,708
Accounts receivable	-	-	2,709	-	2,709
Total assets	19,416	27,492	3,659	95,118	145,685
Liabilities					
Unearned revenue	-	-	-	50,000	50,000
Due to other funds	-	27,492	-	15,899	43,391
Total liabilities	-	27,492	-	65,899	93,391
Fund Balance					
Committed					
Sidewalk improvements	-	-	3,659	-	3,659
Street improvements	19,416	-	-	-	19,416
Space to create	-	-	-	29,219	29,219
Total fund balance	\$ 19,416	\$ -	\$ 3,659	\$ 29,219	\$ 52,294

Town of Paonia, Colorado

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2018

	Street Capital Improvement Fund	Conservation Trust Fund	Sidewalk Fund	Space to Create Fund	Total Non-Major Governmental Funds
Revenues					
Taxes	\$ 13,063	\$ 8,571	\$ -	\$ -	\$ 21,634
Fees and fines	-	-	30,435	-	30,435
Intergovernmental	-	-	-	31,708	31,708
Miscellaneous	-	16	-	1,000	1,016
Total revenues	13,063	8,587	30,435	32,708	84,793
Expenditures					
Current					
General government	-	-	-	40,899	40,899
Public works	2,630	-	147	-	2,777
Culture and recreation	-	27,492	-	-	27,492
Capital projects	36,827	-	45,126	-	81,956
Total expenditures	39,457	27,492	45,273	40,899	153,124
Revenues in excess (deficiency) of expenditures	(26,394)	(18,905)	(14,838)	(8,191)	(68,331)
Other Financing Sources (Uses)					
Transfers in	45,810	-	-	-	45,810
Total other financing sources (uses)	45,810	-	-	-	45,810
Revenues and other sources in excess (deficiency) of expenditures and other sources (uses)	19,416	(18,905)	(14,838)	(8,191)	(22,521)
Fund balance, beginning	-	18,905	18,497	37,410	74,812
Fund balance, ending	\$ 19,416	\$ -	\$ 3,659	\$ 29,219	\$ 52,291

Town of Paonia, Colorado

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SALES TAX CAPITAL IMPROVEMENT FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sales tax	\$ 137,500	\$ 146,000	\$ 144,323	\$ (1,677)
Miscellaneous	7,650	7,650	7,650	-
Total revenues	<u>145,150</u>	<u>153,650</u>	<u>151,973</u>	<u>(1,677)</u>
Expenditures				
Capital outlay	<u>444,422</u>	<u>499,592</u>	<u>209,925</u>	<u>289,667</u>
Total expenditures	<u>444,422</u>	<u>499,592</u>	<u>209,925</u>	<u>289,667</u>
Net change in fund balance	<u>\$ (299,272)</u>	<u>\$ (345,942)</u>	<u>\$ (57,952)</u>	<u>\$ 287,990</u>

Town of Paonia, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPACE TO CREATE FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental	\$ -	\$ 75,000	\$ 31,708	\$ (43,292)
Miscellaneous	-	2,500	1,000	(1,500)
Total revenues	-	77,500	32,708	(44,792)
Expenditures				
General government	-	77,500	40,899	36,601
Total expenditures	-	77,500	40,899	36,601
Net change in fund balance	\$ -	\$ -	\$ (8,191)	\$ (8,191)

Town of Paonia, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SIDEWALK FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sidewalk revenue	\$ 29,500	\$ 29,500	\$ 30,435	\$ 935
Expenditures				
Legal services	523	-	-	-
Repairs and maintenance	-	2,348	84	2,264
Publishing and ads	400	-	-	-
Other office expense	-	75	63	12
Capital outlay	47,000	45,500	45,126	374
Total expenditures	47,923	47,923	45,273	2,650
Net change in fund balance	\$ (18,423)	\$ (18,423)	\$ (14,838)	\$ 3,585

Town of Paonia, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CONSERVATION TRUST FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Lottery	\$ 7,800	\$ 8,571	\$ 8,571	\$ -
Interest income	9	17	16	(1)
Total revenues	7,809	8,588	8,587	(1)
Expenditures				
Parks	26,050	27,492	27,492	-
Revenues in excess (deficiency) of expenditures	(18,241)	(18,904)	(18,905)	(1)
Net change in fund balance	\$ (18,241)	\$ (18,904)	\$ (18,905)	\$ (1)

Town of Paonia, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STREET CAPITAL IMPROVEMENT FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Highway users tax	\$ -	\$ -	\$ 13,063	\$ 13,063
Total revenues	-	-	13,063	13,063
Expenditures				
Repairs and maintenance	2,630	2,630	2,630	-
Capital outlay	40,884	40,884	36,827	4,057
Total expenditures	43,514	43,514	39,457	4,057
Revenues in excess (deficiency) of expenditures	(43,514)	(43,514)	(26,394)	17,120
Other Financing Sources (Uses)				
Transfers in	43,514	43,514	45,810	2,296
Net change to fund balance	\$ -	\$ -	\$ 19,416	\$ 19,416

Town of Paonia, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - WATER FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Water charges	\$ 755,225	\$ 788,325	\$ 788,320	\$ (5)
Water taps	21,000	62,000	62,000	-
Sales and service	1,500	2,125	2,144	19
Water tank	1,000	3,935	3,938	3
Standby tap fees	46,100	47,245	47,245	-
Penalties	6,500	4,985	4,985	-
Rents	1,000	-	-	-
Grants	82,952	158,400	54,825	(103,575)
Total revenues	915,277	1,067,015	963,457	(103,558)
Expenditures				
Salaries and wages	236,627	234,225	234,700	(475)
Employee benefits	77,849	68,630	66,063	2,567
John Norris retirement	20,160	20,160	20,160	-
Supplies	26,025	18,500	17,748	752
Legal and engineering	3,000	16,000	15,567	433
Repairs and maintenance	14,600	672,000	430,502	241,498
Professional fees	13,250	19,000	18,772	228
Telephone	3,800	4,000	3,741	259
Postage	3,500	4,000	4,436	(436)
Travel and meetings	1,105	825	1,103	(278)
Insurance and bonds	14,968	19,025	19,017	8
Utilities	24,300	22,700	20,766	1,934
Vehicle expense	7,000	9,000	8,558	442
Dues and subscriptions	200	150	138	12
Shop expense	7,000	5,100	5,312	(212)
Miscellaneous	3,951	19,675	7,384	12,291
Fees and permits	9,500	5,500	5,262	238
WPA loan	185,000	181,175	181,156	19
Drinking water revolving funds	23,350	23,350	23,343	7
Capital projects	287,824	398,066	-	398,066
Depreciation expense	-	-	297,926	(297,926)
Debt service	-	-	(154,842)	154,842
Total expenditures	963,009	1,741,081	1,226,812	514,269
Other Financing Sources (Uses)				
Transfers in	187,371	256,600	-	(256,600)
Transfers out	(157,140)	(42,533)	(25,587)	16,946
Total other financing sources (uses)	30,231	214,067	(25,587)	(239,654)
Change in net position	(17,501)	(459,999)	(288,942)	171,057
Beginning net position, GAAP basis	6,146,806	6,146,806	6,146,806	-
Ending net position, GAAP basis	\$ 6,129,305	\$ 5,686,807	5,857,864	\$ 171,057
Adjustments			(5,752,366)	
Available working capital			\$ 105,498	

Town of Paonia, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - SEWER FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sewer charges	\$ 444,360	\$ 463,945	\$ 463,911	\$ (34)
Sewer taps	10,000	15,000	15,000	-
Grants	-	-	9,878	9,878
Interest	150	12,755	12,776	21
Total revenues	<u>454,510</u>	<u>491,700</u>	<u>501,565</u>	<u>9,865</u>
Expenditures				
Salaries and wages	112,954	104,650	103,765	885
Employee benefits	36,313	29,625	28,669	956
Supplies	18,700	37,000	34,968	2,032
Repairs and maintenance	75,500	25,000	24,966	34
Professional fees	28,000	71,000	68,057	2,943
Telephone	1,400	2,000	1,649	351
Postage	2,200	3,650	2,852	798
Travel and meetings	1,000	700	682	18
Insurance and bonds	6,899	7,000	6,901	99
Utilities	33,500	40,000	36,172	3,828
Vehicle expense	7,000	8,000	7,331	669
Fees and permits	7,800	11,000	10,100	900
Debt service payments	102,500	102,000	71,760	30,240
Gauging station	3,900	3,900	3,855	45
Depreciation	-	-	102,115	(102,115)
Miscellaneous	3,700	71,175	9,778	61,397
Total expenditures	<u>441,366</u>	<u>516,700</u>	<u>513,620</u>	<u>3,080</u>
Other Financing Sources (Uses)				
Transfers out	<u>(13,339)</u>	<u>(15,000)</u>	<u>(13,919)</u>	<u>1,081</u>
Total other financing sources (uses)	<u>(13,339)</u>	<u>(15,000)</u>	<u>(13,919)</u>	<u>1,081</u>
Change in net position	13,144	(25,000)	(25,974)	12,945
Beginning net position, GAAP basis	3,805,345	3,805,345	3,805,345	-
Ending net position, GAAP basis	<u>\$ 3,818,489</u>	<u>\$ 3,780,345</u>	<u>3,779,371</u>	<u>\$ 12,945</u>
Adjustments			<u>(3,224,181)</u>	
Available working capital			<u>\$ 555,190</u>	

Town of Paonia, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - TRASH FUND

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Garbage charges	\$ 206,075	\$ 211,885	\$ 211,898	\$ 13
Expenditures				
Salaries and wages	96,519	70,660	66,670	3,990
Employee benefits	38,003	31,575	29,009	2,566
Supplies	1,450	1,900	1,652	248
Repairs and maintenance	1,200	100	100	-
Legal and engineering	600	11,000	10,065	935
Telephone	150	200	178	22
Postage	1,000	1,000	1,063	(63)
Insurance and bonds	3,813	4,200	4,192	8
Utilities	2,700	3,000	2,855	145
Vehicle expense	15,000	15,000	12,454	2,546
Landfill fees	36,405	33,000	33,624	(624)
Miscellaneous	3,100	33,750	3,633	30,117
Total expenditures	199,940	205,385	165,495	39,890
Other Financing Sources (Uses)				
Transfers out	(6,135)	(6,500)	(6,304)	196
Total other financing sources (uses)	(6,135)	(6,500)	(6,304)	196
Change in net position	-	-	40,099	40,099
Beginning net position, GAAP basis	208,538	208,538	208,538	-
Ending net position, GAAP basis	\$ 208,538	\$ 208,538	248,637	\$ 40,099
Adjustments			-	
Available working capital			\$ 248,637	

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1. Click Ctrl + A on a Windows machine or Command + A on a Mac to select all data.
2. Right-click your mouse and select Print.
3. Confirm that print settings are correct - make sure "selection only" isn't checked.
4. Print hard copy or to PDF.
5. Click "Edit Mode" to return to modifying your data.
6. Remember to click "Save" to save any changes.

ANNUAL HIGHWAY FINANCE REPORT - CY18

Email address: finance@townofpaonia.com

City/County: Paonia

II - RECEIPTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Receipts from local sources

2. General Fund Appropriations:	\$	40,000.00
3. Other local imposts: <i>from A.3. 'Total' below)</i>	\$	346,203.00
4. Miscellaneous local receipts: <i>from A.4. 'Total' below)</i>	\$	23,406.00
5. Transfers from toll facilities	\$	0.00
6. Proceeds of sale of bonds and notes		
a. Bonds - Original Issues:	\$	0.00
b. Bonds - Refunding Issues:	\$	0.00
c. Notes:	\$	0.00

SubTotal: \$ 409,609.00

B. Private Contributions

\$ 0.00

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

Please no commas or dollar signs for the input

A.3. Other local imposts

a. Property Taxes and Assessments	\$ 0.00
b. Other Local Imposts	
1. Sales Taxes:	\$ 222,278.00
2. Infrastructure and Impact Fees:	\$ 106,132.00
3. Liens:	\$ 0.00
4. Licenses:	\$ 0.00
5. Specific Ownership and/or Other:	\$ 17,793.00
Total: (a + b) carried to 'Other local imposts' above	\$ 346,203.00

A.4. Miscellaneous local receipts

Please no commas or dollar signs for the input

a. Interest on Investments:	\$ 3,207.00
b. Traffic fines & Penalties:	\$ 19,039.00
c. Parking Garage Fees:	\$ 0.00
d. Parking Meter Fees:	\$ 0.00
e. Sale of Surplus Property:	\$ 0.00
f. Charges for Services:	\$ 1,160.00
g. Other Misc. Receipts:	\$ 0.00
h. Other:	\$ 0.00
Total: (a through h) carried to 'Misc local receipts' above	\$ 23,406.00

C. Receipts from State Government

Please no commas or dollar signs for the input

1. Highway User Taxes:	\$ 60,312.00
3. Other State funds:	
c. Motor Vehicle Registrations:	\$ 5,947.00
d. Other (Specify):	
Comments: ROAD&BRIDGE	\$ 6,407.00
e. Other (Specify):	
Comments: undefined	\$ 0.00
Total: (1+3c,d,e)	\$ 72,666.00

D. Receipts from Federal Government

Please no commas or dollar signs for the input

2. Other Federal Agencies

a. Forest Service:	\$	0.00
b. FEMA:	\$	0.00
c. HUD:	\$	0.00
d. Federal Transit Administration:	\$	0.00
e. U.S. Corp of Engineers	\$	0.00
f. Other Federal:	\$	0.00
Total: (2a-f)		\$ 0.00

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Local highway disbursements

1. Capital outlay: (from A.1.d. 'Total Capital Outlay' below)	\$	50,152.00
2. Maintenance:	\$	70,087.00
3. Road and street services		
a. Traffic control operations:	\$	0.00
b. Snow and ice removal:	\$	3,629.00
c. Other:	\$	0.00
4. General administration & miscellaneous	\$	0.00
5. Highway law enforcement and safety	\$	67,273.00
Total: (A.1-5)		\$ 191,141.00

Please no commas or dollar signs for the input

B. Debt service on local obligations

1. Bonds		
a. Interest	\$	0.00
b. Redemption	\$	0.00
2. Notes		
a. Interest	\$	0.00
b. Redemption	\$	0.00
SubTotal: (1+2)		\$ 0.00

Please no commas or dollar signs for the input

C. Payments to State for Highways:	\$	0.00
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D. Payments to Toll Facilities:

\$ 0.00

Total Disbursements: *(A+B+C+D)* \$ 191,141.00**Please no commas or dollar signs for the input****III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES - (Detail)****Please no commas or dollar signs for the input**

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
A.1. Capital Outlay			
a. Right-Of-Way Costs:	\$ 0.00	\$ 0.00	\$ 0.00
b. Engineering Costs:	\$ 0.00	\$ 10,695.00	\$ 10,695.00
c. Construction			
1. New Facilities:	\$ 0.00	\$ 0.00	\$ 0.00
2. Capacity Improvements:	\$ 0.00	\$ 0.00	\$ 0.00
3. System Preservation:	\$ 0.00	\$ 39,457.00	\$ 39,457.00
4. System Enhancement:	\$ 0.00	\$ 0.00	\$ 0.00
5. Total Construction:			\$ 39,457.00
d. Total Capital Outlay: <i>(Lines A.1.a. + 1.b. + 1.c.5)</i>			\$ 50,152.00

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IV. LOCAL HIGHWAY DEBT STATUS

Please no commas or dollar signs for the input

	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT
A. Bonds (Total)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
1. Bonds (Refunding Portion)		\$ 0.00	\$ 0.00	\$ 0.00
B. Notes (Total):	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

V - LOCAL ROAD AND STREET FUND BALANCE

Please no commas or dollar signs for the input

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
\$ 129,782.00	\$ 482,275.00	\$ 191,141.00	\$ 420,914.00	\$ -2.00

Notes & Comments:

undefined

Please enter your name: CINDY JONES

Please provide a telephone number where you may be reached: 9705274104

Save

Print Mode

Edit Mode

Please click on the "Save" button before viewing the data in a print format.

Town of Paonia, Colorado

OLD PENSION PLAN

For the Year Ended December 31, 2018

The Town has a closed pension plan with one former employee included in the estimated liability. The last actuarial valuation performed on the plan was December 31, 2012, using future projected cash flow discounted by a yield curve rate utilizing expected mortality rates. The actuarial assumptions included a 3.5% interest rate. The Town is contributing annually an amount equal to the required contribution determined by the actuarial valuation. The Town pays the required yearly contribution of \$20,160 out of the Water Fund. Based on the actuarial valuation and the yearly payments made, the estimated remaining liability due on the plan is \$169,123.