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# **Annual Comprehensive Financial Report**

*For the Year ending December 31, 2022*





Honorable Mayor and Members of the Board of Trustees  
Town of Paonia, Colorado  
Paonia, Colorado

We have audited the financial statements of the Town of Paonia, Colorado (the Town) as of and for the year ended December 31, 2022 and have issued our report thereon dated March 15, 2024. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As communicated in our engagement letter dated September 25, 2023, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the Town's internal control over financial reporting and compliance solely for the purpose of designing our audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control or on compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

#### Office Locations:

Colorado Springs, CO  
Denver, CO  
Frisco, CO  
Tulsa, OK

We applied certain limited procedures to the required supplementary information (RSI). However, we did not audit the RSI and do not express an opinion or provide any assurance on the RSI. With respect to the supplementary information accompanying the financial statements, we performed procedures to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing the information has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements.

#### Denver Office:

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Colorado 80110  
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### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. A summary of the significant accounting policies adopted by the Town is included in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year, except as discussed in the following paragraph. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the financial statements as a whole.

### **Corrected and Uncorrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. We did not have any uncorrected adjustments.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties dealing with management during the audit process.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated March 15, 2024.



### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves the application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to contact us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and the responses were not a condition to our retention.

### **Conclusion**

This report is intended solely for the information and use of the Honorable Mayor and Members of the Board of Trustees and management of the Town of Paonia, Colorado and is not intended to be, and should not be, used by anyone other than these specified parties.

*Hick & Company, PC*

Englewood, Colorado  
March 15, 2024



**Town of Paonia, Colorado**

**Financial Statements**  
with Independent Auditor's Report

**December 31, 2022**



# Town of Paonia, Colorado

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**HINKLE &  
COMPANY**  
Strategic <sup>PC</sup>  
Business Advisors

## Independent Auditor's Report

Honorable Mayor and Members of the Board of Trustees  
Town of Paonia, Colorado  
Paonia, Colorado

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Town of Paonia, Colorado (the Town) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Town as of December 31, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

#### Office Locations:

Colorado Springs, CO  
Denver, CO  
Frisco, CO  
Tulsa, OK

#### Denver Office:

750 W. Hampden Avenue,  
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TEL: 303.796.1000  
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***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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



**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents 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 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's basic financial statements. The supplementary information and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Hick & Company, PC*

Englewood, Colorado  
March 15, 2024





## Town of Paonia

Office of the Town Administrator

214 Grand Ave.

Paonia, CO 81428

O: (970) 527-4101

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3/12/2024

To the Mayor, Board of Trustees, and the Residents of the Town of Paonia:

The statutes of the State of Colorado require local governments to publish the results of their annual audit and a comprehensive report of financial statements. The report must conform to generally accepted accounting principles (GAAP), and the accounting requirements established by the Governmental Accounting Standards Board (GASB). The Town of Paonia must have its financial statements audited by a firm of licensed certified public accountants. Pursuant to these requirements, we hereby issue the annual comprehensive financial report of the Town of Paonia, Colorado for the fiscal year ended December 31, 2022.

The Annual Comprehensive Financial Report (ACFR) is presented in six sections:

1. The **Independent Auditor's Report**, which includes general information about the audit as provided by the Town's independent licensed certified public accountants, Hinkle and Company, P.C.
2. The **Management's Discussion and Analysis (MD&A)**, which includes an analysis of the Town's financial performance for both governmental activities and business-type activities (enterprise funds such as water, wastewater, and trash). The MD&A also includes discussions on compliance, risks such as long-term debt, and investments in capital assets such as infrastructure, buildings, and equipment. This section should be read in conjunction with this Transmittal Letter.
3. The **Basic Financial Statements** include the report from the Town's external auditors, and basic financial statements. These documents include the government-wide financial statements comprised of the Statement of Net Position, the Statement of Activities, and the accompanying notes to the financial statements. This section also includes the fund financial statements including the governmental funds financial statements, the proprietary funds financial statements, and the combined individual funds financial statements for the nonmajor governmental and proprietary funds and the internal service funds.
4. The **Required Supplementary Information** includes Required supplementary information, other than the MD&A, which is comprised of the General Fund budget to the actual schedule and information about the Town's defined benefit retirement plans. This section also includes information about Special Revenue Funds like the Sales Tax Improvement Fund, Conservation Trust Fund, and the Street Fund.

5. The **Supplementary Information** includes information about nonmajor governmental funds, which includes Statements of Revenues, Expenditures, and Changes in Fund Balance. The section also includes Budgetary Comparison Schedules for the Sidewalk fund, and the water, sewer, and trash funds.
6. The **Compliance Section** contains a report summarizing the Town's Local Highway Finance Report.

This report consists of management's representations concerning the finances of the Town of Paonia, Colorado. Consequently, management retains full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management has established and continues to improve a comprehensive internal control framework that is designed to both protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Paonia's financial statements in conformity with generally accepted accounting principles (GAAP). Management has designed the Town of Paonia's internal controls framework to provide *reasonable*, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert, to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

The Town of Paonia's financial statements have been audited by Hinkle and Company, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended December 31, 2022, are free of material misstatement presented in accordance with United States GAAP and accounting requirements established by the Governmental Accounting Standards Board (GASB). The audit involved examining, on a test-basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

The independent auditor gave an unmodified opinion for the Town's fiscal year 2022 financial statements. As a result, we can provide reasonable assurance that the financial information contained in this report is complete, reliable, and accurate. The independent auditor's report was presented before this transmittal letter, and stated, "in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Town as of December 31, 2022."

## **PROFILE OF THE TOWN OF PAONIA, COLORADO**

### ***Introduction***

The Town of Paonia was organized under the 1877 laws of the State of Colorado and is located in Delta County. Paonia was incorporated, on July 21, 1902, by Delta County Court Order, following a successful election for incorporation held on July 14, 1902, in which 100 people voted for incorporation and 1 person voted against incorporation.

The Town of Paonia is a statutory town and is limited to exercising governing powers that are granted by the State of Colorado and are subject to provisions and limitations imposed by the state.

In 1902, Paonia was first incorporated as a Mayor – Council form of Government with a Board of Trustees serving as the "Council" and legislative body. The Mayor and Trustees are elected to staggered four-year

terms. The Mayor and Board of Trustees passed Ordinance 2014-09, establishing the position of Town Administrator and enumerated the duties, and powers of the position to include all executive and administrative functions for the proper management of the Town.

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 includes fire protection through the Paonia Volunteer Fire Department (Delta County FPD#2); North Fork EMS; the North Fork Pool, Parks, and Recreation District; the Paonia Public Library, a branch office of the Delta County Library District; and two Cemetery Districts.

Management includes component units in the reporting entity in conformance with GAAP. The financial statements include all funds that make up the legal entity of the *primary government*, namely the Town, as well as organizations for which the Town is financially responsible. The Town also participates in a joint venture with Delta County. The Paonia Municipal Airport is jointly owned by the Town of Paonia and Delta County and operates under an intergovernmental agreement signed by both parties.

The annual budget serves as the foundation for the Town's financial planning and control. All departments of the Town are required to submit requests to the Town Administrator and Treasurer in August of each year for the following year's budget. The Town Administrator then uses those requests to develop the proposed budget, typically presented to the Board of Trustees in September/October. The Board of Trustees is required to hold a public hearing prior to the final adoption of the budget. Pursuant to Colorado Revised Statutes, the Board of Trustees shall adopt a final budget in a timely manner prior to the start of the ensuing budget/fiscal year. Annual appropriations must also be adopted.

The appropriation resolutions are prepared and adopted by fund. The Town Administrator and Treasurer may make transfers of appropriations within a department or fund. Transfers of appropriations between funds and additional appropriations require additional approval from the Board of Trustees and is completed through the budget amendment procedures as established by Colorado Statutes.

Budget-to-actual comparisons are provided in this report for each individual fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 42 of the Financial Statements of this report and is included in the Required Supplementary Information section. For all other budgeted funds, these comparisons are presented in the Supplementary Information subsection, which starts on page 44.

### ***Factors Affecting Financial Condition***

The information presented in the financial statements is best understood when it is considered from a broader perspective of the environment within which the Town of Paonia operates.

**Local Economy:** The Town was impacted during the fiscal year ending December 31, 2022, by the ongoing effects of the global pandemic (COVID-19). During the year, ongoing impacts most significantly involved navigating staffing constraints while maintaining a safe work environment and meeting the needs of the Residents of Paonia. Inflation of prices for goods and services is another challenging and lasting impact of the global pandemic with a direct impact on the local, regional, and national economies. Increases in interest rates have led to a positive increase in investments that the Town has, but also an increase in the cost of normal goods and services required for day-to-day operations. The General Fund unrestricted balance

increased \$942,615 in 2022. For 2023, management estimate that the General Fund balance will increase, but at a smaller increment as more vacant staffing positions are filled and the Town increases staffing levels in the Public Works department.

The Town is a major cultural destination due to its inclusion in state programs for viticulture and creative districts. During Summer months, the Town enjoys a significant increase in tourism due to the events sponsored by the North Fork Valley Creative Coalition such as *Pickin' in the Park* and the *Mountain Harvest Festival*. Paonia also hosts several other festivals, including: the Paonia Cherry Days Festival, and Top 'O the Rockies, BMW Rally.

Other constraints on the local economy include a moratorium on the sale of new water taps and extension of new water lines. This moratorium has effectively stopped any growth of new residential or commercial developments within the Town. Once conditions of the moratorium are met, and the Town grasps the capacity of its natural resources for sustainable development, these limiting factors may be reduced.

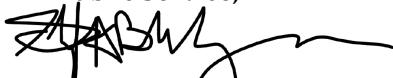
**Long-Term Financial Planning:** To continue the Town's historic investment in capital assets, the Town recognized that the cost of doing business has also increased. At the close of 2022, the Board of Trustees adopted Resolution 2022-14 increasing the basic rate of the Trash Utility. The Town also passed Resolution 2022-15 increasing the water rates and charges for all users and passed Ordinance 2022-08 increasing the wastewater/sewer rates. The Town will continue to evaluate the cost of improvements to its enterprise activities and will review rates annually to ensure that capital needs are financed.

**Debt Management:** The ratio of net general bonded debt to assess valuation and the amount of general bonded debt per capita are useful indicators of the Town's dept position to municipal management, Residents, and investors. Although the Town has debt related to refunding revenue bonds in the wastewater utility, the Town does not have any general obligation debt outstanding and has not pledged the use of all available resources for long-term debt.

**Major Initiatives:** The Town continues to work toward financial sustainability. In 2023, as well as in the 2022 budget, major initiatives are set forth to take the Town into the future. Infrastructure maintenance, improvement and replacement is a priority for the Town, and building fund balance in all funds remains a top priority. Recognizing the value of Town employees continues to be an important aspect of the budgeting process, and Trustees have decided to invest in staff. The Town also continues to prioritize customer service and Resident engagement.

Preparing this report could not have been accomplished without the dedication of employees in Town Hall. Each staff member in the Administration Department, and the staff of our bookkeeping consultant has my earnest appreciation for the contributions made in the preparation of this report. I would also like to express my appreciation to Hinkle and Company, P.C., the firm that serves as our external auditors. All of us worked on the financial statements without experiencing the day-to-day operations of fiscal year 2022 and became affiliated with the Town during fiscal year 2023. Without the team effort, these financial statements and this report may not have ever been completed.

In Public Service,

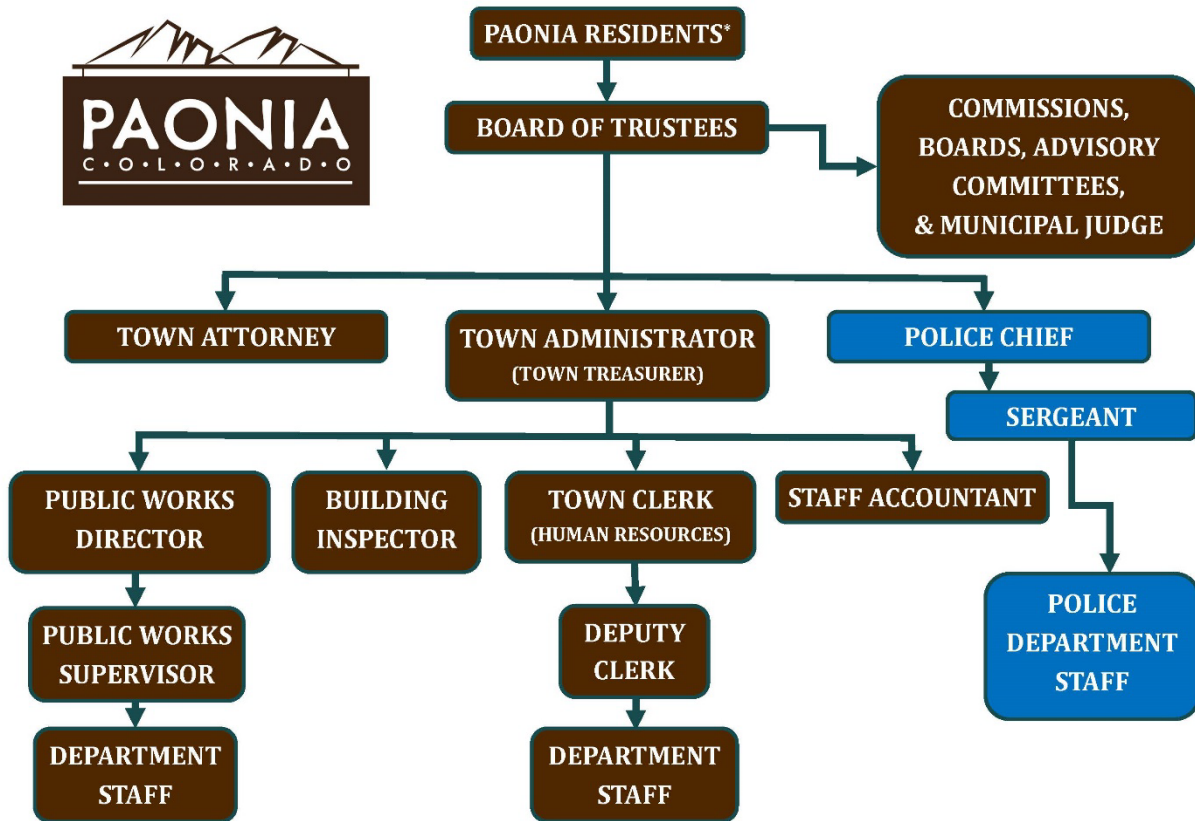


**Stefen A.B. Wynn, M.P.A.**

*ICMA-CM*

***Paonia Town Administrator/Treasurer***

# Town of Paonia Organizational Chart



\*Paonia Residents serve a crucial but *limited* role in the Town's governance. The residents' role is defined by Colorado Constitution and state and local laws, including, without limitation, those provisions concerning the election of candidates to municipal offices, the right to vote on matters involving municipal taxes and debt, the right to speak during public hearings, and with regard to legislative matters only, the powers of citizen initiative and referendum. This organizational chart is not intended, nor shall it be deemed, to grant or expand any rights to Paonia Residents above that required by the Colorado Constitution and applicable state and local laws, and specifically does not authorize Paonia Residents to direct Town officers or employees with respect to such employees' or officers' duties or job responsibilities.

As management of the Town of Paonia, we offer readers of the Town of Paonia's Financial Statements this narrative overview and analysis of the financial activities and performance of the Town of Paonia for Fiscal Year ended December 31, 2022. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

### **Financial Highlights**

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$16,343,328 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets of \$11,168,496 include property, equipment, and infrastructure such as roads, bridges, sidewalks and similar items, net accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
  - (2) Net position of \$761,909 are restricted by constraints imposed from outside the Town such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted, unreserved net position of \$4,412,923 represents the portion available to maintain the Town's continuing obligations to Residents and creditors.
- The Town's governmental funds reported total ending fund balance of \$2,471,248 this year. This compares to the prior year ending fund balance of \$1,640,840 showing an increase of \$830,408 during the current year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,721,305, or 144% of total General Fund expenditures and other financing uses.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

### **Overview of the Financial Statements**

This Management Discussion and Analysis document introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Town also includes in this report additional information to supplement the basic financial statements. Comparative data is presented where available.

### ***Government-wide Financial Statements***

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting



at this level uses a perspective like that found in the private sector with its basis in accrual accounting and elimination of reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Evaluation of the overall health of the Town would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Town's infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers. Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by sales tax and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, parks and recreation, and community services (building & zoning). Business-type activities include the water and sewer systems, and solid waste.

The government-wide financial statements are presented on pages 4 through 5 of the Financial Statements included with this report.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

#### The Town has two kinds of funds:

*Governmental Funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-range view, comparisons between these two perspectives may provide insight into the long-range impact of short-range financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 6 through 9 of the Financial Statements included with this report. Individual fund information for nonmajor governmental funds is found in combining statements in the supplementary section of this report.

*Proprietary Funds* are reported in the fund financial statements and generally report services for which the Town charges a fee. The town maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented in business-type activities in the government-wide financial statements. The Town uses enterprise funds for its water and sewer systems, and sanitation (trash).

The basic enterprise fund financial statements are presented on pages 10 through 13 of the Financial Statements included with this report. There are no nonmajor enterprise funds, but if there were, individual fund information for nonmajor enterprise funds are found in the combining statements of the supplementary section of this report.

### ***Notes to the Basic Financial Statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 13 of the Financial Statements included with this report.

### **Required Supplementary Information**

In addition to the basic financial statements, this report also presents certain required supplementary information (RSI) on the Town's budgetary comparison schedule for the general fund; Schedule of Revenues, Expenditures and Changes in Fund Balance for the Sales Tax Capital Improvement Fund; Schedule of Revenues, Expenditures and Changes in Fund Balance for the Conservation Trust Fund; and the Schedule of Revenues, Expenditures and Changes in Fund Balance for the Street Capital Improvement Fund. These statements and schedules demonstrate compliance with the Town's adopted and final revised budget. The required supplementary information is on pages 37 to 41 of the Financial Statements included with this report.

### ***Supplementary Information***

As discussed, the Town reports major funds in the basic financial statements. Combining and individual statements and schedules for nonmajor funds can be found in the supplementary section of the Financial Statements included with this report beginning on page 42 and ending on page 48.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources at fiscal year-end exceeded liabilities and deferred inflows of resources by \$16,343,328. The following table on the next page provides a summary of the Town's net position.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**For the Year Ended December 31, 2022**

**Town of Paonia, Colorado**

**Statement of Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Assets:</b>						
Current and other assets	\$ 3,160,323	\$ 2,246,521	\$ 2,777,776	\$ 2,283,434	\$ 5,938,099	\$ 4,529,955
Capital assets	<u>3,192,071</u>	<u>3,262,534</u>	<u>11,739,207</u>	<u>12,038,551</u>	<u>14,931,278</u>	<u>15,301,085</u>
Total assets	<u>6,352,394</u>	<u>5,509,055</u>	<u>14,516,983</u>	<u>14,321,985</u>	<u>20,869,377</u>	<u>19,831,040</u>
<b>Deferred Outflows of Resources</b>						
Related to Pensions	<u>70,002</u>	<u>90,194</u>	<u>-</u>	<u>-</u>	<u>70,002</u>	<u>90,194</u>
Total Deferred Outflows of Resources	<u>70,002</u>	<u>90,194</u>	<u>-</u>	<u>-</u>	<u>70,002</u>	<u>90,194</u>
<b>Liabilities:</b>						
Other Liabilities	395,648	382,534	268,111	223,695	663,759	606,229
Long-term Liabilities	<u>17,967</u>	<u>21,814</u>	<u>3,694,766</u>	<u>3,899,376</u>	<u>3,712,733</u>	<u>3,921,190</u>
Total Liabilities	<u>413,615</u>	<u>404,348</u>	<u>3,962,877</u>	<u>4,123,071</u>	<u>4,376,492</u>	<u>4,527,419</u>
<b>Deferred inflows of resources</b>						
Property taxes	146,513	149,627	-	-	146,513	149,627
Deferred inflows of resources	-	-	-	-	-	-
Related to pensions deferred inflows	<u>80,902</u>	<u>60,188</u>	<u>-</u>	<u>-</u>	<u>80,902</u>	<u>60,188</u>
Total deferred inflows of resources	<u>227,415</u>	<u>209,815</u>	<u>-</u>	<u>-</u>	<u>227,415</u>	<u>209,815</u>
<b>Net Position:</b>						
Net investments						
in capital assets	3,116,199	3,262,534	8,052,297	8,139,175	11,168,496	11,401,709
Restricted	113,371	113,371	648,538	837,386	761,909	950,757
Unrestricted	<u>2,551,796</u>	<u>1,609,181</u>	<u>1,861,127</u>	<u>1,222,353</u>	<u>4,412,923</u>	<u>2,831,534</u>
Total net position	<u>\$ 5,781,366</u>	<u>\$ 4,985,086</u>	<u>\$10,561,962</u>	<u>\$10,198,914</u>	<u>\$16,343,328</u>	<u>\$15,184,000</u>

By far the largest portion of the Town's net position, 68.33%, reflects its investment in capital assets, including infrastructure, less any related debt used to acquire those assets that are still outstanding. The Town of Paonia uses these capital assets to provide services to Residents; consequently, these assets are not available for future spending. Although the Town of Paonia's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to pay the annual debt service must be provided from other sources (service fees, utility rate increases, etc.), since the capital assets themselves cannot be used to pay the debt.

At the end of the current fiscal year, the Town of Paonia is able to report positive balances in the government as a whole, as well as for both its governmental activities and business-type activities. Activities showed positive growth. Net position increased \$796,280 for governmental activities, and net position increased \$363,048 for business-type activities. The Town's overall financial position improved during fiscal year 2022.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**For the Year Ended December 31, 2022**

**Town of Paonia, Colorado**

The following table provides a summary of the Town's changes in net position:

	<b>Summary of Changes in Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenues:						
Program:						
Charges for services	\$ 193,574	\$ 126,749	\$ 1,880,970	\$ 1,828,537	\$ 2,074,544	\$ 1,955,286
Operating Grants	49,866	98,194	184,616	-	234,482	98,194
Capital Grants	-	87,305	-	9,896	-	97,201
General:						
Taxes	1,783,051	1,387,775	-	-	1,783,051	1,387,775
Other	120,769	8,917	27,479	11,881	148,248	20,798
<b>Total revenues</b>	<b>2,147,260</b>	<b>1,708,940</b>	<b>2,093,065</b>	<b>1,850,314</b>	<b>4,240,325</b>	<b>3,559,254</b>
Program Expenses:						
General Government	343,138	327,256	-	-	343,138	327,256
Public Safety	507,341	416,414	-	-	507,341	416,414
Public Works	300,175	351,701	-	-	300,175	351,701
Culture and Recreation	164,329	150,466	-	-	164,329	150,466
Water Operations	-	-	1,077,484	865,875	1,077,484	865,875
Sewer Operations	-	-	409,659	480,668	409,659	480,668
Trash	-	-	278,871	260,704	278,871	260,704
<b>Total Expenses</b>	<b>1,314,983</b>	<b>1,245,837</b>	<b>1,766,014</b>	<b>1,607,247</b>	<b>3,080,997</b>	<b>2,853,084</b>
Excess	832,277	463,103	327,051	243,067	1,159,328	706,170
Transfers	(35,997)	62,150	35,997	(62,150)	-	-
Change in Net Position	796,280	525,253	363,048	180,917	1,159,328	706,170
Beginning Net Position	4,985,086	4,459,833	10,198,914	10,013,798	15,184,000	14,473,631
Ending Net Position	<u>5,781,366</u>	<u>4,985,086</u>	<u>10,561,962</u>	<u>10,194,715</u>	<u>16,343,328</u>	<u>15,179,801</u>

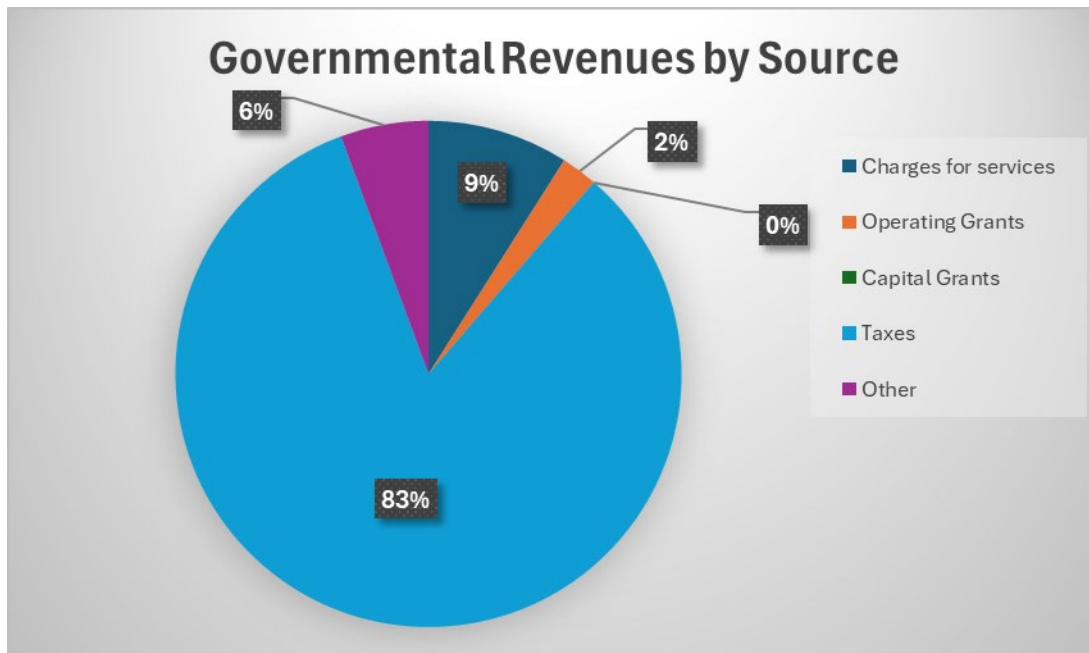
**GOVERNMENTAL REVENUES**

The Town is heavily reliant on ad valorem (property), sales, use, and occupational taxes to support governmental operations. Town sales and use taxes account for 83.04% of the revenues for governmental activities. This is an increase of 1.83% over fiscal year 2021 and may be the result of COVID-19 pandemic where certain types of retailers saw an increase in sales. In fiscal year 2022, the Town saw an increase in tourism over 2021 with more music and entertainment shows being hosted in its Town Park, and with the effects of the pandemic decreasing over the previous year.

Sales and use taxes increased \$395,276 from the taxes collected in 2021. The Town also kept the sales and use tax rate at 3% as it has remained since 2018. Due in part to the Town's healthy financial position, it has earned \$25,604 in interest earnings to support governmental activities, and \$11,264 in interest earnings to support business-type activities related to the Federal Reserve raising interest rates in 2022. The total interest earnings between governmental activities and business-type activities of \$36,868 is an increase of \$27,499 from the interest earnings of fiscal year 2021 which was \$9,369. Program revenues

covered 14.72% of governmental operating expenses in 2022. This means that the government's taxpayers and the Town's other general revenues funded the balance of the governmental activities. As a result, the general economy and local businesses have a major impact on the Town's revenue streams. Program revenues for fiscal year 2022 covered 4.55% more of governmental operating expenses than that of fiscal year 2021.

The graph below shows governmental revenues by source:



### **GOVERNMENTAL FUNCTIONAL EXPENSES**

Public safety comprises 16.4% of the Town's total expenses and 38.6% of the total governmental expenses. Culture (Parks) and Recreation make up 5.3% of the Town's total expenses and 12.5% of the total governmental expenses. General Government make up 11.1% of the Town's total expenses and 26.2% of the total governmental expenses. Public Works make up 9.3% of the Town's total expenses and 22.1% of the total governmental expenses. While most expense categories were similar to fiscal year 2021, Public Safety and Public Works both changed significantly.

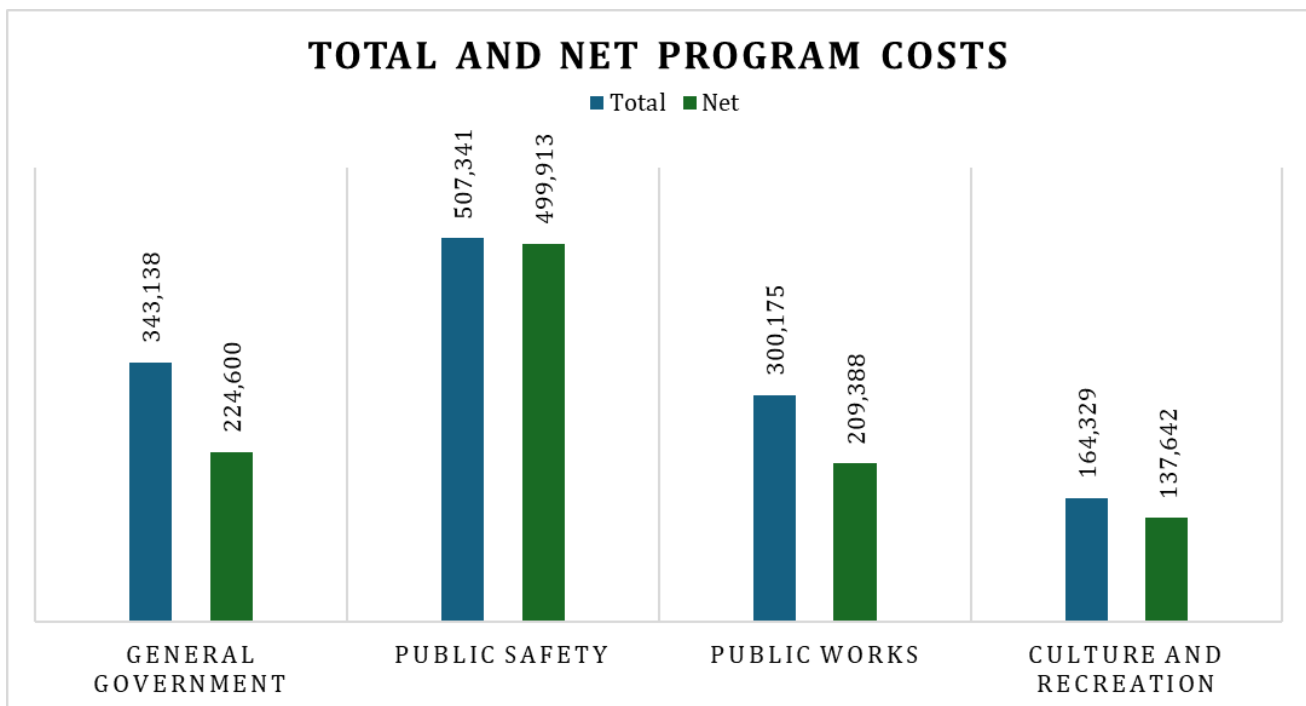
The overall increase in expenses was 5.55% over the prior fiscal year. In 2022, the efforts to return to regular operations along with staffing changes, including payouts for terminations, are likely causes of the nominal increase.

The following table presents the cost of each of the Town's programs, including the net costs (e.g. total cost less revenues generated by the activities). The net costs show the financial burden that was placed on the Town's taxpayers by each of these functions.

**Governmental Activities**

	<u>Total Cost of Services</u>	<u>Percentage of Total</u>	<u>Net Cost of Services</u>	<u>Percentage of Total</u>
General Government	\$ 343,138	26.1%	\$ 224,600	21.0%
Public Safety	507,341	38.6%	499,913	46.7%
Public Works	300,175	22.8%	209,388	19.5%
Culture and Recreation	<u>164,329</u>	<u>12.5%</u>	<u>137,642</u>	<u>12.8%</u>
<b>Total</b>	<b><u>\$ 1,314,983</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 1,071,543</u></b>	<b><u>100.0%</u></b>

The General Government function has the best cost recovery at 35% as shown in the graph below. Permit fees and application fees are set to recover most of the expenses associated with community development and licensing services. The Town received operating grants to help reduce the cost of providing services for both Public Works and Public Safety in fiscal year 2022. While these program revenues can vary in any given year, the corresponding acquisition of assets does not appear as a program expense. For that reason, program revenues can fluctuate dramatically from year to year depending on the amount of capital grants and contributions received.

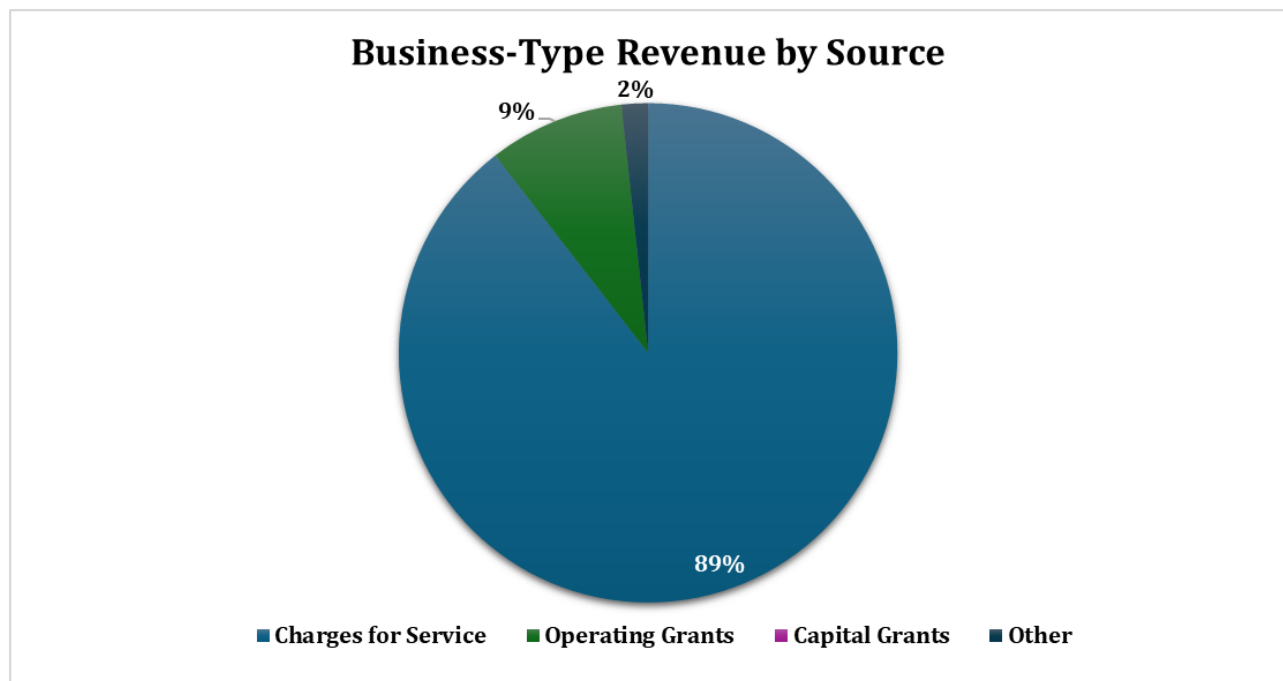


**BUSINESS – TYPE ACTIVITIES**

For the year ending December 31, 2022, the Town reported all enterprise funds as major funds. Business-type activities increased the Town's net position by \$363,048. Key elements of business-type (enterprise) activities net position are as follows:

The operating revenues for all the enterprise funds were 13.1% greater than fiscal year 2021, due to Resolution Number 2021-09 raising water rates, and operating expenses for all enterprise funds were 9.9% more than in fiscal year 2021. Within the total business-type activities of the Town, these activities reported an operating income of \$400,197 compared to an operating income of \$317,326 for the prior year. Non-operating expenses decreased by \$1,914 over fiscal year 2021. Capital contributions for 2022 were \$40,997. This is an increase of \$93,147 from 2021. Capital contributions include tap fees, developer contributions of capital assets, and capital grants.

The graph below shows that the business-type activities rely on fees to pay operating costs. This is stark in contrast to the governmental activities.

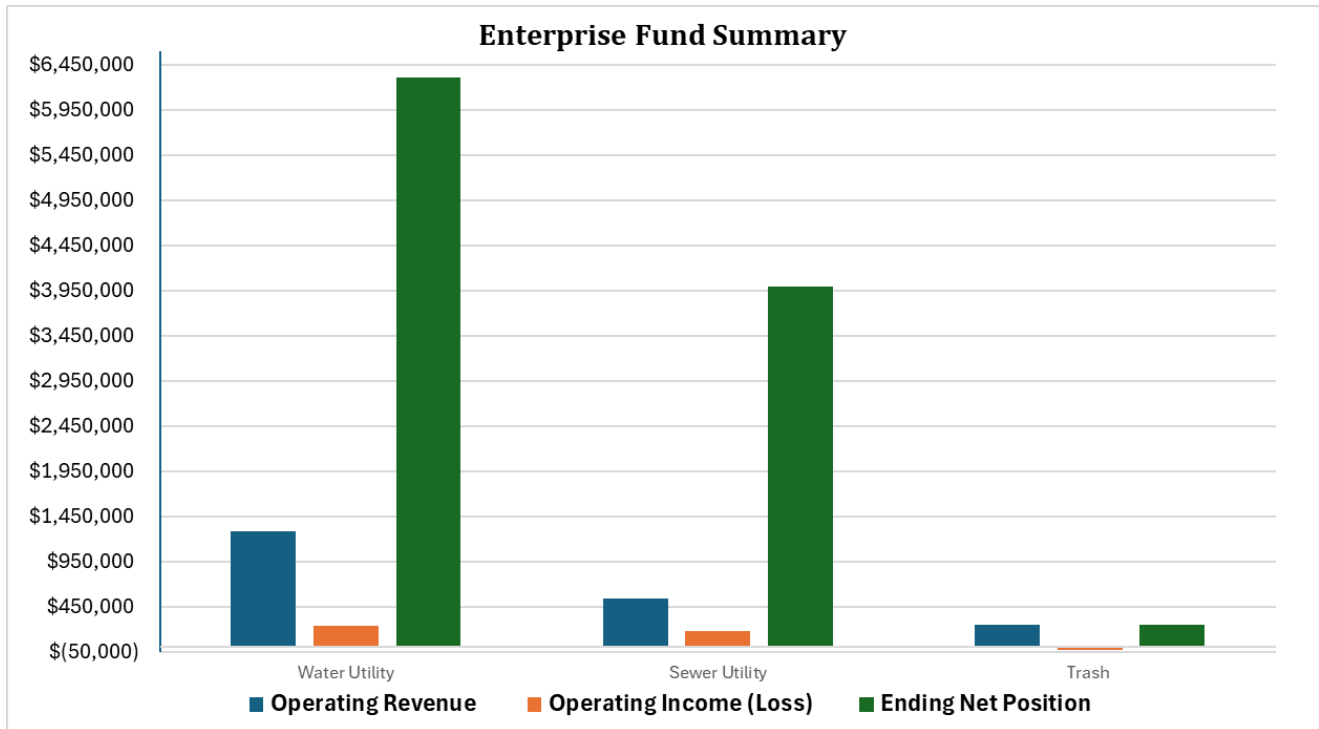


The water utility accounts for approximately 61.8% of operating revenues and 61.6% of operating expenses. This utility reported a net increase in net position of \$214,557. The water utility had an operating income of \$251,161 and no capital contributions.

For the sewer utility fund, operating expenses decreased 16% over the prior year. Operating revenues saw an increase of 2.2% over the prior year. Net operating income for 2022 was \$178,370 in comparison to \$96,750 in 2021.

Trash made up 12% of operating revenues for all enterprise funds compared to 16.4% of operating expenses. The fund experienced a loss of operating income for (\$29,334) and showed a worsened net position of \$248,604 from \$277,938 in 2021. This fund has had two successive years of a net position less than the beginning of the year.

The graph below shows the relative size of the funds that make up the Enterprise Funds (Business-Type Activities):



**Financial Analysis of the Town’s Funds**

**Governmental Funds**

As mentioned earlier, governmental funds are reported in the fund statements with a focus on short-term, inflow and outflow of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$2,471,248. Approximately, \$749,943 of the year-end total governmental fund balance is restricted, committed, or assigned fund balance.

The total ending fund balances of governmental funds show an increase of \$830,408 over the prior year. This increase is primarily the result of the sales and occupational tax in the General Fund.



***Major Governmental Funds***

***The General Fund:***

The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by \$463,510 in fiscal year 2022. In fiscal year 2021, the fund balance also increased by \$417,214.

Total revenues for 2022 were \$1,658,490, an increase of \$213,017 or 14.7% over 2021. The Town's sale and use taxes both increased significantly over the prior year. The remaining revenue sources were comparable with the prior year.

Expenditures for 2022 were \$1,194,880, an increase of 15.3% over fiscal year 2021. This reflects a return to standard service levels from the pandemic and increased costs reflect the return to regular operations. There were also significant resignations from key staff with significant severance payouts and a payout of unused compensated absences.

General government expenditures increased 19.43% overall when compared to the previous year.

Total public safety actual expenditures saw an increase in expenditure over the previous year of 19.48%.

Public works expenditures increased 27.8% as compared to fiscal year 2021. Culture and Recreation expenditures increased 1.2% over 2021.

The general fund transferred \$100 to non-major funds, and the Sales Tax Capital Improvement Fund transferred \$35,997 to the water and sewer funds. \$7,856 was transferred from the Sales Tax Capital Improvement Fund to the water fund, \$20,284 was transferred from the Sales Tax Capital Improvement Fund to the sewer fund, and \$7,857 was transferred from the Sales Tax Capital Improvement Fund to the Trash (Sanitation) Fund. This amount varies based on available resources in any given year and Town staff's capacity to administer additional projects.

***The Proprietary Funds***

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

**Budgetary Highlights**

***The General Fund*** – Budget amendments were not completed in fiscal year 2022. The final fiscal year 2022 budget included \$1,815,479 in expected revenues, the actual revenues for fiscal year 2022 were \$1,658,490 for a negative variance of \$156,989. Franchise Taxes, Cigarette Taxes, Delinquent Taxes, Intergovernmental Revenue, Grant Revenue, and Fines and Forfeitures all realized less revenue than anticipated.

Investment earnings increased significantly from original estimates because of higher than anticipated interest rates and the increase in revenues resulting in more funds to invest.

The final general fund budget for expenditures had a favorable variance of \$718,849, again due to an exaggerated expenditure budget within all general fund functions. The general fund experienced a favorable excess of revenues over expenditures of \$436,610.

**Capital Assets and Debt Administration**

**Capital Assets**

The Town's net investments in capital assets, for governmental and business-type activities as of December 31, 2022, were \$3,116,199 (governmental activities) and \$8,052,297 (business-type activities).

The total decrease in the net investment was 4.48% for governmental activities and a 1.07% decrease for business-type activities.

The following table provides a summary of capital asset activity:

	<b>Capital Assets</b>				<b>Total</b>	
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>2022</b>	<b>2021</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>		
Non-Depreciable Assets:						
Land and Improvements	\$ 246,481	\$ 246,481	\$ -	\$ -	\$ 246,481	\$ 246,481
Land and Water Rights	-	-	834,157	834,157	834,157	834,157
<b>Total Non-Depreciable</b>	<b>246,481</b>	<b>246,481</b>	<b>834,157</b>	<b>834,157</b>	<b>1,080,638</b>	<b>1,080,638</b>
Depreciable Assets:						
Buildings	703,646	703,646	12,175,799	12,156,466	12,879,445	13,583,091
Improvements (not buildings)	547,789	547,789	-	-	547,789	547,789
Infrastructure	3,152,517	3,126,216	5,113,083	4,971,340	8,265,600	8,097,556
Equipment	1,042,874	976,842	535,816	587,543	1,578,690	1,564,385
<b>Total Depreciable Assets</b>	<b>5,446,826</b>	<b>5,354,493</b>	<b>17,824,698</b>	<b>17,715,349</b>	<b>23,271,524</b>	<b>23,069,842</b>
Less accumulated depreciation	<u>(2,501,236)</u>	<u>(2,338,440)</u>	<u>(6,911,792)</u>	<u>(6,510,955)</u>	<u>(9,413,028)</u>	<u>(8,849,395)</u>
Percentage Depreciated	<u>40%</u>	<u>42%</u>	<u>47%</u>	<u>50%</u>	<u>46%</u>	<u>48%</u>
<b>Total Capital Assets, Net</b>	<b><u>3,192,071</u></b>	<b><u>3,262,534</u></b>	<b><u>11,747,063</u></b>	<b><u>12,038,551</u></b>	<b><u>14,939,134</u></b>	<b><u>15,301,085</u></b>

On December 31, 2022, the depreciable capital assets for governmental activities were 40% depreciated. This is comparable to the December 21, 2021, percentage. This comparison indicates that the Town is replacing its assets at a comparable rate as they are depreciating, which is a positive indicator.

With the Town's business-type activities, 47% of the depreciable capital assets were depreciated at December 31, 2022 comparable to 50% at December 31, 2021.

Overall, the Town's capital assets are depreciated at 46%, which demonstrates the Town's continuing investment in capital.

**Long-term Debt**

At the end of fiscal year 2022, the Town only had long-term debt transactions for the governmental activities related to compensated absences. Compensated absences made up \$21,814 of the Town's total long-term debt. Compensated absences are listed as long-term debt since they are recorded only when

payment is due, and they were accrued in 2022, but will be paid out in a subsequent year (usually up to the discretion of the employee that accrued them).

Business activities and the enterprise funds encompass the debt for the Town of Paonia and includes the Sewer Plant, the One-Million Gallon Water Plant (Clock Plant), the Two-Million Gallon Water Plant (Lamborn Plant), and the improvements to the water distribution system.

The following table provides a summary of long-term debt activity.

	Outstanding Borrowings						% Change
	Governmental Activities		Business-Type Activities		Total		
	2022	2021	2022	2021	2022	2021	
CWRPDA Loan	\$ -	\$ -	\$ 151,732	\$ 163,405	\$ 151,732	\$ 163,405	7%
WPA Loan	-	-	2,053,168	2,091,716	2,053,168	2,091,716	2%
2020 Revenue Refunding Bonds	-	-	2,167,100	2,204,350	2,167,100	2,204,350	1%
Line of Credit	-	-	-	-	-	-	0%
Compensated Absences	17,967	21,814	-	-	17,967	21,814	17%
<b>Total</b>	<b>17,967</b>	<b>21,814</b>	<b>4,372,000</b>	<b>4,459,471</b>	<b>4,389,967</b>	<b>4,481,285</b>	

See note 6 for additional information about the Town's long-term debt.

**Economic Conditions and Next Year's Budget**

Financially, 2022 showed increases over previous years. Sales and Use, and occupational taxes, which are economic indicators for tourism and spending, increased by 24% over fiscal year 2021.

The Town is a certified Creative District for the state of Colorado and has developed into a regional tourism destination. The Town hosts music and festivals in its largest park that brings many people from around the state to visit. The Town benefits from optimal growing conditions for organic farms and is recognized as a viticultural destination by the state. Maintaining these certifications and designations is paramount to continuing to grow the Town's economy. Industry in Town changed significantly during the early 2000's due to coal mine closures, and the Town successfully utilized the North Fork Valley to reinvent its industry for organic farming and winemaking.

A serious issue facing residents in Paonia is the lack of affordable housing options, which is exacerbated by a lack of year-round jobs due to the seasonally dependent industries of the Town. The Town also enacted a water moratorium in 2020 with certain criteria that must be met in order lift it. The moratorium has limited growth and is a contributing factor for the lack of affordable housing. The 2023 budget was prepared with these conditions in mind, while continuing to fund services for residents and visitors alike.

**Contacting the Town's Financial Management**

This financial report is designed to provide a general overview of the Town's finances and fiscal health, compliance with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability and transparency. If you have questions about this report or would like to request additional information, please contact the Town Administrator and Treasurer, 214 Grand Avenue, Paonia, CO 81428.



## **Basic Financial Statements**

**Town of Paonia, Colorado**  
Statement of Net Position  
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,091,927	\$ 1,832,941	\$ 3,924,868
Cash and cash equivalents - restricted	599,017	648,538	1,247,555
Property Taxes Receivable	146,513	-	146,513
Accounts Receivable, net	129,370	166,015	295,385
Due from other governments	46,582	-	46,582
Inventories	-	130,282	130,282
FPPA Net Pension Liability	146,914	-	146,914
Capital Assets, <i>not being depreciated</i>	246,481	834,157	1,080,638
Capital Assets, <i>net of accumulated depreciation</i>	<u>2,945,590</u>	<u>10,912,906</u>	<u>13,858,496</u>
 Total Assets	 <u>6,352,394</u>	 <u>14,524,839</u>	 <u>20,877,233</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows Due to Pensions	<u>70,002</u>	<u>-</u>	<u>70,002</u>
<b>Liabilities</b>			
Accounts Payable	59,702	30,675	90,377
Accrued Payroll Liabilities	15,946	23,349	39,295
Accrued interest payable	-	29,471	29,471
Unearned Revenue	320,000	184,616	504,616
Noncurrent Liabilities			
Due Within One Year	1,797	203,211	205,008
Due in More Than One Year	<u>16,170</u>	<u>3,491,555</u>	<u>3,507,725</u>
 Total Liabilities	 <u>413,615</u>	 <u>3,962,877</u>	 <u>4,376,492</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows Due to Pensions	80,902	-	80,902
Unavailable Revenue - Property Taxes	<u>146,513</u>	<u>-</u>	<u>146,513</u>
 Total Deferred inflows of resources	 <u>227,415</u>	 <u>-</u>	 <u>227,415</u>
<b>Net Position</b>			
Net Investment in Capital Assets	3,116,199	8,052,297	11,168,496
Restricted for:			
Emergencies (TABOR)	53,179	-	53,179
Debt Service	-	648,538	648,538
Streets Improvements	60,192	-	60,192
Unrestricted, unreserved	<u>2,551,796</u>	<u>1,861,127</u>	<u>4,412,923</u>
 Total Net Position	 <u>\$ 5,781,366</u>	 <u>\$ 10,561,962</u>	 <u>\$ 16,343,328</u>

See Notes to the Financial Statements.

**Town of Paonia, Colorado**  
**Statement of Activities**  
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Primary Government Business-Type Activities
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General Government	\$ 343,138	\$ 118,538	\$ -	\$ -	\$ (224,600)	\$ -	\$ (224,600)
Public Safety	507,341	5,689	1,739	-	(499,913)	-	(499,913)
Public Works	300,175	42,660	48,127	-	(209,388)	-	(209,388)
Culture and Recreation	164,329	26,687	-	-	(137,642)	-	(137,642)
<b>Total Governmental Activities</b>	<b>1,314,983</b>	<b>193,574</b>	<b>49,866</b>	<b>-</b>	<b>(1,071,543)</b>	<b>-</b>	<b>(1,071,543)</b>
<b>Business-Type Activities</b>							
Water Operations	1,077,484	1,088,354	184,616	-	-	195,486	195,486
Sewer Operations	409,659	543,079	-	-	-	133,420	133,420
Trash Water	278,871	249,537	-	-	-	(29,334)	(29,334)
<b>Total Business-Type Activities</b>	<b>1,766,014</b>	<b>1,880,970</b>	<b>184,616</b>	<b>-</b>	<b>-</b>	<b>299,572</b>	<b>299,572</b>
<b>Total Primary Government</b>	<b>\$ 3,080,997</b>	<b>\$ 2,074,544</b>	<b>\$ 234,482</b>	<b>\$ -</b>	<b>(1,071,543)</b>	<b>299,572</b>	<b>(771,971)</b>
<b>General Revenues</b>							
Taxes							
Property					182,502	-	182,502
Specific ownership					24,170	-	24,170
General sales					1,366,270	-	1,366,270
Franchise					58,448	-	58,448
Occupancy					149,575	-	149,575
Other					2,086	-	2,086
Investment Income					25,604	11,264	36,868
Capital Contributions - Tap Fees					-	5,000	5,000
Proceeds from the Sale of Assets					19,851	11,215	31,066
Misc.					75,314	-	75,314
Transfers					(35,997)	35,997	-
<b>Total General Revenues and Transfers</b>					<b>1,867,823</b>	<b>63,476</b>	<b>1,931,299</b>
<b>Change in Net Position</b>					<b>796,280</b>	<b>363,048</b>	<b>1,159,328</b>
<b>Net Position, Beginning of year</b>					<b>4,985,086</b>	<b>10,198,914</b>	<b>15,184,000</b>
<b>Net Position, End of year</b>					<b>\$ 5,781,366</b>	<b>\$ 10,561,962</b>	<b>\$ 16,343,328</b>

**Town of Paonia, Colorado**  
 Balance Sheet  
 Governmental Funds  
 December 31, 2022

	Major Funds			Total
	General Fund	Sales Tax Capital Improvement Fund	Non-Major Funds	
<b>Assets</b>				
Cash and cash equivalents				
Unrestricted	\$ 1,103,514	\$ 605,868	\$ 382,545	\$ 2,091,927
Restricted	599,017	-	-	599,017
Accounts receivable	126,464	-	-	126,464
Taxes receivable	-	-	2,906	2,906
Property taxes receivable	146,513	-	-	146,513
Due from other governments	-	46,582	-	46,582
	<u>1,975,508</u>	<u>652,450</u>	<u>385,451</u>	<u>3,013,409</u>
Total Assets	\$ <u>1,975,508</u>	\$ <u>652,450</u>	\$ <u>385,451</u>	\$ <u>3,013,409</u>
<b>Liabilities</b>				
Accounts Payable	\$ 48,797	\$ 10,905	\$ -	\$ 59,702
Accrued payroll	15,946	-	-	15,946
Unearned Revenue	320,000	-	-	320,000
	<u>384,743</u>	<u>10,905</u>	<u>-</u>	<u>395,648</u>
Total Liabilities	384,743	10,905	-	395,648
<b>Deferred Inflows of Resources</b>				
Property Taxes	146,513	-	-	146,513
	<u>146,513</u>	<u>-</u>	<u>-</u>	<u>146,513</u>
Property Taxes	146,513	-	-	146,513
<b>Fund Balance</b>				
Restricted for:				
Emergencies (TABOR)	53,179	-	-	53,179
Airport Capital Improvements	-	60,192	-	60,192
Committed	-	-	-	-
Bridge reserve	228,717	-	-	228,717
Capital Acquisition	-	407,855	-	407,855
Unassigned	1,162,356	173,498	385,451	1,721,305
	<u>1,444,252</u>	<u>641,545</u>	<u>385,451</u>	<u>2,471,248</u>
Total Fund Balance	1,444,252	641,545	385,451	2,471,248
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>1,975,508</u>	\$ <u>652,450</u>	\$ <u>385,451</u>	\$ <u>3,013,409</u>



**Town of Paonia, Colorado**  
 Reconciliation of Balance Sheet of the Governmental Funds  
 to the Statement of Net Position  
 December 31, 2022

**Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:**

Total Fund Balance of Governmental Funds	\$ 2,471,248
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds.	3,192,071
Pension assets and deferred outflows are not current, therefore, are not reported in governmental funds:	
Net Pension Asset (Liability)	146,914
Deferred Outflows, Pensions	70,002
Deferred Inflows, Pensions	(80,902)
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Accrued compensated absences	<u>(17,967)</u>
Total Net Position of Governmental Activities	<u>\$ 5,781,366</u>

**Town of Paonia, Colorado**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2022

	Major Funds			Total
	General Fund	Sales Tax Capital Improvement Fund	Non-Major Funds	
<b>Revenues</b>				
Taxes	\$ 1,321,919	\$ 302,297	\$ 158,835	\$ 1,783,051
Licenses and Permits	50,335	-	39,376	89,711
Intergovernmental	166,512	-	-	166,512
Charges for Services	-	-	-	-
Investment Income	25,591	-	-	25,591
Fines and Forfeitures	6,618	-	-	6,618
Miscellaneous	87,515	7,650	13	95,178
Total Revenues	<u>1,658,490</u>	<u>309,947</u>	<u>198,224</u>	<u>2,166,661</u>
<b>Expenditures</b>				
Current				
General Government	316,743	-	-	316,743
Public Safety	538,494	-	-	538,494
Public Works	201,872	-	-	201,872
Culture and Recreation	137,771	-	4,924	142,695
Capital Outlay	-	100,452	-	100,452
Total Expenditures	<u>1,194,880</u>	<u>100,452</u>	<u>4,924</u>	<u>1,300,256</u>
<b>Excess Revenues Over (Under) Expenditures</b>	<u>463,610</u>	<u>209,495</u>	<u>193,300</u>	<u>866,405</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(100)	(35,997)	100	(35,997)
Other Financing Sources (Uses)	<u>(100)</u>	<u>(35,997)</u>	<u>100</u>	<u>(35,997)</u>
<b>Net Change in Fund Balance</b>	463,510	173,498	193,400	830,408
<b>Fund Balance, Beginning of year</b>	<u>980,742</u>	<u>468,047</u>	<u>192,051</u>	<u>1,640,840</u>
<b>Fund Balance, End of year</b>	<u>\$ 1,444,252</u>	<u>\$ 641,545</u>	<u>\$ 385,451</u>	<u>\$ 2,471,248</u>

**Town of Paonia, Colorado**  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balance of Governmental Funds to the Statement of Activities  
 For the Year Ended December 31, 2022

**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Net Change in Fund Balance of Governmental Funds	\$	830,408
<p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p>		
Capital outlays		129,644
Depreciation expense		(200,107)
<p>Revenues received after the period of availability are recognized as deferred revenue in the funds statements, but as revenues in the Statement of Activities</p>		
		(19,401)
<p>FPPA Pension liabilities reported in governmental funds as expenditures when contributions are made. However, for governmental activities those costs are reflected as liabilities when incurred.</p>		
Net Pension Asset (Liability)		92,795
Deferred Outflows, Pensions		(20,192)
Deferred Inflows, Pensions		(20,714)
		(20,714)
Change in Net Position of Governmental Activities	\$	792,433
		(3,847)

**Town of Paonia, Colorado**  
Statement of Net Position  
Proprietary Fund  
December 31, 2022

	Water	Sewer	Trash	Total
<i>Current Assets</i>				
Cash and Investments	\$ 1,024,820	\$ 690,560	\$ 117,561	\$ 1,832,941
Restricted Cash and investments	-	648,538	-	648,538
Accounts Receivable	92,863	49,078	24,074	166,015
Inventory	117,912	12,370	-	130,282
Total Current Assets	1,235,595	1,400,546	141,635	2,777,776
<i>Noncurrent Assets</i>				
Capital Assets, <i>Not being depreciated</i>	269,777	564,380	-	834,157
Capital Assets, <i>Net of accumulated depreciation</i>	7,137,864	3,650,106	124,936	10,912,906
Total Noncurrent Assets	7,407,641	4,214,486	124,936	11,747,063
Total Assets	8,643,236	5,615,032	266,571	14,524,839
<b>Liabilities</b>				
<i>Current Liabilities</i>				
Accounts Payable	18,543	7,062	5,070	30,675
Accrued interest payable	17,846	11,625	-	29,471
Accrued Liabilities	13,061	5,248	5,040	23,349
Unearned grant revenues	184,616	-	-	184,616
Current Portion of Noncurrent Liabilities	153,211	50,000	-	203,211
Total Current Liabilities	387,277	73,935	10,110	471,322
<i>Noncurrent Liabilities</i>				
Notes and bonds payable	1,949,225	1,542,330	-	3,491,555
Total Noncurrent Liabilities	1,949,225	1,542,330	-	3,491,555
Total Liabilities	2,336,502	1,616,265	10,110	3,962,877
<b>Net Position</b>				
Net Investment in Capital Assets	5,305,205	2,622,156	124,936	8,052,297
Restricted for Debt Service	-	108,763	-	108,763
Restricted for Maintenance	-	539,775	-	539,775
Unrestricted	1,001,529	728,073	131,525	1,861,127
Total Net Position	\$ 6,306,734	\$ 3,998,767	\$ 256,461	\$ 10,561,962

See Notes to the Financial Statements.

**Town of Paonia, Colorado**  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended December 31, 2022

	Water	Sewer	Trash	Total
<b>Operating Revenues</b>				
Charges for Services	\$ 1,088,354	\$ 543,079	\$ 249,537	\$ 1,880,970
Grant Revenue	184,616	-	-	184,616
Miscellaneous	11,215	-	-	11,215
	<u>1,284,185</u>	<u>543,079</u>	<u>249,537</u>	<u>2,076,801</u>
<b>Operating Expenses</b>				
Personnel expenses	213,565	104,737	172,230	490,532
Contractual service	71,179	-	37,911	109,090
Professional fees	75,828	19,449	6,891	102,168
Utilities	29,323	41,917	2,675	73,915
Repairs and maintenance	166,854	30,000	370	197,224
Other supplies and expense	93,813	44,452	33,846	172,111
Insurance claims and expense	26,405	9,857	6,741	43,003
Depreciation	356,057	114,297	18,207	488,561
	<u>1,033,024</u>	<u>364,709</u>	<u>278,871</u>	<u>1,676,604</u>
Net Operating Income	<u>251,161</u>	<u>178,370</u>	<u>(29,334)</u>	<u>400,197</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income	-	11,264	-	11,264
Interest Expense	(44,460)	(44,950)	-	(89,410)
Net Income (Loss) Before Contributed Capital	<u>206,701</u>	<u>144,684</u>	<u>(29,334)</u>	<u>322,051</u>
<b>Contributed Capital and Transfers</b>				
System Development Fees	-	5,000	-	5,000
Transfers In	7,856	20,284	7,857	35,997
	<u>7,856</u>	<u>25,284</u>	<u>7,857</u>	<u>40,997</u>
Change in Net Position	214,557	169,968	(21,477)	363,048
<b>Net Position, Beginning of year</b>	<u>6,092,177</u>	<u>3,828,799</u>	<u>277,938</u>	<u>10,198,914</u>
<b>Net Position, End of year</b>	<u>\$ 6,306,734</u>	<u>\$ 3,998,767</u>	<u>\$ 256,461</u>	<u>\$ 10,561,962</u>

**Town of Paonia, Colorado**  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2022

	Water	Sewer	Trash	Total
<b>Cash Flows From Operating Activities</b>				
Cash Received from Customers	\$ 1,272,970	\$ 543,079	\$ 249,537	\$ 2,065,586
Cash Received from Others	1,574	-	(2,323)	(749)
Cash Paid to Suppliers	(496,600)	(167,755)	(126,966)	(791,321)
Cash Paid to Employees	(149,790)	(79,982)	(127,401)	(357,173)
Net Cash Provided by Operating Activities	<u>628,154</u>	<u>295,342</u>	<u>(7,153)</u>	<u>916,343</u>
<b>Cash Flows From NonCapital Financing Activities</b>				
Transfer to Other Funds	<u>7,856</u>	<u>20,284</u>	<u>7,857</u>	<u>35,997</u>
Net Cash Provided by Noncapital Financing Activities	<u>7,856</u>	<u>20,284</u>	<u>7,857</u>	<u>35,997</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
System Development Fees	-	5,000	-	5,000
Acquisition and Construction of Capital Assets	(27,189)	(162,027)	(7,857)	(197,073)
Debt Principal Payments	(152,685)	(51,925)	-	(204,610)
Debt Interest Payments	(44,460)	(44,950)	-	(89,410)
Net Cash Used by Capital and Related Financing Activities	<u>(224,334)</u>	<u>(253,902)</u>	<u>(7,857)</u>	<u>(486,093)</u>
<b>Cash Flows From Investing Activities</b>				
Interest received	<u>-</u>	<u>11,264</u>	<u>-</u>	<u>11,264</u>
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>11,264</u>	<u>-</u>	<u>11,264</u>
<b>Net Change in Cash and Cash Equivalents</b>	411,676	72,988	(7,153)	477,511
<b>Cash and Cash Equivalents, Beginning of year</b>	<u>613,144</u>	<u>1,266,110</u>	<u>124,714</u>	<u>2,003,968</u>
<b>Cash and Cash Equivalents, End of year</b>	<u>\$ 1,024,820</u>	<u>\$ 1,339,098</u>	<u>\$ 117,561</u>	<u>\$ 2,481,479</u>
<b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:</b>				
Net Operating Income	\$ 251,161	\$ 178,370	\$ (29,334)	\$ 400,197
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	356,057	114,297	18,207	488,561
Changes in Assets and Liabilities Related to Operations				
Accounts Receivable	(9,641)	(4,867)	(2,323)	(16,831)
Accounts Payable	18,029	2,669	1,257	21,955
Accrued Expenses	12,548	4,873	5,040	22,461
Net Cash Provided by Operating Activities	<u>\$ 628,154</u>	<u>\$ 295,342</u>	<u>\$ (7,153)</u>	<u>\$ 916,343</u>

# Town of Paonia, Colorado

## Notes to Financial Statements

December 31, 2022

### **Note 1: Summary of Significant Accounting Policies**

The Town of Paonia (the Town) is a statutory municipality with a Major Board of Trustees form of government with six trustees and one separately elected mayor serving as elected Town Board Trustees (The Town Board) members. The Town administrator is a hired contact position of the Town.

The Town's financial statements are prepared in conformity with generally accepted accounting principles (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 more significant of the Town's accounting policies are described below.

#### **Reporting Entity**

In accordance with governmental accounting standards, the Town has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the Town officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. The Town may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based on the application of these criteria, the Town does not include additional organizations in its reporting entity.

#### **Government-wide and Fund Financial Statements**

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

The statement of net position reports all financial, capital and debt resources of the Town. The difference between assets, liabilities and deferred inflows of the Town is net position.

# Town of Paonia, Colorado

## Notes to Financial Statements

December 31, 2022

### Note 1: Summary of Significant Accounting Policies (Continued)

#### **Government-wide and Fund Financial Statements** (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments 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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions 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. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Fund Financial Statements**

Following the government-wide financial statements are separate financial statements for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The total fund balances for all governmental funds is reconciled to total net position for governmental activities as shown on the statement of net position. The net change in fund balance for all governmental funds is reconciled to the total change in net position as shown on the statement of activities in the government-wide financial statements.

#### **Fund Accounting**

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with self-balancing accounts. Governmental 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. The Town has all three categories of funds: governmental, proprietary, and fiduciary.

#### **Governmental Funds**

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The measurement focus is on determination of and changes in financial position, rather than on net income.

The following are the Town's governmental major funds:

The General Fund - used to account for all financial resources except those required to be accounted for in another fund and is the general operating fund of the Town.

The Sales Tax Capital Improvement Fund - accounts for the Town's additional sales tax that is to be used for capital improvements.



# Town of Paonia, Colorado

## Notes to Financial Statements

December 31, 2022

### Note 1: Summary of Significant Accounting Policies (Continued)

#### **Governmental Funds** (Continued)

The following funds are considered nonmajor governmental funds:

The Conservation Trust Fund - accounts for State of Colorado lottery funds to be used for parks and recreation services and capital investments.

The Street Capital Improvement Fund - accounts for funds committed by the Board of Trustees to be used for street construction from Highway Users tax and impact fees.

The Sidewalk Fund - accounts for the Town's sidewalk fees that are to be used for sidewalk repairs and maintenance.

The Space to Create Fund - accounts for the Town's revenues that are to be used to fund a feasibility analysis of creative sector workforce space into 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.

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

# Town of Paonia, Colorado

## Notes to Financial Statements

December 31, 2022

### Note 1: Summary of Significant Accounting Policies (Continued)

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

#### **Cash and Investments**

The Town considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. State statutes and Town policy authorize the Town to invest in obligations of the United States or any agency thereof, time deposit certificates, and repurchase agreements. The Pension Trust Funds are also authorized to invest in corporate common or preferred stocks, bonds and mortgages, real or personal property, and other evidence of indebtedness or ownership (excluding any debt of the Town itself), and individual insurance policies.

#### **Receivables**

The Town uses the allowance method for recognizing the uncollectable delinquent accounts receivable. At December 31, 2022, no allowance has been established, as all amounts are considered collectible. Each October, any utility bills more than 60 days old are certified to the County Treasurer for collection with the property taxes to be collected the following year.

# Town of Paonia, Colorado

## Notes to Financial Statements

December 31, 2022

### Note 1: Summary of Significant Accounting Policies (Continued)

#### **Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed, but uncollected, property taxes for calendar year 2022 have been recorded as a receivable and as deferred revenue. Property taxes are billed and collected by Delta County, Colorado and distributed to the municipalities and special districts within the county the month after collection.

#### **Inventories**

Water parts are valued at market values based on current pricing.

#### **Interfund Receivables and Payables**

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers. Such transfers are reported as other financing sources (uses) in the governmental funds and transfers in (out) in the proprietary funds.

Transactions between the Town's various funds are accounted for as revenues and expenditures or expenses in the funds involved if they are similar to transactions with organizations external to the Town government.

Activity between funds that is representative of borrowing/lending arrangements outstanding at the end of the fiscal year is referred to as either "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

In the process of aggregating data for the statement of net position and the statement of activities some amounts reported on interfund activity and balances in the funds have been eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activity's column.

#### **Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item qualifying for this category: the collective deferred outflows related to the Town's net pension obligation. Pension contributions made after the measurement date, and the net difference between projected and actual earnings will be recognized as a change of the net pension liability or asset in future periods.

# Town of Paonia, Colorado

## Notes to Financial Statements

December 31, 2022

### Note 1: Summary of Significant Accounting Policies (Continued)

#### **Deferred Outflows and Inflows of Resources** (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Unavailable revenue from property taxes, reported in the governmental balance sheet are deferred and recognized as an inflow from resources in the period that the amounts become available. Collective deferred inflows related to the Town's net pension obligation are reported on the Statement of Net Position and are amortized over the average service lives of participants.

#### **Capital Assets**

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost where historical records are available or estimated historical costs where no historical records exist. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets (excluding land, water rights, construction in progress and capital assets held for other government) are depreciated using the straight-line method over the following estimated useful lives:

Water and Sewer Systems	15 - 40 years
Buildings and Improvements	25 - 40 years
Equipment and Vehicles	5 - 10 years
Infrastructure	15 - 40 years

#### **Compensated Absences**

Vacation, sick leave, and compensatory time are accrued as earned. Accumulated unpaid vacation, compensatory time, and vested sick leave amounts are recorded in the government-wide financial statements by fund. The Town's personnel policy imposes limits on the maximum accrual of accumulated vacation time and sick leave. Upon termination, accrued unpaid vacation and compensatory time will be paid to the employee. Accrued sick leave has a cash value upon termination only if the employee has at least five years of full-time service with the Town at termination. Accrued compensated absences are liquidated by the fund that incurred the liability during the employee's employment.

**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

A liability for vested, accrued leave time is reported in the governmental funds only if the amounts due at year end have matured.

**Pensions**

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Town's defined benefit pension plan and additions to/deductions from the fiduciary net position of the Town's defined benefit pension plans have been determined using the economic resources measurement focus and the accrual basis of accounting. 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.

**Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Position**

In the government-wide and proprietary fund financial statements, net position is displayed in three components as follows:

Net Investment in Capital Assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted - This consists of net position legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted - This consists of net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

When an expense is incurred for purposes for which restricted and unrestricted net position is available, the Town's policy is to apply restricted net position first.

**Fund Balance Classification**

The following fund balance classifications describe the relative strength of the spending constraints placed on a government's fund balance and purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes stipulated by external resource providers (such as grantor, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed fund balance - amounts constrained to specific purposes stipulated by a government itself, determined by formal action by the Board of Trustees to be reported as committed, amounts cannot be used for any other purpose unless changed by the Board of Trustees.

Assigned fund balance - amounts the Town intends to use for a specific purpose as expressed by management.

Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Town Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance. Each December the budget is adopted by resolution for the coming year. A fund balance commitment is indicated in the budget by the use of reserves. The budget document will also identify the budgeted use of any restricted funds planned in the budget.

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 Town Council has provided otherwise in its commitment or assignment actions.

**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Use of Estimates**

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

**Subsequent Events**

The Town has evaluated subsequent events through March 15, 2024, the date the financial statements were available to be issued.

**Note 2: Stewardship, Compliance and Accountability**

**Budgets and Budgetary Accounting**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- In October, the Town staff submits to the Town Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 15, the budget is legally enacted through passage of an ordinance.
- The Town Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Town Council.
- Budgets are legally adopted for all funds of the Town. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Budgetary comparison presented for the Enterprise Fund is presented on a non-GAAP budgetary basis. Capital outlay and debt payments are budgeted as expenditures and depreciation is not budgeted.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Town Council. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

# Town of Paonia, Colorado

## Notes to Financial Statements

December 31, 2022

### Note 3: Cash Deposits and Investments

The Town's investment policy conforms to the investment policy guidelines set forth by the State of Colorado. The Town's investment policy sets the primary objectives of investments activities to be safety, liquidity, and yield, in that order. The policy sets a conservative, "prudent person" approach to investment purchases and management of the overall portfolio. The Town's Volunteer Firefighters Pension Trust is managed by the Fire and Police Pension Association of Colorado in accordance with State statute.

At year end, the Town had the following deposits and investments as reported in the financial statements:

Petty Cash	\$	225
Cash held by County Trasurer		71,798
Bank deposits		2,846,060
Certificates of deposit		465,067
Colostrust		1,789,273
Total	\$	<u>5,172,423</u>

#### Deposits

Cash and investments are reflected in the statement of net position as follows:

Cash and Investments	\$	3,924,868
Restricted Cash and Investments		<u>1,247,555</u>
Total	\$	<u>5,172,423</u>

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

As of December 31, 2022, the Town had deposits of \$3,065,605. Depositor's insurance (FDIC) covers \$250,000 of this amount; the balance is covered by PDPA.



**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 3: Cash Deposits and Investments (Continued)**

**Investments**

The Town's investment policy lists the authorized investment types as defined by Colorado statutes. Authorized investments include direct obligations of the United States, obligations of U.S. government agencies, general or revenue obligations of any state of the United States, any territory, or political subdivision of any state, qualified bankers' acceptances, commercial paper, certificates of participation, repurchase agreements, qualified local government investment pool, money market funds, qualified corporate or bank debt, and certain guaranteed investment contracts. The Town held no such investments at December 31, 2022.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Trustees. Such actions are generally associated with a debt service reserve or sinking fund requirements.

State statutes specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following.

- Obligations of the United States & certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Local Government Investment Pool - At December 31, 2022, the Town had \$1,789,274 (fair value) invested in COLOTRUST, an investment vehicle established by State statute for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating COLOTRUST. COLOTRUST operates similar to money market funds and each share is equal in value to \$1.00. COLOTRUST is rated AAAM by Standard and Poor's. Investments are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

The Town had the following investments at December 31, 2022:

Investment Type	Rating	Total	Less than 1 year	1 to 5 years
Colorado Liquid Government				
Asset Trust (Colo Trust Plus)	No Rating	\$ 1,789,273	\$ -	\$ 1,789,273
Certificates of deposit	No Rating	465,067	-	465,067
U.S. Treasury Securities		<u>\$ 2,254,340</u>	<u>\$ -</u>	<u>\$ 2,254,340</u>

**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 3: Cash Deposits and Investments (Continued)**

**Investments** (Continued)

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk the Town requires that U.S. Agency Securities have the highest possible rating. Colorado statutes establish standards for local government investment pools and the Town requires the investment pool to maintain the highest possible rating.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. State statute limits investments in U.S. Agency Securities to a maximum five-year maturity. The Town seeks to minimize interest rate risk by:

- Structuring investments to meet ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
- Structuring investments to have staggered maturities of less than five years.

**Note 4: Capital Assets**

Capital assets activity for the year ended December 31, 2022 is summarized below:

<b>Governmental Activities</b>	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 246,481	\$ -	\$ -	\$ 246,481
Total Capital Assets Not Being Depreciated	<u>246,481</u>	<u>-</u>	<u>-</u>	<u>246,481</u>
Capital Assets Being Depreciated				
Buildings	703,646	-	-	703,646
Improvements other than Buildings	547,789	-	-	547,789
Infrastructure	3,126,216	26,301	-	3,152,517
Equipment	976,842	103,343	(37,311)	1,042,874
Total Capital Assets Being Depreciated	<u>5,354,493</u>	<u>129,644</u>	<u>(37,311)</u>	<u>5,446,826</u>
Less Accumulated Depreciation for				
Buildings	(403,969)	(20,169)	-	(424,138)
Improvements other than Buildings	(307,032)	(17,752)	-	(324,784)
Infrastructure	(892,053)	(93,489)	-	(985,542)
Equipment	(735,386)	(68,697)	37,311	(766,772)
Total Accumulated Depreciation	<u>(2,338,440)</u>	<u>(200,107)</u>	<u>37,311</u>	<u>(2,501,236)</u>
Total Capital Assets Being Depreciated, Net	<u>3,016,053</u>	<u>(70,463)</u>	<u>-</u>	<u>2,945,590</u>
Government Type Activities, Capital Assets, Net	<u>\$ 3,262,534</u>	<u>\$ (70,463)</u>	<u>\$ -</u>	<u>\$ 3,192,071</u>

**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 4: Capital Assets (Continued)**

Capital assets Business-Type activity for the year ended December 31, 2022 is summarized below:

<b>Business Type Activities</b>	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Capital Assets Not Being Depreciated	\$ 834,157	\$ -	\$ -	\$ 834,157
Land & water rights	834,157	-	-	834,157
Total Capital Assets Not Depreciated	<u>834,157</u>	<u>-</u>	<u>-</u>	<u>834,157</u>
Capital Assets Being Depreciated				
Distribution systems	4,187,566	-		4,187,566
Collection system	783,774	141,743	-	925,517
Vehicles and equipment	587,543	35,997	(87,724)	535,816
Treatment plant	12,156,466	19,333	-	12,175,799
Less Accumulated depreciation	<u>(6,510,955)</u>	<u>(488,561)</u>	<u>87,724</u>	<u>(6,911,792)</u>
Total Capital Assets Being Depreciated	<u>11,204,394</u>	<u>(291,488)</u>	<u>-</u>	<u>10,912,906</u>
Total Capital Assets Being Depreciated, Net	<u>11,204,394</u>	<u>(291,488)</u>	<u>-</u>	<u>10,912,906</u>
Business Type Activities, Capital Assets, Net	<u>\$ 12,038,551</u>	<u>\$ (291,488)</u>	<u>\$ -</u>	<u>\$ 11,747,063</u>

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

<b>Governmental Activities</b>	
General Government	\$ 26,396
Public Safety	24,583
Public Works	127,494
Culture and Recreation	<u>21,634</u>
Total	<u>\$ 200,107</u>

**Note 5: Interfund Receivables, Payables and Transfers**

Transfers for 2022 were as follows:

Transfers are used to move unrestricted General Fund revenues to finance various programs that

Transfers In	Transfers Out	Amount
Water Fund	Sales Tax Capital Improvement Fund	\$ 7,856
Sewer Fund	Sales Tax Capital Improvement Fund	20,284
Trash Fund	Sales Tax Capital Improvement Fund	7,857
Total		<u>\$ 35,997</u>

the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 6: Long-Term Debt**

**Governmental Activities**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2022.

<b>Governmental Activities</b>	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022	Due Within One Year
Compensated Absences	21,814	-	(3,847)	17,967	1,797
Total	\$ 21,814	\$ -	\$ (3,847)	\$ 17,967	\$ 1,797

**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 2022 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, and to maintain an operation and maintenance reserve in an amount equal to three months of operating costs.

As of December 31, 2022, the Town borrowed \$395,969, of which the Town has made principal payments of \$253,137. Principal and interest payments for the years following December 31, 2022 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 20,935	\$ 2,408	\$ 23,343
2024	21,303	2,040	23,343
2025	21,677	1,666	23,343
2026	22,058	1,285	23,343
2027	22,446	897	23,343
2028-2029	34,413	604	35,017
	\$ 142,832	\$ 8,900	\$ 151,732

# Town of Paonia, Colorado

## Notes to Financial Statements

December 31, 2022

**Note 6: Long-Term Debt** (Continued)

**Governmental Activities** (Continued)

WPA Loan

The Town has a Water Power Authority (WPA) loan agreement with CWRPDA for \$2,996,494 at 2.08% 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 and sewer utility for repayment of the loan in the amount of approximately \$3,728,185 through 2035. Pledge revenues received during 2021 were \$191,222. 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, and to maintain an operation and maintenance reserve in an amount equal to three months of operating expense, excluding depreciation of the water and sewer utility system, as set forth in the annual budget.

The loan balance includes a premium of \$25,431, which is amortized over the life of the loan on a straight-line basis. Yearly amortization is \$1,211. The remaining premium balance is \$14,936 as of December 31, 2022. At no time should the budget reserve be greater than \$1,250,000. Principal and interest payments for the years following December 31, 2022 are as follows:

Year Ended December 31,	Principal	Interest	Total
2023	132,276	14,900	147,176
2024	133,651	13,850	147,501
2025	135,025	12,800	147,825
2026	137,088	11,750	148,838
2027	138,806	10,700	149,506
2028-2032	756,852	36,850	793,702
2033-2036	510,970	7,650	518,620
	\$ 1,944,668	\$ 108,500	\$ 2,053,168

2020 Revenue Refunding Bonds

The Town issued \$1,650,000 of Revenue Refunding Bonds, Series 2020A. The bonds were issued on September 28, 2020, with interest payments due April 1 and October 1 of each year through April 1, 2044, commencing October 1, 2021. Principal payments are due April 1 of each year commencing April 1, 2021. The bonds carry an interest rate of 3.0%. The bond refunding resulted in a decrease in required cash flow for debt service of \$401,412, which constitutes an economic gain on refunding of \$226,757. These bonds were used to refund the RUS Loan payable. The bonds do not constitute a lien on any physical property of the Town, but constitute a lien only on the net revenues of the water and sewer enterprise funds and all moneys on deposit in the Reserve Account. The Reserve Account is required to be maintained at \$100,750.

**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 6: Long-Term Debt** (Continued)

**Governmental Activities** (Continued)

The Bonds were issued with a premium of \$46,180 which is amortized on a straight-line basis through the life of the bonds (24 years) and recognized as interest expense. Annual amortization is \$1,925. Principal and interest payments for the years following December 31, 2022 are as follows:

Year Ended December 31,	Principal	Interest	Total
2023	\$ 50,000	\$ 46,500	\$ 96,500
2024	55,000	45,000	100,000
2025	55,000	43,350	98,350
2026	55,000	41,700	96,700
2027	60,000	40,050	100,050
2028-2032	250,000	172,800	422,800
2033-2037	440,000	134,850	574,850
2038-2042	250,000	72,750	322,750
2043-2044	335,000	20,100	355,100
	<u>\$ 1,550,000</u>	<u>\$ 617,100</u>	<u>\$ 2,167,100</u>

**Line of Credit**

The Town had a \$200,000 working-capital line of credit with an interest rate of 1.35% and a maturity date of September 2022. As of December 31, 2022, there was a \$0.00 outstanding balance on the line of credit.

**Note 7: Employee Retirement Plans**

**Deferred Compensation Plan**

All employees are eligible to participate in a deferred compensation plan that was created in accordance with the Internal Revenue Code section 457 (the Deferred Compensation Plan). The Deferred Compensation Plan, which is administered by CCOERA, permits participants to defer a portion of their salary until future years. All compensation deferred under the Deferred Compensation Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the participants and their beneficiaries. Compensation deferred under the Deferred Compensation Plan is not available to employees until termination, retirement, death, or unforeseeable emergency.

Participants may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. The Town does not contribute to the Deferred Compensation Plan.

## Town of Paonia, Colorado

### Notes to Financial Statements

December 31, 2022

#### **Note 7: Employee Retirement Plans (Continued)**

##### **Deferred Compensation Plan** (Continued)

The individual participants determine investment decisions within the Deferred Compensation Plan and, therefore, the Deferred Compensation Plan's investment concentration varies between participants.

CCOERA is also the Trustee of the Deferred Compensation Plan and, accordingly, the Town has no liability for losses under the plan. Consequently, the Deferred Compensation Plan is not part of the Town's financial statements.

##### **FPPA Statewide Defined Benefit Plan**

*Plan Description:* The Statewide Defined Benefit Plan (SWDB) is a cost-sharing multiple-employer defined benefit pension plan. The plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

*Description of Benefits:* A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent 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 the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined 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 percent or the Consumer Price Index.

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 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

*Contributions:* The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 7: Employee Retirement Plans (Continued)**

**FPPA Statewide Defined Benefit Plan** (Continued)

Members of the SWDB plan and their employers are contributing at the rate of 8 percent of base salary for a total contribution rate of 16 percent through 2014. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20 percent of base salary through 2014. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014-member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 4 percent of base salary for a total contribution rate of 8 percent through 2014. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

The Town's contributions to the SWDB Plan for the year ended December 31, 2022, were \$23,683, equal to the required contributions.

The Town and eligible employees are required to contribute to the SWH Plan at rates established by the Town Council. However, the amount allocated to the defined benefit component is set annually by the FPPA Board of Directors, which currently must be at least 8% of base salary for the employee and the employer.

The Town no longer has active participants in the SWH Plan.

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

At December 31, 2022, the Town reported a net pension liability (asset) of \$(146,914) representing its proportionate share of the net pension asset of the SWDB.

The net pension liability was measured at December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at January 1, 2022. The Town's proportion of the net pension asset was based on a projection of the Town's contributions to the plans for the calendar year ended December 31, 2022, relative to the projected contributions of all participating employers.



**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 7: Employee Retirement Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

At December 31, 2021, the Town's proportion of the SWDB Plan was 0.02710922%, which was an increase of 0.002209% from its proportion measured at December 31, 2020.

For the year ended December 31, 2022, the Town recognized pension expense (Benefit) for the SWDB plan of \$(16,554).

At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Statewide Defined Benefit Plan		
Differences between expected and actual experience	\$ 34,229	\$ 2,954
Net difference between projected and actual earnings on plan investments	-	73,312
Changes in assumptions and other inputs	16,874	-
Changes in proportion	-	4,636
Contributions subsequent to the measurement date	18,899	-
Total	\$ 70,002	\$ 80,902

Town contributions to the SWDB plan subsequent to the measurement date were \$(46,762) and will be recognized as an increase or decrease to the net pension (asset) liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows.

Year Ended December 31,	Amount
2023	\$ (24,097)
2024	(13,519)
2025	(4,362)
2026	8,100
2027	4,533
Thereafter	(454)
Total	\$ (29,799)

# Town of Paonia, Colorado

## Notes to Financial Statements

December 31, 2022

### Note 7: Employee Retirement Plans (Continued)

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

Actuarial Assumptions - The actuarial valuation at January 1, 2022, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Asset Valuation Method	5-Year Smoothed Fair Value
Long-term Investment Rate of Return*	7.5%
Projected Salary Increases	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0.0%
Includes Inflation at	2.5%

Mortality rates were based on the RP-2014 Mortality Table for Blue Collar Employees projected with Scale BB, using a 55% multiplier for off-duty mortality. The RP-2014 Mortality Table for Blue Collar Employees was used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants were used. For post-retirement members ages 55 through 64, a blend of the previous tables was used.

The current actuarial methods and assumptions were adopted by the FPPA Board of Directors for first use in the actuarial valuation as of January 1, 2016, based upon the actuary's unchanged analysis and recommendations from the 2015 Experience Study.

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 target asset allocation as of December 31, 2021, are summarized in the following table:

# Town of Paonia, Colorado

## Notes to Financial Statements

December 31, 2022

### Note 7: Employee Retirement Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	39%	8.23%
Equity Long/Short	8%	6.87%
Private Markets	26%	10.63%
Fixed Income Rates	10%	4.01%
Fixed Income Credit	5%	5.25%
Absolute Return	10%	5.60%
Cash	2%	2.32%
	100%	

*Discount Rate* - The discount rate used to measure the total pension liability was 7.0%. 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 in the FPPA Board of Director's funding policy, which establishes the contractually required rates under State statutes. Based on this assumption, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate at the prior measurement date was 7.5%.

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0%, as well as the Town's proportionate share of the net pension (asset) liability if it were calculated using a discount that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate, as follows:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's is proportionate share of the SWDB net pension (asset) liability	\$ <u>(20,260)</u>	\$ <u>(146,914)</u>	\$ <u>(251,839)</u>

Pension Plan Fiduciary Net Position - Detailed information about the Plans' fiduciary net position is available in FPPA's separately issued financial report, which may be obtained at [www.fppaco.org](http://www.fppaco.org).

## Town of Paonia, Colorado

### Notes to Financial Statements

December 31, 2022

#### **Note 8: Public Entity Risk Pool**

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. For these risks of loss, the Town is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA.

It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity, and the Town does not approve budgets, nor does it have the ability to significantly affect the operations of the entity.

CIRSA's operations are funded by contributions from member governments. Coverage is provided in the amount of \$500,000 per claim or occurrence for property damage, \$600,000 per claim or occurrence for liability, and \$150,000 per claim or occurrence for crime. CIRSA has also acquired additional excess coverage from outside sources. While the Town may be liable for any losses in excess of this coverage, the Town does not anticipate losses at December 31, 2021. No settlements of claims against the Town in the last three years have exceeded the Town's coverage.

Surpluses or deficits realized by CIRSA for any given year are subject to change for such reasons as interest earnings on invested amounts for those years and funds, re-estimation of losses for those years and funds, and credits or distributions from surplus for those years and funds. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. The board of directors may credit member municipalities' future contributions in the event of a surplus. Although it has never occurred, CIRSA member municipalities are subject to a supplemental assessment in the event of a deficiency.

For 2022, the Town's deductible for property and liability claims per occurrence is \$1,000 for each. The auto liability deductible and the auto physical damage deductible are both \$1,000 per occurrence.

## Town of Paonia, Colorado

### Notes to Financial Statements

December 31, 2022

#### **Note 8: Public Entity Risk Pool (Continued)**

The Town carries no deductible for workers Compensation coverage. CIRSA's coverage for workers' compensation claims are the Colorado statutory limits of \$500,000 per occurrence and \$1,000,000 for employer liability.

The Town also carries accident medical insurance coverage for volunteers through CIRSA. This provides a medical coverage for a minor injury a volunteer receives when serving the Town in a volunteer Town such as a community service worker, volunteer trail work, or volunteer coaching for recreation. Coverage is \$15,000 per occurrence with a \$25 deductible.

#### **Note 9: Commitments and Contingencies**

##### **Litigation/Legal Claims**

The Town may be a defendant in lawsuits pertaining to matters which are incidental to performing routine governmental and other functions. Based on the current status of any legal proceedings, it is the opinion of management that they will not have a material effect on the Town's financial position.

##### **Federal and State Grants and Financial Sources**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Such audits could lead to reimbursements to the grantor agencies. It is the opinion of management that such reimbursements, if any, will not have a material effect on the Town's financial position.

##### **TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

**Town of Paonia, Colorado**  
Notes to Financial Statements  
December 31, 2022

**Note 9: Commitments and Contingencies (Continued)**

TABOR also requires local governments to establish an emergency reserve to be used to declare emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The Town has reserved \$53,179, which is the approximate required reserve at December 31, 2022.

The Town's voters approved the following ballot issue on November 6, 2001.

Excluding ad valorem property taxes and rates, and without creating any new taxes, increasing any tax rate, or adding any new taxes of any kind, shall the Town be permitted to collect, retain, and spend, for the fiscal year of 2001 and for each and every year thereafter, the full proceeds of the Town's taxes, grants and other revenues for expenditure on lawful municipal purposes, notwithstanding any State of Colorado restrictions on spending including the restrictions of Article X, Section 20 of the Constitution of the State of Colorado, and that these shall each constitute a voter approval revenue change.

The Town's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

## **Required Supplementary Information**

**Town of Paonia, Colorado**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Taxes			
General property taxes	\$ 150,121	\$ 173,242	\$ 23,121
Specific ownership taxes	23,315	24,170	855
Sales tax - town	463,496	604,594	141,098
Sales tax - county	370,845	459,379	88,534
Franchise taxes	61,375	58,448	-2,927
Cigarette taxes	1,785	1,707	(78)
Delinquent taxes	425	379	(46)
Licenses and Permits	39,125	50,335	11,210
Intergovernmental	180,020	166,512	(13,508)
Charges for Services	-	-	-
Grants	460,000	0	(460,000)
Investment Income	7,500	25,591	18,091
Fines and Forfeitures	34,975	6,618	(28,357)
Miscellaneous	22,497	87,515	65,018
<b>Total Revenues</b>	<u>1,815,479</u>	<u>1,658,490</u>	<u>(156,989)</u>
<b>Expenditures</b>			
Current			
General Government	285,725	316,743	(31,018)
Public Safety	576,561	538,494	38,067
Public Works	406,851	201,872	204,979
Community Service	631,092	137,771	493,321
Culture and Recreation	13,500	-	13,500
<b>Total Expenditures</b>	<u>1,913,729</u>	<u>1,194,880</u>	<u>718,849</u>
<b>Excess Revenues Over (Under) Expenditures</b>	(98,250)	463,610	561,860
<b>Other Financing Sources (Uses)</b>			
Transfers Out	-	(100)	100
Other Financing Sources (Uses)	-	-	-
<b>Net Change in Fund Balance</b>	(98,250)	463,510	561,960
<b>Fund Balance, Beginning of year</b>	<u>980,742</u>	<u>980,742</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ 882,492</u>	<u>\$ 1,444,252</u>	<u>\$ 561,960</u>



**Town of Paonia, Colorado**  
 Budgetary Comparison Schedule  
 Sales Tax Capital Improvement Fund  
 For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
<b>Revenues</b>			
Sales tax	\$ 234,000	\$ 302,297	\$ 68,297
Miscellaneous	7,650	7,650	-
Total Revenues	241,650	309,947	68,297
<b>Expenditures</b>			
Capital Outlay	489,581	100,452	389,129
Total Expenditures	489,581	100,452	389,129
<b>Other Financing Uses</b>			
Transfers (out)	(244,327)	(35,997)	208,330
<b>Net Change in Fund Balance</b>	(492,258)	173,498	665,756
<b>Fund Balance, Beginning of year</b>	468,047	468,047	-
<b>Fund Balance, End of year</b>	\$ (24,211)	\$ 641,545	\$ 665,756

**Town of Paonia, Colorado**  
 Budgetary Comparison Schedule  
 Conservation Trust Fund  
 For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
<b>Revenues</b>			
Taxes	\$ 8,500	\$ 9,260	\$ 760
Interest income	15	13	(2)
	8,515	9,273	758
<b>Total Revenues</b>	<b>8,515</b>	<b>9,273</b>	<b>758</b>
<b>Expenditures</b>			
Parks	25,582	4,924	20,658
	25,582	4,924	20,658
<b>Total Expenditures</b>	<b>25,582</b>	<b>4,924</b>	<b>20,658</b>
<b>Excess Revenues Over (Under) Expenditures</b>	(17,067)	4,349	21,416
<b>Other Financing Sources (Uses)</b>			
Transfers Out	-	100	100
Other Financing Sources (Uses)	-	100	100
<b>Net Change in Fund Balance</b>	(17,067)	4,449	21,516
<b>Fund Balance, Beginning of year</b>	17,332	17,232	(100)
<b>Fund Balance, End of year</b>	\$ 265	\$ 21,681	\$ 21,416

**Town of Paonia, Colorado**  
 Budgetary Comparison Schedule  
 Street Capital Improvement Fund  
 For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
<b>Revenues</b>			
Highway users tax	\$ 121,000	\$ 149,575	\$ 28,575
Fees	0	9,200	9,200
	<u>121,000</u>	<u>158,775</u>	<u>37,775</u>
Total Revenues	<u>121,000</u>	<u>158,775</u>	<u>37,775</u>
<b>Expenditures</b>			
Capital outlay	528,370	-	528,370
	<u>528,370</u>	<u>-</u>	<u>528,370</u>
Total Expenditures	<u>528,370</u>	<u>-</u>	<u>528,370</u>
<b>Net Change in Fund Balance</b>	(407,370)	158,775	566,145
<b>Fund Balance, Beginning of year</b>	<u>141,777</u>	<u>141,777</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u><u>\$ (265,593)</u></u>	<u><u>\$ 300,552</u></u>	<u><u>\$ 566,145</u></u>

**Town of Paonia, Colorado**  
Notes to Required Supplementary Information  
December 31, 2022

**Note 1: Stewardship, Compliance, and Accountability**

**Budgets**

Budgets are legally adopted for all funds of the Town. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the proprietary fund are presented on a non-GAAP budgetary basis, whereby capital outlay and debt principal are budgeted as expenditures.

The Town follows these procedures to establish the budgetary information reflected in the financial statements:

- Management submits to the Town Board a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Town Board.
- All appropriations lapse at year end.

## **Supplementary Information**

**Town of Paonia, Colorado**  
 Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2022

	<u>Street Capital Improvement Fund</u>	<u>Conservation Trust Fund</u>	<u>Sidewalk Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents				
Unrestricted	\$ 300,552	\$ 21,681	\$ 60,312	\$ 382,545
Taxes receivable	<u>-</u>	<u>-</u>	<u>2,906</u>	<u>2,906</u>
Total Assets	<u>\$ 300,552</u>	<u>\$ 21,681</u>	<u>\$ 63,218</u>	<u>\$ 385,451</u>
<b>Liabilities</b>				
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>				
Unassigned	<u>300,552</u>	<u>21,681</u>	<u>63,218</u>	<u>385,451</u>
Total Fund Balance	<u>300,552</u>	<u>21,681</u>	<u>63,218</u>	<u>385,451</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 300,552</u>	<u>\$ 21,681</u>	<u>\$ 63,218</u>	<u>\$ 385,451</u>

**Town of Paonia, Colorado**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2022

	Street Capital Improvement Fund	Conservation Trust Fund	Sidewalk Fund	Total
<b>Revenues</b>				
Taxes	\$ 149,575	\$ 9,260	\$ -	\$ 158,835
Licenses	9,200	-	30,176	39,376
Miscellaneous	-	13	-	13
Total Revenues	<u>158,775</u>	<u>9,273</u>	<u>30,176</u>	<u>198,224</u>
<b>Expenditures</b>				
Current				
Culture and Recreation	-	4,924	-	4,924
Total Expenditures	<u>-</u>	<u>4,924</u>	<u>-</u>	<u>4,924</u>
<b>Excess Revenues Over</b>	158,775	4,349	30,176	193,300
<b>Other Financing Sources (Uses)</b>				
Transfers Out				
Other Financing Sources (Uses)	<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>
<b>Net Change in Fund Balance</b>	158,775	4,449	30,176	193,400
<b>Fund Balance, Beginning of year</b>	<u>141,777</u>	<u>17,232</u>	<u>33,042</u>	<u>192,051</u>
<b>Fund Balance, End of year</b>	<u>\$ 300,552</u>	<u>\$ 21,681</u>	<u>\$ 63,218</u>	<u>\$ 385,451</u>

**Town of Paonia, Colorado**  
 Budgetary Comparison Schedule  
 Sidewalk Fund  
 For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
<b>Revenues</b>			
Sidewalk revenue	\$ 31,068	\$ 30,176	\$ (892)
Total Revenues	<u>31,068</u>	<u>30,176</u>	<u>(892)</u>
<b>Expenditures</b>			
Capital Outlay	<u>64,103</u>	<u>-</u>	<u>64,103</u>
Total Expenditures	<u>64,103</u>	<u>-</u>	<u>64,103</u>
<b>Net Change in Fund Balance</b>	<u>(33,035)</u>	<u>30,176</u>	<u>63,211</u>
<b>Fund Balance, Beginning of year</b>	<u>33,042</u>	<u>33,042</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ 7</u>	<u>\$ 63,218</u>	<u>\$ 63,211</u>



**Town of Paonia, Colorado**  
**Budgetary Comparison Schedule**  
**Water Fund**  
**For the Year Ended December 31, 2022**

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
<b>Revenues</b>			
Water charges	\$ 1,503,926	\$ 1,015,316	\$ (488,610)
Sales and service	7,000	2,387	(4,613)
Water tank	6,025	7,208	1,183
Standby tap fees	-	58,943	58,943
Penalties	350	4,500	4,150
Rents	1,000	-	(1,000)
Grants	690,357	184,616	(505,741)
Miscellaneous revenue	14,375	11,215	(3,160)
	<u>2,223,033</u>	<u>1,284,185</u>	<u>(938,848)</u>
<b>Total Revenue</b>			
<b>Expenses</b>			
Salaries and wages	192,453	149,790	42,663
Employee benefits	78,279	46,415	31,864
John Norris retirement	20,160	17,360	2,800
Supplies	23,830	40,130	(16,300)
Legal and engineering	40,500	39,736	764
Repairs and maintenance	227,750	166,854	60,896
Professional fees	29,630	36,092	(6,462)
Telephone	5,088	5,039	49
Postage	5,550	5,469	81
Travel and meetings	1,200	1,035	165
Insurance and bonds	27,550	26,405	1,145
Utilities	34,654	29,323	5,331
Vehicle expense	20,360	5,989	14,371
Dues and subscriptions	20,658	20,670	(12)
Shop expense	1,950	6,224	(4,274)
Miscellaneous	-	71,179	(71,179)
Fees and permits	12,215	9,257	2,958
Drinking water revolving funds	23,344	-	23,344
Capital projects	1,278,395	27,191	1,251,204
	<u>2,043,566</u>	<u>704,158</u>	<u>1,339,408</u>
<b>Total Expenses</b>			
<b>Net Operating Income</b>			
	<u>179,467</u>	<u>580,027</u>	<u>400,560</u>
<b>Nonoperating Revenues (Expenses)</b>			
Debt Service Principal	(191,225)	(151,474)	39,751
Interest Expense	-	(44,460)	(44,460)
	<u>(191,225)</u>	<u>(195,934)</u>	<u>(4,709)</u>
<b>Total Nonoperating Revenues (Expenses)</b>			
<b>Net Income (Loss) Before Contributed Capital and Transfers</b>			
	(11,758)	384,093	395,851
<b>Contributed Capital and Transfers</b>			
Transfers In	-	7,856	7,856
<b>Change in Net Position, Budgetary Basis</b>			
	<u>\$ (11,758)</u>	<u>\$ 391,949</u>	<u>\$ 403,707</u>

See Accompanying Independent Auditor's Report.

**Town of Paonia, Colorado**  
 Budgetary Comparison Schedule  
 Water Fund  
 For the Year Ended December 31, 2022  
 (Continued)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Change in Net Position, Budgetary Basis</b>	\$ -	\$ (11,758)	\$ 391,949	\$ 403,707
<b>Reconciliation to GAAP Basis</b>				
Debt Service Principal			151,474	
Capital Outlay			27,191	
Depreciation			(356,057)	
<b>Change in Net Position, GAAP Basis</b>			\$ 214,557	

**Town of Paonia, Colorado**  
**Budgetary Comparison Schedule**  
**Sewer Fund**  
**For the Year Ended December 31, 2022**

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
<b>Revenues</b>			
Sewer charges	\$ 536,856	\$ 543,079	\$ 6,223
Total Revenue	536,856	543,079	6,223
<b>Expenses</b>			
Salaries and wages	97,424	79,982	17,442
Employee benefits	38,596	24,755	13,841
Supplies	16,655	14,580	2,075
Legal and engineering	5,500	4,777	723
Repairs and maintenance	59,965	30,000	29,965
Professional fees	13,650	14,672	(1,022)
Telephone	1,976	1,991	(15)
Postage	2,695	2,668	27
Travel and meetings	2,400	963	1,437
Insurance and bonds	11,195	9,857	1,338
Utilities	35,951	41,917	(5,966)
Vehicle expense	20,300	6,218	14,082
Dues and subscriptions	560	571	(11)
Shop Expense	6,130	6,964	(834)
Fees and permits	7,382	6,260	1,122
Gauging station	4,100	4,213	(113)
Capital projects	0	162,028	(162,028)
Miscellaneous	140	24	116
Total Expenses	324,619	412,440	(87,821)
<b>Net Operating Income</b>	212,237	130,639	(81,598)
<b>Nonoperating Revenues (Expenses)</b>			
Debt Service Principal	-	50,000	50,000
Interest Expense	(108,625)	(44,950)	63,675
Interest Income	400	11,264	10,864
Total Nonoperating Revenues (Expenses)	(108,225)	16,314	124,539
<b>Net Income (Loss) Before Contributed Capital and Transfers</b>	104,012	146,953	42,941
<b>Contributed Capital and Transfers</b>			
Tap Fees	5,000	5,000	-
Transfers In	-	20,284	20,284
Total	5,000	25,284	25,284
<b>Change in Net Position, Budgetary Basis</b>	\$ 109,012	\$ 172,237	\$ 63,225
<b>Reconciliation to GAAP Basis</b>			
Debt Service Principal		(50,000)	
Capital Outlay		162,028	
Depreciation		(114,297)	
<b>Change in Net Position, GAAP Basis</b>		\$ 169,968	

See Accompanying Independent Auditor's Report.

**Town of Paonia, Colorado**  
 Budgetary Comparison Schedule  
 Trash Fund  
 For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Garbage charges	\$ 264,340	\$ 249,537	\$ (14,803)
Total Revenue	264,340	249,537	(14,803)
<b>Expenses</b>			
Salaries and wages	125,926	127,401	(1,475)
Employee benefits	55,173	44,829	10,344
Supplies	1,365	2,492	(1,127)
Legal and engineering	4,500	4,000	500
Repairs and maintenance	1,600	370	1,230
Professional fees	2,740	2,891	(151)
Telephone	753	511	242
Postage	1,793	1,624	169
Insurance and bonds	6,695	6,741	(46)
Utilities	2,672	2,675	(3)
Vehicle expense	16,760	22,883	(6,123)
Shop Expense	1,420	2,073	(653)
Landfill fees	40,320	37,911	2,409
Capital Outlay	3,600	-	3,600
Miscellaneous	140	4,263	(4,123)
Total Expenses	265,457	260,664	4,793
<b>Net Income (Loss) Before Contributed Capital and Transfers</b>			
	(1,117)	(11,127)	(19,596)
<b>Contributed Capital and Transfers</b>			
Transfers In	-	7,857	
<b>Change in Net Position, Budgetary Basis</b>			
	\$ (1,117)	\$ (3,270)	\$ (19,596)
<b>Reconciliation to GAAP Basis</b>			
Depreciation		(18,207)	
<b>Change in Net Position, GAAP Basis</b>			
		\$ (21,477)	

## **Compliance Section**

## **State Compliance**

<b>LOCAL HIGHWAY FINANCE REPORT</b>	STATE: <b>COLORADO</b>
	YEAR ENDING (mm/yy): <b>12/22</b>

This Information From The Records Of: <b>Town of Paonia</b>	Prepared By: <b>Stefen Wynn, Town Administrator/Treasurer</b>
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**I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE**

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. EXPENDITURES FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway expenditures:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	\$ -
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	\$ 15,727.69
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	\$ 10,533.41
2. General fund appropriations	\$ -	b. Snow and ice removal	\$ 15,231.15
3. Other local imposts (from page 2)	\$ 185,412.41	c. Other	\$ -
4. Miscellaneous local receipts (from page 2)	\$ 10,133.14	d. Total (a. through c.)	\$ 25,764.56
5. Transfers from toll facilities		4. General administration & miscellaneous	\$ 160,380.74
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	\$ -
a. Bonds - Original Issues	\$ -	6. Total (1 through 5)	\$ 201,872.99
b. Bonds - Refunding Issues	\$ -	<b>B. Debt service on local obligations:</b>	
c. Notes	\$ -	1. Bonds:	
d. Total (a. + b. + c.)	\$ -	a. Interest	\$ -
7. Total (1 through 6)	\$ 195,545.55	b. Redemption	\$ -
<b>B. Private Contributions</b>		c. Total (a. + b.)	\$ -
<b>C. Receipts from State government</b> (from page 2)	\$ 49,916.00	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	\$ -	a. Interest	\$ -
<b>E. Total receipts (A.7 + B + C + D)</b>	\$ 245,461.55	b. Redemption	\$ -
		c. Total (a. + b.)	\$ -
		3. Total (1.c + 2.c)	\$ -
		<b>C. Payments to State for highways</b>	\$ -
		<b>D. Payments to toll facilities</b>	\$ -
		<b>E. Total expenditures (A.6 + B.3 + C + D)</b>	\$ 201,872.99

**IV. LOCAL HIGHWAY DEBT STATUS**

*(Show all entries at par)*

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>				\$ -
1. Bonds (Refunding Portion)				\$ -
<b>B. Notes (Total)</b>				\$ -

**V. LOCAL ROAD AND STREET FUND BALANCE (RECEIPTS AND DISBURSEMENTS ONLY)**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	\$ 1,026,090.00	\$ 245,461.55	\$ 201,872.99	\$ 1,069,678.56	\$ -

**Notes and Comments:**

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
**COLORADO**  
 YEAR ENDING (mm/yy):  
 12/22

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	\$ -	a. Interest on investments	\$ -
b. Other local imposts:		b. Traffic Fines & Penalties	\$ -
1. Sales Taxes	\$ 185,412.41	c. Parking Garage Fees	\$ -
2. Infrastructure & Impact Fees	\$ -	d. Parking Meter Fees	\$ -
3. Liens	\$ -	e. Sale of Surplus Property	\$ -
4. Licenses	\$ -	f. Charges for Services	\$ 1,465.00
5. Specific Ownership &/or Other	\$ -	g. Other Misc. Receipts	
6. Total (1. through 5.)	\$ 185,412.41	h. Other	\$ 8,668.14
c. Total (a. + b.)	\$ 185,412.41	i. Total (a. through h.)	\$ 10,133.14
<i>(Carry forward to page 1)</i>		<i>(Carry forward to page 1)</i>	

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes (from Item I.C.5.)	\$ 49,916.00	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	\$ -
a. State bond proceeds		b. FEMA	\$ -
b. Project Match	\$ -	c. HUD	\$ -
c. Motor Vehicle Registrations	\$ -	d. Federal Transit Administration	\$ -
d. DOLA Grant	\$ -	e. U.S. Corps of Engineers	\$ -
e. Other	\$ -	f. Other Federal	\$ -
f. Total (a. through e.)	\$ -	g. Total (a. through f.)	\$ -
4. Total (1. + 2. + 3.f)	\$ 49,916.00	3. Total (1. + 2.g)	\$ -
<i>(Carry forward to page 1)</i>		<i>(Carry forward to page 1)</i>	

**III. EXPENDITURES FOR ROAD AND STREET PURPOSES - DETAIL**

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs	\$ -	\$ -	\$ -
b. Engineering Costs	\$ -	\$ -	\$ -
c. Construction:			
(1). New Facilities	\$ -	\$ -	\$ -
(2). Capacity Improvements	\$ -	\$ -	\$ -
(3). System Preservation	\$ -	\$ -	\$ -
(4). System Enhancement And Operation	\$ -	\$ -	\$ -
(5). Total Construction (1)+(2)+(3)+(4)	\$ -	\$ -	\$ -
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)	\$ -	\$ -	\$ -

*(Carry forward to page 1)*

**Notes and Comments:**