

TOWN OF PAONIA, COLORADO

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Paonia, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paonia, Colorado (the Town) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paonia, Colorado, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 generally accepted 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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements, the budgetary schedules for the non-major governmental funds and the proprietary funds, and the highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the budgetary schedules for the non-major governmental funds and the proprietary funds, and the highway finance report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Old Pension Plan information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

Chadwick, Steinkirchner, Davis & Co., P.C.
September 6, 2022

TOWN OF PAONIA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended December 31, 2021

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, 2021.

INTRODUCTION

The Town operates under a Board of Trustees-Manager form of government with a hired contracted Town Administrator. The Town Board provides strategic leadership, goal setting and policy-making authority, and employs the Town Administrator who is responsible for the day-to-day management, financial and technical support to ensure equitable, efficient, and effective implementation of government services to our citizens. The board voted to continue the dual role of Town Administrator/Town Clerk from June 2020 to December 2022.

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.

NOTABLE FINANCIAL STATEMENT COMPARISONS BETWEEN 2020 TO 2021:

1. In 2021, the country was in the continuing stages of the COVID-19 pandemic, which continued to affect revenues. However, in spite of the pandemic, the Town's revenues increased over budget by \$91,780.
2. The assets of the Town of Paonia exceeded its liabilities at the close of fiscal year 2021 by \$15,184,000 (net position). Of this amount, \$2,831,534 (unrestricted net position) may be used to meet the Town's ongoing obligations or unforeseen expenses.

Net Position	2021	2020	2019
Total Net Position	15,184,000	14,473,631	14,121,766
Unrestricted Net Position	2,831,534	1,909,586	1,397,136

3. Change in cash position has increased from 2020 to 2021 for Governmental Activities and Business-Type Activities for a total of \$3,887,529, with a total increase of \$1,092,116.
4. Change in net capital fixed assets has decreased from 2020 to 2021 for Governmental Activities and Business-Type Activities for a total of \$15,301,085, with a total decrease of \$433,206 related to the addition of depreciation and the added capital assets for 2021.

WATER		SEWER		GENERAL	
WATER PLANT IMPROVEMENTS	12,479	2 ND ST SEWER MAIN	11,709	COMPUTER UPGRADE	9,330
IHYDRANT RETRO FIT KIT	10,000			PD VEHICLE	29,583
WATERLINE-MEADOWBROOK	5,599			M.POLYHAWK SPREEDER	7,394
WATER METERS-2 ND & FREEDOM	10,110			JDba96C BROOM	10,072
WATER METERS-SCHOOLS	13,311			STREET OVERLAY	45,574
SPRINGLINE/BOX UPGRADE	13,222			EHS CTR KITCHEN	23,704
TOTAL ASSETS	64,721		11,709		125,657
TOTAL DEPRECIATION	331,052		109,012		177,583

5. Long-Term Liabilities for Governmental Activities and Business-Type Activities decreased by \$203,223 due to the refunding of the RUS Loan with Revenue bonds in 2021.
6. Governmental Funds Tax revenue increased from 2020 to 2021 totaling \$1,304,184, an increase of \$295,161.

- Collected Property Tax specifically increased \$538 from 2020 to 2021 due to the increases in valuations provided by the Delta County Assessor's Office.
- Town Sales Tax increased \$42,284 from 2020 to 2021 in spite of the pandemic, which is partially related to the addition of the delivery sales tax which took effect in 2019.
- County Sales Tax increased \$222,487 from 2020 to 2021 which is mainly related to the Back the Badge .8% which took effect 2021.

FUND	2021	2020	\$ CHANGE
General	1,052,830	786,978	265,852
Sales Tax Capital Improvement	235,598	214,455	21,143
Streets Capital Improvement	6,750	0	6,750
Conservation Trust	9,006	7,590	1,416
Total Tax Revenue	1,304,184	1,009,023	295,161

7. Governmental Funds Intergovernmental revenue increased from 2020 to 2021 by \$84,374.

SOURCE	2021	2020	\$ CHANGE
Highway Users Tax	53,719	44,153	9,566
Motor Vehicle (\$1.50+\$2.50)	6,702	6,331	371
Severance Tax	1,305	4,765	(3,460)
Mineral Leasing	7,219	3,919	3,300
Road & Bridge	8,057	7,947	110
Other Agency Contributions	83	0	108
Grant Revenue	164,761	90,382	74,379
Total Intergovernmental Revenue	241,846	157,497	84,374

8. Governmental Funds Other revenue increased from 2020 to 2021 by \$38,388.

SOURCE	2021	2020	\$ CHANGE
Fees and Fines	86,901	67,273	19,628
Licenses and Permits	43,358	34,352	9,006
Interest Income	8,901	13,956	(5,055)
Miscellaneous	77,022	62,213	14,809
Total Other Revenue	216,182	177,794	38,388

9. Governmental Funds Total Expenditures decreased by \$221,846.
 10. Governmental Funds Total Fund Balance increased by \$655,200.
 11. Enterprise Funds revenue increased from 2020 to 2021 by a total of \$153,658.
 12. Enterprise Funds expenditures decreased from 2020 to 2021 by a total of \$46,378.
 13. Enterprise Funds Total Net Position increased in 2021 by \$185,116.

OVERVIEW OF THE FISCAL YEAR 2021 FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Paonia's basic financial statements. The basic financial statements comprise three components:

1. Governmental-wide Financial Statements,
2. Fund Financial Statements,
3. Notes to the Financial Statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

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

The *"Statement of Activities"* presents information showing how the Town of Paonia's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus,

revenues and expenses reported in this statement for some items will result in cash flows in future periods (e.g. uncollected taxes and earned but unused personal time).

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

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

Note: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The Governmental Funds of the Town of Paonia include the:

1. **General Fund:** The General Fund is the Town's major operating fund. All revenues, by law or administrative control, that are not in otherwise designated funds are deposited in the General Fund. The General Fund is used to provide for Administration, Building Permits, Public Safety, Public Works, Parks and Recreation services. The primary sources of revenues for the General Fund are:

REVENUE SOURCE	2021	2020	2019
Taxes	1,052,830	786,978	639,595
Fees & Fines	29,156	36,219	60,130
License & Permits	43,358	34,352	42,190
Intergovernmental	241,871	157,497	146,179
Interest Income	8,901	13,956	23,975
Miscellaneous	69,357	54,018	113,942
Total	1,445,473	1,083,020	1,026,011
% Of Change-Increase/(Decrease)	33.47%	5.56%	36.26%

EXPENDITURES	2021	2020	2019
General government	265,209	396,988	225,531
Public Safety	450,674	335,270	321,449
Public Works (Streets and Bridge)	157,955	136,166	144,187
Culture & Recreation	136,123	109,702	152,046
Capital Outlay	26,298	62,445	12,003
Transfers	8,000	14,000	0
Total	1,044,259	1,054,571	855,216
% Of Change-Increase/(Decrease)	(0.98%)	23.31%	34.25%

Note-Bridge Reserve: The Bridge Reserve is deferred revenue which was received from Delta County in January 2010 for the total of \$800,000 which by contract is amortized at \$40,000/year. This fund is included in the General Fund (Miscellaneous Revenue).

2. **Sales Tax Capital Improvement Fund:** The Sales Tax Capital Improvement Fund is funded by 1% of the 3% Town Sales Tax for capital projects and purchases.

REVENUE SOURCE	2021	2020	2019
Taxes	235,598	214,455	180,778
Miscellaneous	7,650	8,150	7,650
Total	243,248	222,605	188,428
% Of Change-Increase/(Decrease)	9.27%	18.14%	23.99%

EXPENDITURES	2021	2020	2019
Capital Outlay	119,108	216,848	119,176
% Of Change-Increase/(Decrease)	(45.07%)	81.96%	(43.23%)

3. **Street Capital Improvement Fund:** The Street Capital Improvement fund was added in 2018 and is funded by 3% impact fees paid by the Water, Sewer and Trash Funds and is to be used for capital improvements (reconstruction and paving) to the roads. In 2020, Voters approved the sale of medical and retail marijuana in the town limits of Paonia. The voters simultaneously approved the imposition of an Occupational Tax of \$5.00 per transaction. In 2021, four (4) Marijuana licenses were approved, and the first Recreational Marijuana Dispensary opened.

REVENUE SOURCE	2021	2020	2019
Taxes (Sales+Highway Users+Occupational)	6,750		26,522
Fees & Fines (Licensing)	27,000		
Transfers In (Impact Fee-Enterprise Funds)	54,150	48,151	44,837
Total	87,900	48,151	71,359
% Of Change-Increase/(Decrease)	82.55%	(32.52%)	21.21%

No funds were Expended in 2021.

4. **Conservation Trust Fund:** The Conservation Trust Fund accounts for monies received by the Town from the State of Colorado lottery proceeds. These funds are restricted for use in the acquisition, development and maintenance of new park and conservation sites or for capital improvements and maintenance of any existing public site for recreational purposes.

REVENUE SOURCE	2021	2020	2019
Lottery Proceeds	9,006	7,590	8,209
Interest Income	15	4	8
Total	9,021	7,594	8,217
% Of Change-Increase/(Decrease)	18.79%	(7.58%)	(4.31%)

No funds were Expended in 2021.

5. **Sidewalk Fund:** The Sidewalk Fund was approved by voters with a ten (10) year sunset in 2013 and is funded through utility billing by a \$3.00 fee assessed monthly on in-Town properties only to be used to repair and replace existing sidewalks.

REVENUE SOURCE	2021	2020	2019
Fees & Fines	30,745	31,054	30,772
Total	30,745	31,054	30,772
% Of Change-Increase/(Decrease)	(1.00%)	0.92%	1.11%

Replacement trees were purchased to replace trees removed to accommodate sidewalk repair in 2020. The total spent in 2021 was \$555.

6. **Space-to-Create Fund:** In 2017, the Town received a grant from the Boettcher Foundation of \$35,000 to begin Space-to-Create project. The initiative began with a preliminary feasibility study and community engagement work, followed by an arts market survey. In addition, in 2018, the Town received a \$25,000 REDI Grant from DOLA for the feasibility study, a \$17,500 DOLA Grant for the Market Survey, a \$50,000 Grant from Colorado Creative Industries (CCI) for the ongoing development of the Space-to-Create project and a \$915.00 contribution from the public. In 2019, the Town was requested to return \$45,000 to the Colorado Creative Industries (CCI) as the Town was not going to be able to spend those funds on pre-development in 2019. In 2020, the Town was advised that the State was no longer going to be able to support this project. The Town withdrew from the project by Resolution 2020-20. The Boettcher Foundation agreed to let the Town use the balance of \$13,165 to support the Town of Paonia Creative District instead of returning the funds, as long as, they are spent by December 31, 2021. The remaining balance was used for the North Fork Valley Creative Coalition including their dues, the Sign project (\$7,165) and a Mural project (\$6,000) and no new revenue was received in 2021.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *short-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the Fiscal Year. Such information may be useful in evaluating a government's short-term financing requirements. This accounting method is called *modified accrual accounting*.

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

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

The Town of Paonia maintains six (6) individual governmental funds. The Governmental statements are presented separately for revenue, expenditures, and changes in fund balances for the General Fund, Sales Tax Capital Improvement Fund, Street Capital Improvement Fund, Conservation Trust Fund, Sidewalk Fund and the Space to Create Fund. The General Fund and Sales Tax Capital Improvement Fund are considered major funds of the Town. The remainder of the funds listed above are Non-Major Governmental Funds.

Individual fund data for each of these four non-major governmental funds are provided in the form of "**Combining Statements**" within the "SUPPLEMENTARY INFORMATION" section of this report.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements found on page 16 of this report. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

Governmental Activities	2021	2020	2019
Current & Other Assets	2,246,521	1,646,479	1,596,758
Capital Assets (Net)	3,262,534	3,314,461	3,132,626
Total Assets	5,509,055	4,960,940	4,729,384
Deferred outflows of resources	90,194	109,494	110,994
Liabilities	404,348	454,858	535,108
Deferred inflows of resources	209,815	155,743	134,223
Net Investment in capital assets	3,262,543	3,314,461	3,132,626
Restricted for Emergencies	53,179	42,302	41,685
Restricted for Airport Capital Investments	60,192	44,892	44,892
Unrestricted	1,609,181	1,058,178	951,845
% Of Change-Increase/(Decrease)	52.07%	11.17%	41.01%

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

Water Fund: The Town operates two water treatment facilities. The upper system, also known as the 2.0-million-gallon (2MG) Water Treatment Plant (WTP) was originally designed to service primarily the out-of-town, water companies and the northeast end of Town. The lower system, also known as the 1.0-million-gallon (1MG) Water Treatment Plant or commonly referred to as the "Clock Plant" was originally designed to service mostly Town proper when online. The 1MG plant though operational was taken offline in 2015 for numerous repairs then temporarily put back online in February of 2019 during the boil order then again taken offline in 2019 for additional repairs. This plant remains operational however is not distributing processed water into the Town's water system

for consumption. The primary sources of revenue are charges for service. This fund is used to account for the revenues and expenses associated with the operations and maintenance of the water treatment and delivery (distribution) system. Also, to be included in the charges for services or any rate consideration for this fund are the repayment of loans for the water treatment facilities and monies for capital re-investment to these systems.

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

WATER			
Business-Type Activities	2021	2020	2019
Revenue	1,036,866	869,038	819,925
Operating Expenses	820,489	780,982	803,519
Net Income (Loss)	216,377	88,056	16,406
Nonoperating Revenues (Expenses)	(34,061)	(46,964)	(31,110)
Capital Contributions	5,500	45,500	57,000
Transfer in (out)	(33,660)	(32,605)	(16,128)
Change in Net Position	154,156	53,987	26,168
% Of Change-Increase/(Decrease)	185.54%	106.31%	109.06%

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

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

SEWER			
Business-Type Activities	2021	2020	2019
Revenue	530,967	531,364	470,802
Operating Expenses	434,217	471,903	507,940
Net Income (Loss)	96,750	59,461	(37,138)
Nonoperating Revenues (Expenses)	(45,999)	(70,231)	(2,930)
Capital Contributions	4,500	42,500	48,500
Transfer in (out)	(18,929)	(22,940)	(4,124)
Change in Net Position	36,322	8,790	4,308
% Of Change-Increase/(Decrease)	313.22%	104.04%	116.59%

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

TRASH			
Business-Type Activities	2021	2020	2019
Revenue	260,704	221,323	217,726
Operating Expenses	256,505	214,415	186,873
Net Income (Loss)	4,199	6,908	30,853
Nonoperating Revenues (Expenses)	0	0	0
Capital Contributions	0	0	0
Transfer in (out)	(9,561)	(6,605)	3,507
Change in Net Position	(5,362)	303	34,360
% Of Change-Increase/(Decrease)	(1869.64%)	(99.12%)	(14.31%)

The Enterprise Funds are used to report the same functions presented as **business-type activities** in the government-

wide financial statements. The Town of Paonia uses Enterprise Funds to account for its Water, Sewer, and Trash Funds, all of which are considered to be major funds of the Town of Paonia.

Business-Type Activities	2021	2020	2019
Current & Other Assets	2,283,434	1,755,475	1,352,146
Capital Assets (Net)	12,038,551	12,419,830	12,784,944
Total Assets	14,321,985	14,175,305	14,137,090
Liabilities	4,123,071	4,161,507	4,186,372
Net Investment in capital assets	8,139,175	8,317,231	8,664,886
Restricted for Water Utility Maintenance	530,493	208,080	208,080
Restricted for Debt Service	306,893	637,079	632,461
Unrestricted	1,222,353	851,408	445,291
% Of Change-Increase/(Decrease)	43.57%	91.20%	(36,50%)

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

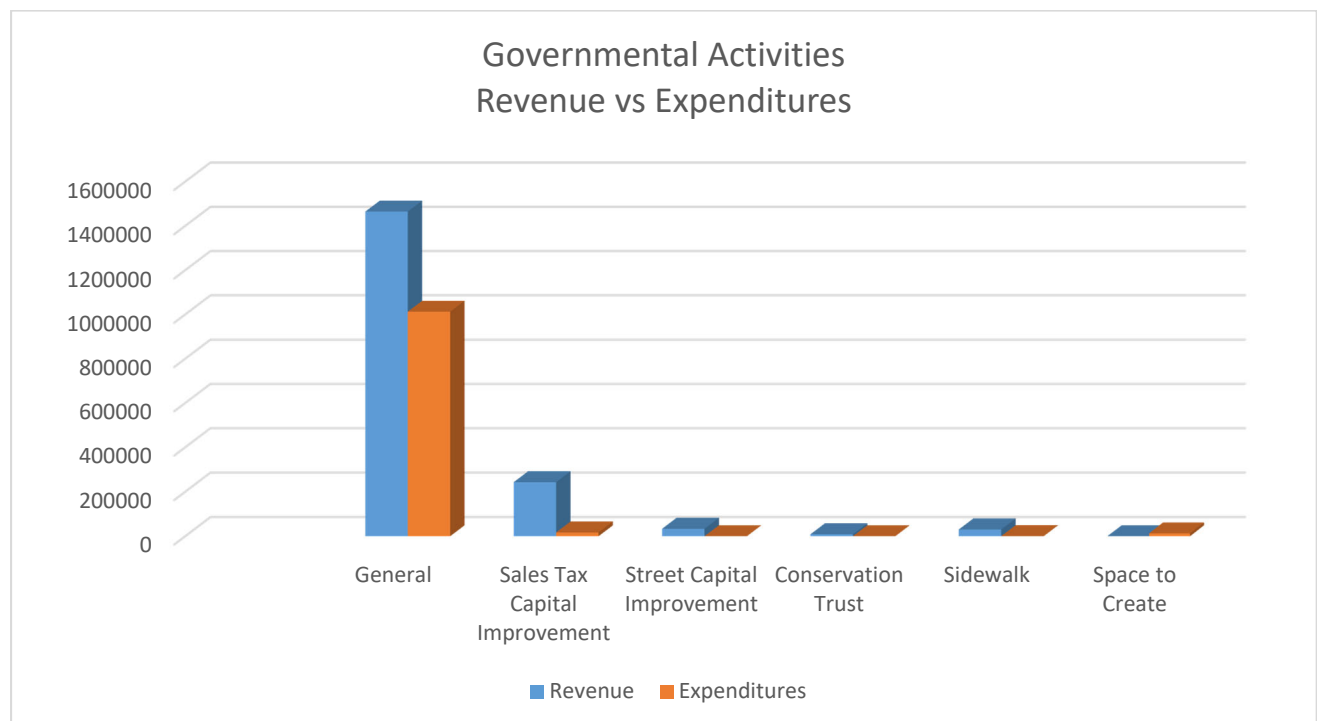
Other information: is in addition to the basic financial statements and accompanying notes. This report also presents certain "Required Supplementary Information" concerning the Town of Paonia budgetary comparison schedules.

FINANCIAL ANALYSIS FOR THE TOWN OF PAONIA AS A WHOLE

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

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Paonia, governmental activities assets exceeded liabilities by approximately \$3.2 million at the close of fiscal year 2021.

By far the largest portion of the Town of Paonia's net position, 59%, reflects its investment in capital assets (e.g., land, buildings, infrastructure). The Town of Paonia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.



The 2021 and previous years Fund Balances are as follows:

FUND	2021	2020	2019	2018	2017	2016
GENERAL	980,742	563,528	507,079	336,284	220,337	178,787
SALES TAX CAP IMP	468,047	343,907	338,150	296,990	354,942	338,969
STREET CAP IMP	141,777	53,877	90,775	19,416	0	0
CONSERVATION TRUST	17,232	8,311	1,317	0	18,905	14,941
GRANT PROJECT	0	0	0	0	0	0
SIDEWALK	33,042	2,852	19,763	3,659	18,498	888
SPACE TO CREATE	0	13,165	13,124	29,219	37,410	0
GOVERNMENTAL	1,640,840	985,640	970,208	685,568	650,092	533,585

The General Fund is the chief operating fund to the Town of Paonia. At the end of 2021, **Unassigned Fund Balance** of the General Fund is \$698,846.

	2021	2020	2019
Unassigned	698,846	332,793	321,226
% Of Change-Increase/(Decrease)	109.99%	3.60%	116.00%

The committed Bridge reserve is \$228,717 plus the Unearned revenue of \$360,000, totals \$588,717.

The restricted fund for the Airport Capital Improvement totals \$60,192 at the end of 2021.

Available Resources of the Enterprise Funds at the end of the Fiscal Year 2021 is as follows:

FUND	2021	2020	2019	2018	2017	2016
Water	610,788	341,600	166,873	105,507	1,203,966	822,179
Sewer	1,306,299	587,520	374,079	555,190	1,056,096	302,498
Trash	142,652	130,368	112,419	348,637	208,538	256,376

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets are the Town of Paonia investments in capital assets for its governmental and business-type activities as of December 31, 2021, which for this fiscal year amounts to \$15,301,085 (Net of Accumulated Depreciation). This investment in capital assets includes land, buildings, construction in progress, improvements other than buildings, infrastructure, and equipment.

Major capital asset events during Fiscal Year 2021 included: EHS Center Kitchen Upgrade \$23,704 + Street Overlay \$45,574 + Computer Upgrade \$9,330 + PD Vehicle \$29,583 + Meyer Polyhawk Spreader \$7,393 + JDBA96C Broom Attachment \$10,072 + 2nd Street Sewer Main Replacement \$11,709 + Water Plant Improvements \$12,479 + I Hydrant Retro Fit Kits \$10,000 + Waterlines (Meadowbrook) \$5,599 + Water Meters (2nd & Freedom) \$10,110 + Water Meter (Schools) \$13,312 + Spring line/Box Improvements \$13,222.

Long-Term Debt includes the Sewer Plant, the 1MG Water Plant and the 2MG Water Plant and the improvements to the Distribution System. The Town's total bond and other indebtedness as of December 31, 2021, was \$3,899,376. The Town of Paonia has no General Obligation debt.

BUDGETARY HIGHLIGHTS

For the Fiscal Year Adopted 2021 Budget, the Town Board for the Town of Paonia focused on several minor projects which are highlighted below including the status as of 12/31/2021:

Staffing Levels:

Budget	Actual	Hire Date	Term Date
Town Administrator/Town Clerk	Town Administrator/Clerk	08/01/2013	
Finance Office	Finance Director	03/08/2012	
Deputy Clerk	Deputy Clerk	07/26/2018	
Assistant Clerk	Finance Clerk	07/09/2021	
Town Treasurer	Town Treasurer	05/10/2016	08/31/2021
Police Chief	Police Chief	07/03/2007	09/17/2021
Police Sergeant	Police Sergeant	01/25/2020	
PD Clerk	PD Clerk	04/20/2020	
SRO Officer	SRO Officer	07/05/2018	09/30/2021
Police Officers (3 FTE)	Police Officers (3 FTE)		
Municipal Judge	Municipal Judge	06/18/2020	
Public Works Director	Public Works Director	06/12/2006	
Public Works Supervisor	Public Works Supervisor	04/14/2020	10/25/2021
Utility Assistant	Utility Assistant	08/14/2020	10/14/2021
Trash Truck Driver/Laborer	Trash Truck Driver/Laborer	06/24/2003	
Laborer (3 FTE)	Laborer (4 FTE)		

Administration

1. Update of the Master Plan.

An intern was hired in 2019 to begin the master planning update process which started with multiple, six (6), public meetings regarding Housing, Utilities, Economic Development, Transportation and Community Sustainability. A goal setting session was held in October of 2020. The process continued in 2021. Staff plans to hire a consultant in 2022 to complete the process.

2. Asset Inventory/GIS Mapping Grant

The Town was awarded a DOLA EIAF State Funded Grant. Grant Award Amount is \$48,629.00 with a Town Match of \$48,629. This grant has an expiration date of 5/31/2022. The project consists of the completion of an Asset Inventory Assessment and Capital Improvement Plan for the Town. An RFP process was conducted, and the contract was awarded to SGM with a total cost estimate of \$41,938 for GIS mapping and \$55,320 for the Asset Inventory/Capital Improvement Plan. The GIS Mapping portion of this grant was completed in October of 2020. The Asset Inventory/Capital Improvement Plan continued through 2021.

3. COVID Grant

Funds were received from DOLA totaling \$125,232.27 in compliance with CARES Act for reasonable, necessary and cost-effective expenditures a.) incurred due to the public health emergency with respect to the Coronavirus Disease 2019, b.) not accounted for in the budget approved as of 3/27/2020 or the most recently approved budget for the relevant fiscal period, c.) were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021. All funds were expended by December 31, 2021, and the report was submitted to DOLA as required by the Granting process.

4. CDOT Grant

Colorado Department of Transportation-Office of Innovative Mobility Program: Revitalizing Main Streets Grant with a Contract value (Grant + Match) of \$50,976.20 was received August 25, 2020. The purpose of the grant was for assisting with planned street closures of Paonia's main street (Grand Ave) and look to improve sales and offer an opportunity for the Town to try out some mobility alternatives for a long-term transformation of the downtown business district toward active transportation. Improved wayfinding will inform and encourage visitors to spend time in the Town. This project ended and all funds were disbursed by 12/31/2021.



Building

5. Building Code Update

Building Code update started and was sent to the Planning Commission for review. In February 2020 the Planning Commission met and did their first review of Chapter 18 of the Building Code Update. Discussion was tabled until 2021 due to COVID-19. The process resumed in 2021 with completion anticipated in 2022.

6. Building Permit Fees adjustments have been postponed.

Law Enforcement

7. (POST) Training Grant Funds

Due to COVID training was minimal. The town collected a total of \$995.00 in grant funds in 2021.

8. Victims Advocate

The Town assumed the responsibility to ensure that the advocates are provided cell phones in 2019 @ \$70.00 per month. This program has continued through 2021. In 2021 the town also contributed \$1,500 to help offset the cost of the program not covered by grant funds.

9. Body Camera Program

This program was established in 2020 through AXON. This five (5) year program includes warranty, updates and upgrade of equipment every two years and off-site storage an investment of \$3,654.00 per year.

Parks & Recreation

10. Arbor Day/Tree City USA

The Town of Paonia has celebrated Arbor Day the last several years and has maintained its status as a designated Tree City USA.

11. Tree Board

The tree board met regularly through 2021.

12. Parks Recreation and Trails Master Plan

The Town received a grant in 2020 to complete the Park portion of the Master Plan from GOCO. Western Slope Consulting was awarded the contract to complete this process. Virtual meetings were held throughout 2020. The process was slated for completion in September 2021 but was extended to March 31, 2022.

13. EHS Center Interior Rehab Project

Construction to rehab the commercial kitchen and entrance area was complete in July 2021.



Street Capital Improvements

14. 3% Impact fee

The 3% impact fee was implemented in 2019 for water, sewer, and trash. This was continued through 2021.

Pass Through Grants

15. Skate Park

A volunteer group started collecting donations and are applying for grant funds in 2019 to fund a new or updated skate park in Paonia. This effort continued throughout 2021. The Town has received \$12,750 in donations as of December 2021.

Space-to-Create

16. Space to Create continued planning phase.

In mid-2020 it was determined that the State no longer had funding to support this effort and the Boettcher Foundation agreed to let the town use the remaining funds in 2021 to support the Paonia Creative District. All funds were expended by December 31, 2021, as provided via the grant process.

Capital Improvement

17. Capital Improvements for 2021. Total spent was \$119,108.

- a. Public Works (2) Vehicles were ordered. (Note: they have not arrived, nor have they been paid for).
- b. Town Hall upgrades = \$5,995.
- c. Computers = \$9,330.
- d. Public Safety vehicle = \$29,583.
- e. Street Overlay = \$45,574.
- f. Equipment acquisition, upgrade, and replacement = \$28,626.

Water (Water repair & maintenance priorities):

18. Water System Analysis Grant

The Town was awarded a DOLA EIAF State Funded Grant. Grant Award Amount is \$14,000. with a Town Match of \$14,000. This grant had an expiration date of 11/30/2020. The grant was extended to 3/15/2021. This project consists of the Town completing a water infrastructure analysis. The Town hired an engineering firm to complete a water infrastructure analysis to include an assessment of water system pressure, raw water availability, considering raw water piping to the treatment plants, treatment capacity, and the ability to deliver water throughout the system. The project will also include a water system model, a determination of the number of additional people/activities the current system can support and recommend for new water storage and system upgrades that could be completed to correct current deficiencies (as required by Ordinance 01-2020).

19. Meter Installation Project – has been ongoing through 2021.

20. 1MG Tank

1MG Tank was placed online in 2019 for a short time but was then taken offline and remained offline throughout 2021.

Sewer (Sewer repairs & maintenance priorities):

21. Scada System Installation – was completed in 2021.

Other projects completed that were not in the original 2021 budget but became a priority during the year:

1. Newport Group fees were caught up as they had failed to bill us for several years.
Note: Newport Group was the fiduciary contracted to monitor the town's retirement plan (Mutual of Omaha).
2. Peak alarm repairs.
3. Engineering for 3rd Street Improvements (Grand to Poplar).
4. Paint Stripe Double Yellow and Thermoplastic pavement marking of seven (7) crosswalks.
5. Schmueser Gordon Meyer Inc (SGM) performed engineering services for Lead and Copper Compliance requirements, the Valve Vault at the Clock Water Treatment Plant, and 2MG Tank Re-Coating.
6. Spring Box repair for the 2 MG Water Treatment Plant.

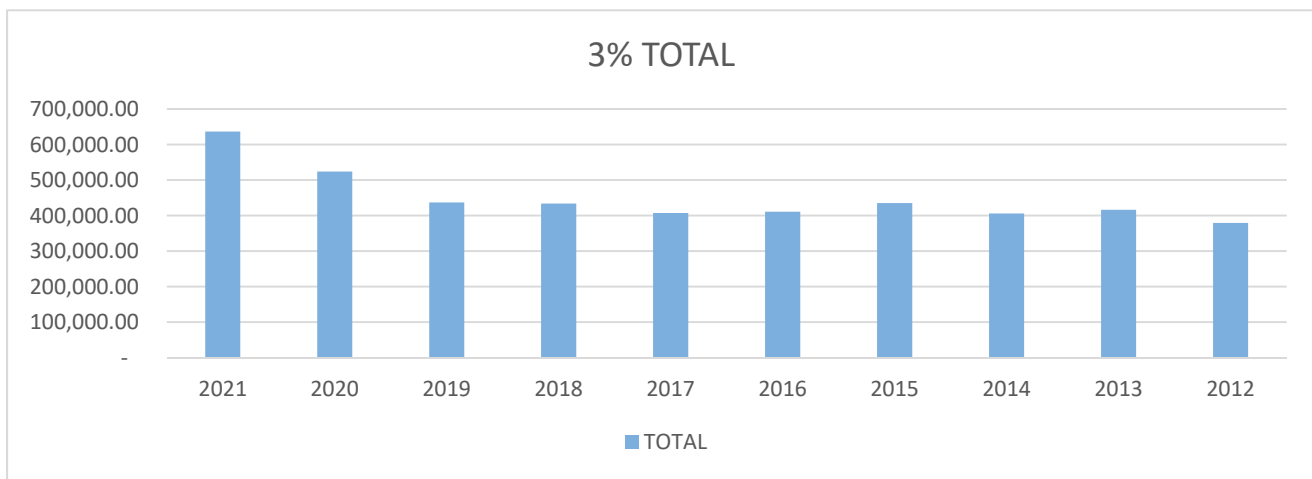
ECONOMIC FACTORS AND RATES

The Town of Paonia and Delta County are primarily agriculturally based economies. Given the still

uncertain economic environment, the Town of Paonia Fiscal Year 2021 Budget maintained operating expenditures in line (balanced, not exceeding) with sources of revenues by re-evaluating services, reducing costs, and performing modest capital improvements such as the sidewalk construction project by utilizing funds maintained in reserve.

Fiscal year 2021 results reflect continuing economic growth. Sales Tax, which is the Town’s primary source of revenue, hit an all-time high in 2021. In July of 2018 by voter approval the town’s sales tax increased to 3%. In January 2019 the Delivery Sales Tax rules went into effect. In March of 2021 the voter approved 0.8% “Back the Badge sales tax revenue from the county.

SOURCE	2021	2020	2019
Town of Paonia	706,791	653,290	542,333
Delta County	365,135	142,649	120,218
Total	1,071,926	795,939	662,551
% Of Change-Increase/(Decrease)	34.67%	20.13%	41.09%



The Town continues to be financially stable and did not use the General Fund balance for 2021 annual operations. The ongoing financial challenge for the Town is to bring balance between commercial and residential development. Commercial business generates revenues for the Town and residential development requires public services and provides very limited revenues to offset the cost of those services. Additional challenges are the decline of brick-and-mortar retail and now the COVID-19 pandemic. A hopeful sign is that revenues related to online sales have ticked up as a result of the Wayfair vs. South Dakota Supreme Court decision.

Relevant Financial Policies: The Town recognizes that in order to maintain current service levels and the potential need to increase service levels when impacted by growth in future years, the Town will need to find other revenue sources and/or continue to encourage increases in sales tax-generating businesses. Per the Town’s Financial Policies, the Town maintains financial reserves “to pay for needs caused by unforeseen emergencies which may include revenue shortages.” This contingency can assist the Town in maintaining current service levels, but utilizing these funds is not interpreted as a long-term solution.

The Town increased water rates in February 2017 by 2% per base unit and sewer rates in May 2017 \$3.00 per base unit in order for the funds to remain financially solvent. Solid Waste (Trash) rates were increased \$1.00 per base unit in 2018. In 2019, there were no rate increases to Water, Sewer, or Trash. As of December 2020, the Town Board approved Resolution 2020-18 (water) and 2020-19 (trash) for rate increases. However, water rates encountered a system problem and did not increase until January 2021. Resolution 2021-09 established Water Rates and Charges. The base rate was increased by \$5.00 effective December 1, 2021.

Trash rates increased in 2020 as follows, but were not increased in 2021:

Single (1 can)	No change
Standard (3 cans)	\$3 increase
Heavy (5 cans)	\$3 increase
2yd Dumpster	\$15 increase
3yd Dumpster	\$23 increase

In 2021, the Town received \$184,616, the first half of its portion of the American Rescue Plan Act (ARPA). Signed into law by President Biden on March 11, 2021, the American Rescue Plan Act (ARPA) allocates \$1.9 trillion to COVID-19 relief and economic recovery. **Colorado municipalities will directly receive more than \$800 million through the Coronavirus Local Fiscal Recovery Fund.**

Recipients may use ARPA funds to:

- **Replace lost public sector revenue**, using this funding to provide government services up to the amount of revenue lost due to the pandemic.
- **Respond to the far-reaching public health and negative economic impacts of the pandemic**, by supporting the health of communities, and helping households, small businesses, impacted industries, nonprofits, and the public sector recover from economic impacts.
- **Provide premium pay for essential workers**, offering additional support to those who have and will bear the greatest health risks because of their service in critical sectors.
- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, to support vital wastewater and stormwater infrastructure, and to expand affordable access to broadband internet.

The Board of Trustees have elected to use these funds for Water infrastructure. Specifically, to provide additional funding to re-line the 2MG Storage Tank.

There are no other known facts, decisions or conditions as of December 31, 2021, that are expected to have an effect on the Town's financial position or results of operations such as rate increase, increases in service areas, etc.

REQUEST FOR INFORMATION

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

Respectfully Presented by:

Corinne Ferguson, Town Administrator/Clerk
Cindy Jones, Treasurer/Finance Director

Town of Paonia, Colorado

STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities	Business- Type Activities	Total
Assets			
Pooled cash and investments	\$ 1,294,844	\$ 1,366,582	\$ 2,661,426
Restricted cash and investments (Notes 5 and 10)	588,717	637,386	1,226,103
Property taxes receivable	149,627	-	149,627
Accounts receivable, net	95,334	149,184	244,518
Due from other governments	63,880	-	63,880
Internal balances (Note 13)	-	-	-
Inventories	-	130,282	130,282
FPPA net pension asset (Note 8)	54,119	-	54,119
Capital assets (Note 12)			
Nondepreciable	246,481	834,157	1,080,638
Depreciable, net of accumulated depreciation	3,016,053	11,204,394	14,220,447
Total Assets	<u>5,509,055</u>	<u>14,321,985</u>	<u>19,831,040</u>
Deferred outflows of resources			
FPPA pension (Note 8)	90,194	-	90,194
Liabilities			
Overdrawn pooled cash and investments	-	-	-
Accounts payable	22,534	8,720	31,254
Accrued payroll liabilities	-	-	-
Accrued interest payable	-	30,359	30,359
Due to other funds	-	-	-
Unearned revenue	360,000	184,616	544,616
Noncurrent liabilities:			
Due within one year (Note 6)	21,814	204,609	226,423
Due in more than one year (Note 6)	-	3,694,767	3,694,767
Total Liabilities	<u>404,348</u>	<u>4,123,071</u>	<u>4,527,419</u>
Deferred inflows of resources			
FPPA pension (Note 8)	60,188	-	60,188
Deferred property tax revenue	149,627	-	149,627
Total Deferred Inflows of Resources	<u>209,815</u>	<u>-</u>	<u>209,815</u>
Net position			
Net investment in capital assets	3,262,534	8,139,175	11,401,709
Restricted for:			
Emergencies (Note 3)	53,179	-	53,179
Parks and recreation	-	-	-
Airport capital improvements (Note 10)	60,192	-	60,192
Water utility maintenance (Note 6)	-	530,493	530,493
Debt service (Notes 6 and 9)	-	306,893	306,893
Unrestricted	1,609,181	1,222,353	2,831,534
Total Net Position	<u>\$ 4,985,086</u>	<u>\$ 10,198,914</u>	<u>\$ 15,184,000</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities							
General government	\$ 327,256	\$ 76,006	\$ -	\$ 63,601	\$ (187,649)	\$ -	\$ (187,649)
Public safety	416,414	19,998	995	-	(395,421)	-	(395,421)
Public works	351,701	30,745	48,057	-	(272,899)	-	(272,899)
Culture and recreation	150,466	-	49,142	23,704	(77,620)	-	(77,620)
Total government activities	1,245,837	126,749	98,194	87,305	(933,589)	-	(933,589)
Business-type Activities							
Water operations	865,875	1,036,866	-	-	-	170,991	170,991
Sewer operations	480,668	530,967	-	9,896	-	60,195	60,195
Trash	256,505	260,704	-	-	-	4,199	4,199
Total business-type activities	1,603,048	1,828,537	-	9,896	-	235,385	235,385
Total primary government	\$ 2,848,885	\$ 1,955,286	\$ 98,194	\$ 97,201	(933,589)	235,385	(698,204)
General Revenues:							
Property taxes					134,417	-	134,417
Specific ownership taxes					23,650	-	23,650
Sales taxes					1,136,214	-	1,136,214
Franchise taxes					56,420	-	56,420
Miscellaneous					28,550	1,429	29,979
Severance tax					1,305	-	1,305
Mineral leasing					7,219	-	7,219
Investment earnings					8,917	452	9,369
Capital contributions - tap fee					-	10,000	10,000
Transfers					62,150	(62,150)	-
Total general revenues					1,458,842	(50,269)	1,408,573
Total change in net position					525,253	185,116	710,369
Beginning net position					4,459,833	10,013,798	14,473,631
					\$ 4,985,086	\$ 10,198,914	\$ 15,184,000

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

BALANCE SHEET- GOVERNMENTAL FUNDS

December 31, 2021

	General Fund	Sales Tax Capital Improvement Fund	Total Nonmajor Funds	Total
Assets				
Pooled cash and investments	\$ 666,096	\$ 448,031	\$ 180,717	\$ 1,294,844
Restricted cash and investments	588,717	-	-	588,717
Taxes receivable	149,627	-	-	149,627
Due from other governments	43,864	20,016	-	63,880
Accounts receivable	84,000	-	11,334	95,334
Total assets	1,532,304	468,047	192,051	2,192,402
Liabilities				
Accounts payable	22,534	-	-	22,534
Due to other funds	-	-	-	-
Unearned revenue bridge agreement	360,000	-	-	360,000
Total liabilities	382,534	-	-	382,534
Deferred Inflows of Resources				
Deferred grant revenue	19,401	-	-	19,401
Deferred property taxes	149,627	-	-	149,627
Total deferred inflows of resources	169,028	-	-	169,028
Fund Balance				
Restricted				
Reserve for emergencies	53,179	-	-	53,179
Conservation	-	-	17,232	17,232
Airport capital improvements	-	60,192	-	60,192
Committed				
Bridge reserve	228,717	-	-	228,717
Capital acquisition	-	407,855	-	407,855
Sidewalk improvement	-	-	33,042	33,042
Street improvement	-	-	141,777	141,777
Space to create	-	-	-	-
Unassigned	698,846	-	-	698,846
Total fund balance	\$ 980,742	\$ 468,047	\$ 192,051	\$ 1,640,840

The accompanying footnotes are an integral part of this statement.

Town of Paonia, Colorado

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

December 31, 2021

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

Total fund balance - governmental funds	\$ 1,640,840
Capital assets used in governmental activities are no current financial resources and therefore, are not reported in the funds	
Governmental capital assets	\$ 5,600,975
Less: Accumulated depreciation	<u>(2,338,440)</u>
	3,262,535
Net pension assets are not current assets available to cover current year expenditures and, therefore, are not reported as assets in the governmental funds.	54,119
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows of resources are related to the difference between expected and actual experience, changes of assumptions and the difference between contributions and proportionate share of contributions to the plan.	90,194
Revenues received out of the of period of availability are deferred inflows in the fund financial statements, but are recognized as revenues at the government-wide level.	19,401
Deferred inflows of resources related to pensions are applicable in future periods and, therefore, are not reported in the funds. Deferred inflows of resources are related to the difference between expected and actual experience, the difference between projected and actual earnings on pension plan investments and change in proportionate share of total contributions to the plan.	(60,188)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position. Balance at year-end are:	
Compensated absences	<u>(21,815)</u>
	<u>(21,815)</u>
Total governmental activities net assets	<u>\$ 4,985,086</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	General Fund	Sales Tax Capital Improvement Fund	Nonmajor Fund	Total
Revenues				
Taxes	\$ 1,052,830	\$ 235,598	\$ 15,756	\$ 1,304,184
Fees and fines	29,156	-	57,745	86,901
Licenses and permits	43,358	-	-	43,358
Intergovernmental	241,871	-	-	241,871
Interest income	8,901	-	-	8,901
Miscellaneous	69,357	7,650	15	77,022
Total revenues	1,445,473	243,248	73,516	1,762,237
Expenditures				
Current				
General government	265,209	-	13,165	278,374
Public safety	450,674	-	-	450,674
Public works	157,955	-	555	158,510
Culture and recreation	136,123	-	100	136,223
Capital outlay	26,298	119,108	-	145,406
Total expenditures	1,036,259	119,108	13,820	1,169,187
Revenues in excess (deficiency) of expenditures	409,214	124,140	59,696	593,050
Other financing sources (uses)				
Transfers in (out)	8,000	-	54,150	62,150
Total other financing sources (uses)	8,000	-	54,150	62,150
Revenues and other sources in excess (deficiency) of expenditures and other (uses)	417,214	124,140	113,846	655,200
Fund balance, beginning	563,528	343,907	78,205	985,640
Fund balance, ending	\$ 980,742	\$ 468,047	\$ 192,051	\$ 1,640,840

The accompanying notes are an integral part of this statement.

Town of Paonia

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

December 31, 2021

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

Net change in fund balances - total governmental funds \$ 655,200

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital assets current additions	\$ 101,952	
Depreciation expense	<u>(177,583)</u>	
Excess of capital outlay over depreciation		(75,631)

Contributions of capital assets are not recognized in the governmental funds but are recognized as capital contributions in the statement of activities		23,704
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Pension benefits reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds. This is the change in net pension liability.		(16,820)
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Revenues received after the period of availability are recognized as deferred revenue in the funds, but as revenue in the statement of activities.		(77,004)
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Payments of compensated absences are reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of activities compensated absences are expensed as they are accrued. Changes in the compensated absences liability are a reconciling item.		<u>15,804</u>
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Changes in Net Position of Governmental Funds	<u>\$ 525,253</u>
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The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF NET POSITION
ENTERPRISE FUNDS

December 31, 2021

	Water	Sewer	Trash	Total
Assets				
Current Assets				
Pooled cash and investments	\$ 613,144	\$ 628,724	\$ 124,714	\$ 1,366,582
Restricted cash and investments	-	637,386	-	637,386
Accounts receivable, net	83,222	44,211	21,751	149,184
Inventories	117,912	12,370	-	130,282
	814,278	1,322,691	146,465	2,283,434
Capital Assets				
Land and improvements	269,777	564,380	-	834,157
Utility system	11,762,505	5,365,301	-	17,127,806
Equipment and furniture	199,465	99,060	289,018	587,543
Less accumulated depreciation	(4,495,238)	(1,861,985)	(153,732)	(6,510,955)
	7,736,509	4,166,756	135,286	12,038,551
	8,550,787	5,489,447	281,751	14,321,985
Liabilities				
Current Liabilities				
Accounts payable	514	4,393	3,813	8,720
Accrued interest payable	18,359	12,000	-	30,359
Unearned grant revenues	184,616	-	-	184,616
Current portion of long-term debt	152,684	51,925	-	204,609
	356,173	68,318	3,813	428,304
Long-term Liabilities				
Notes and bonds payable	2,102,437	1,592,330	-	3,694,767
	2,102,437	1,592,330	-	3,694,767
	2,458,610	1,660,648	3,813	4,123,071
Net Position				
Net investment in capital assets	5,481,388	2,522,501	135,286	8,139,175
Restricted for debt service	200,000	106,893	-	306,893
Restricted for maintenance	-	530,493	-	530,493
Unrestricted	410,789	668,912	142,652	1,222,353
	\$ 6,092,177	\$ 3,828,799	\$ 277,938	\$ 10,198,914

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	Water	Sewer	Trash	Total
Operating Revenues				
Charges for services	\$ 1,036,866	\$ 530,967	\$ 260,704	\$ 1,828,537
Total operating revenues	1,036,866	530,967	260,704	1,828,537
Operating Expenses				
Personnel expenses	208,723	158,811	159,669	527,203
Contractual services	-	-	38,981	38,981
Professional fees	54,673	4,500	4,500	63,673
Utilities	33,933	35,456	3,099	72,488
Repairs and maintenance	67,634	59,802	15,503	142,939
Other supplies and expense	99,601	57,505	11,312	168,418
Insurance claims and expense	24,873	9,131	5,795	39,799
Depreciation	331,052	109,012	17,646	457,710
Total operating expenses	820,489	434,217	256,505	1,511,211
Net income (loss) from operations	216,377	96,750	4,199	317,326
Nonoperating Revenues (Expenses)				
Grants	9,896	-	-	9,896
Interest income	-	452	-	452
Miscellaneous revenue	1,429	-	-	1,429
Interest expense	(45,386)	(46,451)	-	(91,837)
Total non-operating revenues (expenses)	(34,061)	(45,999)	-	(80,060)
Net income (loss) before capital contributions and transfers	182,316	50,751	4,199	237,266
Capital contributions - tap fees	5,500	4,500	-	10,000
Transfers in (out)	(33,660)	(18,929)	(9,561)	(62,150)
Change in net position	154,156	36,322	(5,362)	185,116
Net position, beginning	5,938,021	3,792,477	283,300	10,013,798
Net position, ending	<u>\$ 6,092,177</u>	<u>\$ 3,828,799</u>	<u>\$ 277,938</u>	<u>\$ 10,198,914</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

Year Ended December 31, 2021

	Water	Sewer	Trash	Total
Cash flows from operating activities:				
Charges for sales and services	\$ 1,025,702	\$ 534,536	\$ 262,256	\$ 1,822,494
Payments to employees	(208,722)	(158,812)	(159,669)	(527,203)
Payments to suppliers	(311,833)	(169,201)	(79,244)	(560,278)
Net cash provided by operating activities	505,147	206,523	23,343	735,013
Cash flows from non-capital financing activities:				
Transfers from (to) other funds	(33,660)	(18,929)	(9,561)	(62,150)
Net cash provided (used) by non-capital financing activities	(33,660)	(18,929)	(9,561)	(62,150)
Cash flows from capital and related financing activities				
Grant revenues	9,896	-	-	9,896
Miscellaneous revenues	1,429	-	-	1,429
Acquisition of capital assets	(64,721)	(11,710)	-	(76,431)
Principal paid on loans and leases	(151,795)	(51,924)	-	(203,719)
Interest expense	(45,386)	(46,451)	-	(91,837)
Proceeds from tap fees	5,500	4,500	-	10,000
Net cash provided (used) by capital and related financing activities	(245,077)	(105,585)	-	(350,662)
Cash flows from investing activities				
Investment income	-	452	-	452
Net cash provided (used) by investing activities	-	452	-	452
Net increase (decrease) in cash and cash equivalents	226,410	82,461	13,782	322,653
Cash at beginning of year	202,118	1,183,649	110,932	1,496,699
Cash at end of year	\$ 428,528	\$ 1,266,110	\$ 124,714	\$ 1,819,352

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

Year Ended December 31, 2021

	Water	Sewer	Trash	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 216,377	\$ 96,750	\$ 4,199	\$ 317,326
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	331,052	109,012	17,646	457,710
(Increase) decrease in accounts receivable	(11,163)	3,568	1,552	(6,043)
Increase (decrease) in accounts payable	(21,902)	2,624	(54)	(19,332)
Increase (decrease) in inventory	(9,217)	(5,431)	-	(14,648)
Total adjustments	<u>288,770</u>	<u>109,773</u>	<u>19,144</u>	<u>417,687</u>
Net cash provided by operating activities	<u>\$ 505,147</u>	<u>\$ 206,523</u>	<u>\$ 23,343</u>	<u>\$ 735,013</u>
Reconciliation of cash flow statement to statement of net position				
Cash	\$ 613,144	\$ 628,724	\$ 124,714	\$ 1,366,582
Restricted cash and investments	-	637,386	-	637,386
	<u>\$ 613,144</u>	<u>\$ 1,266,110</u>	<u>\$ 124,714</u>	<u>\$ 2,003,968</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Town's significant accounting policies are described below:

Financial Reporting Entity

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

Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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

The Town reports the following major governmental funds:

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

The following funds are considered nonmajor governmental funds:

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

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

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

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Measurement Focus & Basis of Accounting

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

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

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

Cash and Cash Equivalents

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

Fair Value Measurement

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

Inventory

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Capital Assets

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

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

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

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

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

Interfund Transactions

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

Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred property tax revenue, which arises under both the full accrual (government-wide financial statement) and the modified accrual (fund financial statement) bases of

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

accounting that qualified for reporting in this category. Accordingly, the deferred property taxes are reported in both the statement of net position and in the balance sheet of governmental funds. These future revenues are deferred and recognized as an inflow of resources in the period that the amounts become available (calendar year 2022).

Deferred Inflows of Resources

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

Long-Term Liabilities

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

Net Position

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

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

Police Officers Pension Plan

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Fund Balances

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

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

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

Property Tax

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

NOTE 3 – TAX, SPENDING, AND DEBT LIMITATIONS

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

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

The Amendment requires that an emergency reserve be maintained at 3% of fiscal year spending. A portion of the General Fund's fund balance is classified as restricted for emergencies as required by the Amendment. The amount restricted at December 31, 2021 was \$53,179.

NOTE 4 - BUDGETS

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

- By mid-August of each year, the Town Administrator and Finance Director, as the Budget Officers, gives public notice of the budget calendar for the next fiscal year. The Finance Director asks that all Town departments, boards, commissions or citizens submit, within 30 days from the

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

notice, any request for funds under the budget being prepared. The Town Administrator, with assistance from the Town Finance Director, then prepares a proposed budget for the ensuing fiscal year and submits it to the Town Board no later than 45 days prior to any date required by state law for the certification to Delta County (the County) of the tax levy.

- The budget provides a complete financial plan of all Town funds and activities for the ensuing fiscal year indicating anticipated revenues, proposed operating and capital expenditures, a provision for contingencies and anticipated net surplus or deficit for the ensuing fiscal year.
- A public hearing on the proposed budget is held by the Town Board no later than the second regularly scheduled board meeting in November.
- The Town Board adopts the budget by resolution on or before the final day established by law for the certification of the ensuing year's tax levy to the County. Adoption of the budget by the Town Board shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated and shall constitute a levy of the property tax therein proposed.
- If, during the fiscal year, the Town Administrator and the Town Finance Director determine that there are expenses in excess of those estimated in the budget, the Town Board by resolution may make supplemental appropriations for the year up to the amount of such excess. To meet an emergency affecting public property, health, peace or safety, the Town Board may make emergency appropriations. If, at any time during the fiscal year, it appears probable to the Town Administrator and Town Finance Director that the revenues available will be insufficient to meet the amount appropriated, the Town Administrator reports to the Town Board, indicating the estimated amount of deficit, any remedial action already taken and a recommendation as to any other steps to be taken. At any time during the fiscal year, the Town Administrator and Finance Director, as Budget Officers, may transfer part or all of any unencumbered appropriation balance within a department.
- Budget appropriations lapse at the end of each year.
- Expenditures may not exceed appropriations at the fund level. Budget amounts included in the financial statements include the original and final budgets for each fund.
- Budgets for governmental funds are adopted on a basis consistent with GAAP, except for long-term receivables and advances and capital lease financing, which are budgeted when liquidated rather than when the receivable/liability is incurred. Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 5 – DEPOSITS AND INVESTMENTS

Cash Deposits

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

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

Cash and investments	
Cash on hand	\$ 225
Cash held by County Treasurer	34,883
Bank deposits	1,630,604
Certificates of deposit	463,311
Colostrust	<u>1,758,506</u>
Total	<u>\$ 3,887,529</u>
Cash and investments in the statement of net position	
Pooled cash and investments	\$ 2,661,426
Restricted cash and investments	<u>1,226,103</u>
Total	<u>\$ 3,887,529</u>

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

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

At December 31, 2021, the bank balance of the Town's deposits was \$2,162,716, of which \$250,000 was covered by federal depository insurance and \$1,912,716 was collateralized under PDPA.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Investments

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

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

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

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

The Town's investment maturities at December 31, 2021 are as follows:

<u>Investment by Type</u>	<u>Rating</u>	<u>Investment maturities</u>		<u>Total</u>
		<u>Less than One Year</u>	<u>One to Five Year</u>	
Certificates of Deposit	Unrated	\$ 463,311	\$ -	\$ 463,311
COLOTRUST		1,758,506	-	1,758,506
Total		\$ 2,221,817	\$ -	\$ 2,221,817

The Town invested \$1,758,506 in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities Commission administers and enforces all state statutes governing public investment pools. The investment is an external investment pool that reports at the fair value per share of the pool's underlying portfolio. The unit of account is each share held, and the value of the position is the fair value of the pool's share price multiplied by the number of shares held. For pricing

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

and redeeming shares, COLOTRUST maintains a stable net asset value (NAV) of \$1 per share, which approximates fair value. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables and payables. All COLOTRUST investments are reported at NAV and do not have any unfunded commitments, redemption restrictions or redemption notice periods. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, which are both rated AAAM by Standard & Poor's. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Financial statements and information about the pool for COLOTRUST may be obtained through its website at www.colotruster.com. COLOTRUST may, without the necessity of a formal meeting of their Board, temporarily suspend the right of redemption or postpone the date of payment for redeemed shares under certain specific conditions described in their trust indenture and during any financial emergency when it is not reasonably practicable because of substantial losses which might be incurred.

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

NOTE 6 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due Within One Year
Government-wide Activities					
Compensated absences	\$ 37,622	\$ -	\$ 15,808	\$ 21,814	\$ 21,814
Total	\$ 37,622	\$ -	\$ 15,808	\$ 21,814	\$ 21,814
Business-type Activities					
Revenue refunding bonds	\$ 1,650,000	\$ -	\$ 50,000	\$ 1,600,000	\$ 50,000
Premium -Revenue refunding bonds	46,180	-	1,925	44,255	1,925
Loan - WPA	2,205,438	-	129,869	2,075,569	130,900
Premium - WPA	17,358	-	1,211	16,147	1,211
Loan - CWRPDA	183,623	-	20,218	163,405	20,573
Total	\$ 4,102,599	\$ -	\$ 203,223	\$ 3,899,376	\$ 204,609

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 2021 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, 2021, the Town borrowed \$395,969, of which the Town has made principal payments of \$232,564. Principal and interest payments for the years following December 31, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
			\$
2022	\$ 20,573	\$ 2,770	23,343
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 - 2029	<u>56,859</u>	<u>1,501</u>	<u>58,360</u>
Total	<u>\$ 163,405</u>	<u>\$ 11,670</u>	<u>\$ 175,075</u>

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.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

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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 \$16,147 as of December 31, 2021. At no time should the budget reserve be greater than \$1,250,000. As of December 31, 2021, the Town's budgeted reserve was \$191,222.

Principal and interest payments for the years following December 31, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 130,900	\$ 15,950	\$ 146,850
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 - 2031	736,335	42,550	778,885
2032 - 2035	<u>670,294</u>	<u>12,650</u>	<u>682,944</u>
Total	<u>\$ 2,075,569</u>	<u>\$ 124,450</u>	<u>\$ 2,200,019</u>

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.

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, 2021 are as follows:

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 50,000	\$ 47,250	\$ 97,250
2023	50,000	45,750	95,750
2024	55,000	44,175	99,175
2025	55,000	42,525	97,525
2026	55,000	40,875	95,875
2027 - 2031	310,000	177,450	487,450
2032 - 2036	360,000	127,200	487,200
2037 - 2041	420,000	69,000	489,000
2042 - 2044	<u>245,000</u>	<u>10,125</u>	<u>255,125</u>
Total	<u>\$ 1,600,000</u>	<u>\$ 604,350</u>	<u>\$ 2,204,350</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, 2021, there was \$0.00 outstanding balance on the line of credit.

NOTE 7 – EMPLOYEE BENEFIT PLANS

Defined Contribution Pension Plan

The Town provides pension benefits for all its employees through a defined contribution plan through Empower Retirement. In May 2014, the Town changed its 401(b) plan through Dreyfus Company to a defined contribution 457(b) plan through Mutual of Omaha. In March 2021, the Town changed its 457(b) plan through Mutual of Omaha to a defined contribution 457(b) plan through Empower Retirement.

The Town contributes 5%, and there are no matching requirements for the employees. Total contributions in 2021, 2020 and 2019 were \$26,123, \$22,982, and \$22,322 respectively. The employees are 100% vested at all times and are eligible for the plan after the 6 month probation period. The Board of Trustees authorizes benefit terms and has the authority to amend those terms.

SWDBP for Police Officers

Plan Description

Eligible police officers of the Town are provided with pensions through the Statewide Defined Benefit Plan (SWDB plan), a cost-sharing multi-employer defined benefit pension plan administered by the Fire and Police

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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>.

Benefits Provided

The Statewide Defined Benefit Plan (SWDB plan) provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. A member is eligible for a normal retirement pension once the member has completed 25 years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

The annual normal retirement benefit is 2% of the average of the member's highest 3 years' base salary for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to SWDB plan. Benefit adjustments paid to retired members are evaluated annually 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 highest of 3% or the Consumer Price Index (CPI).

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

Contributions

Through December 31, 2020 contribution rates for the SWDB plan are established by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Effective January 1, 2021, contribution rates for employers and members may increase equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

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% annually through 2022 to a total of 12% of pensionable earnings. Employer contributions are 8% and 8.5% in 2020 and 2021, respectively. Employer contributions will increase 0.5% annually beginning in 2021 through 2030 to a total of 13% of pensionable earnings. In 2020, members of the SWDB plan and their employers are contributing at the rate of 11.0% and 8%, respectively, of pensionable earnings for a total contribution rate of 19.0%.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Contributions from members and employers or departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 23.0% and 23.5% of pensionable earnings in 2020 and 2021 respectively. It is a local decision as to whether the member or employer pays the additional 4% contribution. The member and the employer contribution rates will increase through 2030 as described above for the non-reentering departments. Effective January 1, 2021, reentry departments may submit a resolution to the FPPA Board of Directors to reduce the 4% contribution, to reflect the actual cost of reentry by department, to the plan for reentry contributions. Each reentry department is responsible to remit contributions to the plan in accordance with their most recent FPPA Board of Directors approved resolution.

The contribution rate for members and employers of affiliated Social Security employers is 5.5% and 4%, respectively, of pensionable earnings for a total contribution rate of 9.50% in 2020 and 9.75% in 2021. Per the 2014 member election, members of the affiliate social security group had their required contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of pensionable earnings. Employer contributions are 4% and 4.25% in 2020 and 2021, respectively. Employer contributions will increase 0.25% annually beginning in 2021 through 2030 to a total of 6.5% of pensionable earnings.

Employer contributions are recognized by SWDB plan in the period in which the compensation becomes payable to the member, and the Town is statutorily committed to pay the contributions to SWDB plan. Employer contributions recognized by SWDB plan from the Town were \$16,018 for the year ended December 31, 2021.

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

At December 31, 2021, the Town reported an asset of \$54,119 for its proportionate share of the net pension asset. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021. The Town's proportion of the net pension liability was based on Town contributions to the SWDB plan for the calendar year 2020 relative to the total contributions of participating employers to the SWDB plan.

At December 31, 2020, the Town's proportionate share was 0.025%, which was an increase of 0.0017% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Town recognized a reduction of pension expense of \$(14,763).

At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 45,898	\$ 215
Changes of assumptions	23,018	-
Net difference between projected and actual earning on pension plan investments	-	55,588
Change in proportion	2,728	4,385
Town contributions subsequent to the measurement date	18,550	-
Total	<u>\$ 90,194</u>	<u>\$ 60,188</u>

The SWDB plan reported \$18,550 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase in net pension asset in the year ended December 31, 2021.

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

Year ended December 31,	Amounts Recognized in Pension Expense
2021	\$ (6,289)
2022	922
2023	(8,431)
2024	1,027
2025	9,723
Thereafter	14,504
Total	<u>\$ 11,456</u>

Actuarial Assumptions

The actuarial valuations for the SWDB were used to determine the total pension liability and the actuarially determined contributions for the fiscal year ending December 31, 2020. The valuations used the following actuarial assumptions and other inputs:

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December 31, 2021

	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2021	January 1, 2020
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 Years
Long-term Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases	4.25% - 11.25%	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0.00%	0.00%

*Includes inflation at 2.5%

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and the expectation of the future. The assumption changes were effective actuarial valuations beginning January 1, 2019. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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 (assumed 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	39.00%	8.23%
Equity Long/Short	8.00%	6.87%
Private Markets	26.00%	10.63%
Fixed Income - Rates	10.00%	4.01%
Fixed Income - Credit	5.00%	5.25%

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Absolute Return	10.00%	5.60%
Cash	<u>2.00%</u>	2.32%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

For the purpose of the valuation, the expected rate of return on pension plan investments is 7.00%, the municipal bond rate is 2.00% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release ((H.15)); and the resulting single discount rate is 7.00%.

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

Regarding the sensitivity of the net pension liability (asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.00%, as well as what the plan's net pension liability (asset) would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$ 54,462	\$ (54,119)	\$ (144,038)

Pension Plan Fiduciary Net Position

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

Plan Description

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

Benefits

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

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

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

Contributions

Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado statute. The state made a one-time contribution in 1997 of \$39,000,000 to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further state contributions are anticipated. Members hired on or after January 1, 1997 contribute a percentage of the payroll based on actuarial experience. This percentage was 8.5% for 2021, 8% for 2020 and 8% for 2019. The Town contributed \$6,547, \$5,408, and \$4,912 to the Plan during 2021, 2020 and 2019, respectively.

NOTE 8 – RISK MANAGEMENT

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

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a public entity risk pool currently operating as a common risk management and insurance program for property/casualty and workers' compensation coverage. CIRSA is to be self-sustaining through member premiums and reinsures through commercial companies for claims in excess of certain limits for each insured event. CIRSA members are subject to a supplemental assessment in the event of a deficiency. Claims have not exceeded coverage in the previous three years.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 – RESTRICTED CASH

The Town has restricted cash in the Sewer Fund of \$637,386. The Refunding Revenue Bond requires that \$106,000 be designated into restricted cash for debt service. At December 31, 2021 there is \$106,892, including earned interest. The remaining \$530,493 is land sale proceeds that can only be spent on sewer projects per a USDA grant agreement.

As of December 31, 2021, the Town has restricted cash in the governmental activities of \$588,717 related to the Samuel Wade Road and Bridge (the Bridge). In January 2010, the Town entered into an intergovernmental agreement with the County. The Town has agreed to accept ownership of the Bridge in "as is" condition in exchange for \$800,000 from the County to be used only for transportation-related expenditures. The Town, in exchange, shall be responsible to maintain this section of the Bridge. If at any point there is noncompliance with the agreement terms, the title of the Bridge will revert back to the County, and the Town will be responsible for return of the funds based on allocated use over the 20-year term of the agreement. The likelihood of noncompliance is considered remote.

NOTE 10 – COMMITMENTS

In September 2009, the Town entered into an agreement with the County for the ownership, maintenance and management of the North Fork Valley Airport. Per the agreement, the Town owns 75% of the airport, and therefore, any future capital improvements will be 75% funded by the Town. The Town currently has one representative on the board and does not have control over the decisions of the board; accordingly, this arrangement does not constitute a joint venture or qualify for component unit reporting. The County assumes responsibility for the operations and maintenance of the airport. The agreement was amended in February 2014 to include how the proceeds from the wireless communication facility at the airport are to be divided. Per the agreement, any proceeds will be divided 75% to the Town and 25% to the County. The Town must hold its 75% share as a reserve for the Town's contributions to future capital improvements. As of December 31, 2021, the Town has a reserve for airport capital improvements of \$60,192.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 11 – CAPITAL ASSETS

	Balance January 1, 2021	Additions	Disposals	Balance December 31, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 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	524,085	23,704	-	547,789
Infrastructure	3,080,642	45,574	-	3,126,216
Equipment	<u>920,464</u>	<u>56,378</u>	<u>-</u>	<u>976,842</u>
Total Capital Assets Being Depreciated	<u>5,228,837</u>	<u>125,656</u>	<u>-</u>	<u>5,354,493</u>
Less accumulated depreciation;				
Buildings	(383,708)	(20,261)	-	(403,969)
Improvements	(296,764)	(10,268)	-	(307,032)
Infrastructure	(802,133)	(89,920)	-	(892,053)
Equipment	<u>(678,252)</u>	<u>(57,134)</u>	<u>-</u>	<u>(735,386)</u>
Total Accumulated Depreciation	<u>(2,160,857)</u>	<u>(177,583)</u>	<u>-</u>	<u>(2,338,440)</u>
Capital assets depreciated, net	<u>3,067,980</u>	<u>(51,927)</u>	<u>-</u>	<u>3,016,053</u>
Total Governmental Activities Capital Assets	<u>\$ 3,314,461</u>	<u>\$ (51,927)</u>	<u>\$ -</u>	<u>\$ 3,262,534</u>

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

	Balance January 1, 2021	Additions	Disposals	Balance December 31, 2021
Business-type Activities				
Capital assets not being depreciated				
Land and water rights	\$ 834,157	\$ -	\$ -	\$ 834,157
Total Capital Assets, Not Being Depreciated	<u>834,157</u>	<u>-</u>	<u>-</u>	<u>834,157</u>
Capital assets being depreciated				
Distributions system	4,135,325	52,241	-	4,187,566
Collection system	772,064	11,710	-	783,774
Vehicles and equipment	587,543	-	-	587,543
Treatment plant	12,143,987	12,479	-	12,156,466
Less: Accumulated depreciation	<u>(6,053,246)</u>	<u>(457,709)</u>	<u>-</u>	<u>(6,510,955)</u>
Total Capital Assets Being Depreciated, Net	<u>11,585,673</u>	<u>(381,279)</u>	<u>-</u>	<u>11,204,394</u>
Total Business-type Activities Capital Assets	<u>\$ 12,419,830</u>	<u>\$ (381,279)</u>	<u>\$ -</u>	<u>\$ 12,038,551</u>

Depreciation charged to governmental activities by department is as follows:

General government	\$ 28,114
Public safety	22,118
Public works	113,109
Culture and recreation	<u>14,242</u>
Total	<u>\$ 177,583</u>

NOTE 12 – INTERFUND TRANSFERS

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 14,000	\$ 6,000
Street Capital Fund	54,150	-
Sales Tax Fund	-	-
Water Fund	-	33,660
Sewer Fund	-	18,929
Trash Fund	-	9,561
	<u>\$ 68,150</u>	<u>\$ 68,150</u>

NOTE 13 – CONTINGENT LIABILITIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Town of Paonia, Colorado

SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
General property taxes	\$ 134,107	\$ 134,107	\$ 134,106	\$ (1)
Specific ownership taxes	19,000	19,000	23,650	4,650
Sales tax - town	420,580	420,580	471,194	50,614
Sales tax - county	288,700	288,700	365,135	76,435
Franchise taxes	58,580	58,580	56,420	(2,160)
Cigarette taxes	1,400	1,400	2,008	608
Delinquent taxes	30	30	13	(17)
Interest on delinquent taxes	330	330	304	(26)
Total taxes	<u>922,727</u>	<u>922,727</u>	<u>1,052,830</u>	<u>130,103</u>
Licenses and permits				
Liquor licenses	3,650	3,650	6,509	2,859
Building permits	30,000	30,000	31,925	1,925
Miscellaneous permits	1,750	1,750	2,025	275
Special reviews	1,000	1,000	1,289	289
VIN inspections	1,155	1,155	1,610	455
Total licenses and permits	<u>37,555</u>	<u>37,555</u>	<u>43,358</u>	<u>5,803</u>
Intergovernmental				
State				
Highway users tax	44,111	44,111	53,719	9,608
Motor vehicle fees	6,345	6,345	6,702	357
Severance tax	5,000	5,000	1,305	(3,695)
Mineral leasing	3,925	3,925	7,219	3,294
Culture and recreation	24,000	24,000	164,844	140,844
Other governments				
Road and bridge	6,500	6,500	8,057	1,557
Total intergovernmental revenue	<u>89,881</u>	<u>89,881</u>	<u>241,846</u>	<u>151,965</u>
Fines and forfeitures				
Court fines	400	400	835	435
Police fines	17,225	17,225	17,206	(19)
PD Grant	15,400	15,400	10,920	(4,480)
Miscellaneous	-	-	195	195
Total fines and forfeitures	<u>33,025</u>	<u>33,025</u>	<u>29,156</u>	<u>(3,869)</u>
Investment income	17,400	17,400	8,901	(8,499)
Miscellaneous	60,142	60,142	69,357	9,215
Total miscellaneous revenue	<u>77,542</u>	<u>77,542</u>	<u>78,258</u>	<u>716</u>
Total Revenues	<u>\$ 1,160,730</u>	<u>\$ 1,160,730</u>	<u>\$ 1,445,448</u>	<u>\$ 284,718</u>

Town of Paonia, Colorado

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures				
General Government				
Mayor and trustee	\$ 7,200	\$ 7,200	\$ 6,850	\$ 350
Salaries and wages	20,057	20,057	16,173	3,884
Employee benefits	8,579	8,579	5,508	3,071
Contract labor	26,800	26,800	35,108	(8,308)
Supplies	5,155	5,155	4,806	349
Legal and professional fees	51,160	51,160	52,876	(1,716)
Telephone	1,147	1,147	2,864	(1,717)
Travel and meetings	10,790	10,790	1,633	9,157
Insurance and bonds	4,542	4,542	3,526	1,016
Utilities	4,405	4,405	4,497	(92)
Grant expenditures	850	850	-	850
Publishing ads	1,500	1,500	4,052	(2,552)
Dues and subscriptions	10,238	10,238	16,488	(6,250)
Audit fees	4,510	4,510	4,500	10
Postage	500	500	1,703	(1,203)
Human services	4,250	4,250	3,700	550
Town Hall expense	11,683	11,683	12,008	(325)
Data processing	13,726	13,726	15,057	(1,331)
	-	-	71,009	(71,009)
Treasurer's fees	2,810	2,810	2,851	(41)
Total general government	<u>189,902</u>	<u>189,902</u>	<u>265,209</u>	<u>(75,307)</u>
Public Safety - Police Department				
Salaries and wages	320,535	320,535	276,873	43,662
Judge	9,600	9,600	6,300	3,300
Employee benefits	64,956	64,956	40,067	24,889
Contract services	-	-	9,770	(9,770)
Supplies	12,763	12,763	10,216	2,547
Repairs and Maintenance	360	360	160	200
Legal services	2,500	2,500	-	2,500
Telephone	3,265	3,265	5,030	(1,765)
Travel and meetings	9,500	9,500	8,291	1,209
Insurance and bonds	22,216	22,216	22,801	(585)
Utilities	1,800	1,800	1,786	14
Vehicle expense	10,535	10,535	15,510	(4,975)
Dues and subscriptions	6,050	6,050	3,269	2,781
Human services	1,100	1,100	400	700
Miscellaneous	235	235	166	69
Publishing and ads	104	104	559	(455)
Data processing	25,234	25,234	24,379	855
FPPA	33,129	33,129	25,097	8,032
Total public safety	<u>523,882</u>	<u>523,882</u>	<u>450,674</u>	<u>73,208</u>

Town of Paonia, Colorado

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued from previous page)				
Public Works				
Salaries and wages	81,539	81,539	67,129	14,410
Employee benefits	33,959	33,959	19,722	14,237
Supplies	1,060	1,060	216	844
Repairs and maintenance	117,716	117,716	25,874	91,842
Legal and engineering	-	-	4,238	(4,238)
Telephone	751	751	756	(5)
Insurance and bonds	3,317	3,317	3,875	(558)
Utilities	10,765	10,765	10,251	514
Snow removal	8,157	8,157	5,511	2,646
Vehicle expense	7,155	7,155	15,859	(8,704)
Miscellaneous	-	-	1,024	(1,024)
Shop expense	1,879	1,879	3,500	(1,621)
Total public works	<u>266,298</u>	<u>266,298</u>	<u>157,955</u>	<u>108,343</u>
Culture and Recreation				
Salaries and wages	51,157	51,157	45,043	6,114
Employee benefits	20,203	20,203	13,367	6,836
Supplies	6,627	6,627	5,313	1,314
Repairs and maintenance	51,169	51,169	13,044	38,125
Telephone	816	816	734	82
Miscellaneous	2,681	2,681	2,928	(247)
Insurance bonds	3,718	3,718	3,813	(95)
Utilities	6,312	6,312	7,563	(1,251)
Park improvements	460,000	460,000	-	460,000
Contract services	3,000	3,000	2,910	90
Grants project	-	-	36,492	(36,492)
Vehicle expense	1,150	1,150	4,916	(3,766)
Total culture and recreation	<u>606,833</u>	<u>606,833</u>	<u>136,123</u>	<u>470,710</u>
Other Expenditures				
Capital Outlay	36,815	36,815	26,298	10,517
Transfers (in) out	-	-	(8,000)	8,000
	<u>36,815</u>	<u>36,815</u>	<u>18,298</u>	<u>18,517</u>
Total Expenditures	<u>1,623,730</u>	<u>1,623,730</u>	<u>1,028,259</u>	<u>595,471</u>
Net change in fund balance	<u>\$ (463,000)</u>	<u>\$ (463,000)</u>	<u>\$ 417,189</u>	<u>\$ 880,189</u>

Town of Paonia, Colorado

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

Year Ended December 31, 2020 (Measurement Date)

	2020	2019	2018	2017	2016	2015	2014
Town's portion of the net pension asset (liability)	0.0249%	0.0231%	0.0187%	0.0182%	0.0162%	0.0239%	0.0432%
Town's proportionate share of the net pension asset (liability)	\$ 54,119	\$ 13,092	\$ (23,649)	\$ 26,228	\$ (5,871)	\$ 421	\$ 48,715
Town's covered payroll	\$ 218,235	\$ 200,228	\$ 170,612	\$ 125,516	\$ 107,806	\$ 103,306	\$ 198,701
Town's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	24.80%	6.54%	13.86%	20.90%	5.45%	0.41%	24.52%
Plan fiduciary net position as a percentage of the total pension asset	106.70%	101.90%	95.20%	106.30%	98.21%	100.10%	106.80%

NOTES TO SCHEDULE

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

Town of Paonia, Colorado

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

	Year Ended December 31, 2021						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 18,550	\$ 16,018	\$ 13,649	\$ 10,024	\$ 10,442	\$ 6,946	\$ 8,910
Contributions in relation to the contractually required contribution	18,550	16,018	13,649	10,024	10,442	6,946	8,910
Contribution (excess) deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	218,235	200,228	170,612	125,296	125,516	107,806	103,306
Contributions as a percentage of covered payroll	8.50%	8.00%	8.00%	8.00%	8.32%	6.44%	8.62%

NOTES TO SCHEDULE

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2021

RSI NOTE A – BUDGETARY INFORMATION

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

SUPPLEMENTARY INFORMATION

Town of Paonia, Colorado

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2021

	Steet Capital Improvement Fund	Conservation Trust Fund	Sidewalk Fund	Space to Create Fund	Total Non-Major Governmental Funds
Asset					
Pooled cash	\$ 133,027	\$ 17,232	\$ 30,458	\$ -	\$ 180,717
Due from other governments	-	-	-	-	-
Accounts receivable	8,750	-	2,584	-	11,334
Total assets	141,777	17,232	33,042	-	192,051
Liabilities					
Due to other funds	-	-	-	-	-
Fund Balance					
Committed					
Conservation	-	17,232	-	-	17,232
Sidewalk improvements	-	-	33,042	-	33,042
Street improvements	141,777	-	-	-	141,777
Space to create	-	-	-	-	-
Total fund balance	\$ 141,777	\$ 17,232	\$ 33,042	\$ -	\$ 192,051

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	Street Capital Improvement Fund	Conservation Trust Fund	Sidewalk Fund	Space to Create Fund	Total Non-Major Governmental Funds
Revenues					
Taxes	\$ 6,750	\$ 9,006	\$ -	\$ -	\$ 15,756
Fees and fines	27,000	-	30,745	-	57,745
Grants	-	-	-	-	-
Miscellaneous	-	15	-	-	15
Total revenues	33,750	9,021	30,745	-	73,516
Expenditures					
Current					
General government	-	-	-	13,165	13,165
Public works	-	-	555	-	555
Culture and recreation	-	100	-	-	100
Capital projects	-	-	-	-	-
Total expenditures	-	100	555	13,165	13,820
Revenues in excess (deficiency) of expenditures	33,750	8,921	30,190	(13,165)	59,696
Other Financing Sources (Uses)					
Transfers in	54,150	-	-	-	54,150
Total other financing sources (uses)	54,150	-	-	-	54,150
Revenues and other sources in excess (deficiency) of expenditures and other sources (uses)	87,900	8,921	30,190	(13,165)	113,846
Fund balance, beginning	53,877	8,311	2,852	13,165	78,205
Fund balance, ending	\$ 141,777	\$ 17,232	\$ 33,042	\$ -	\$ 192,051

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sales tax	\$ 210,290	\$ 210,290	\$ 235,598	\$ 25,308
Miscellaneous	7,650	7,650	7,650	-
Total revenues	<u>217,940</u>	<u>217,940</u>	<u>243,248</u>	<u>25,308</u>
Expenditures				
Capital outlay	<u>309,353</u>	<u>309,353</u>	<u>119,108</u>	<u>190,245</u>
Total expenditures	<u>309,353</u>	<u>309,353</u>	<u>119,108</u>	<u>190,245</u>
Other financing uses				
Transfers (out)	<u>(177,173)</u>	<u>(177,173)</u>	<u>-</u>	<u>177,173</u>
Net change in fund balance	<u>\$ (268,586)</u>	<u>\$ (268,586)</u>	<u>\$ 124,140</u>	<u>\$ 392,726</u>

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Grants	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
General government	<u>(13,164)</u>	<u>(13,164)</u>	<u>13,165</u>	<u>(26,329)</u>
Total expenditures	<u>(13,164)</u>	<u>(13,164)</u>	<u>13,165</u>	<u>(26,329)</u>
Net change in fund balance	<u>\$ 13,164</u>	<u>\$ 13,164</u>	<u>\$ (13,165)</u>	<u>\$ (26,329)</u>

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sidewalk revenue	\$ 31,034	\$ 31,034	\$ 30,745	\$ (289)
Expenditures				
Repairs and maintenance	31,034	31,034	555	30,479
Total expenditures	31,034	31,034	555	30,479
Net change in fund balance	\$ -	\$ -	\$ 30,190	\$ 30,190

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Lottery	\$ 7,492	\$ 7,492	\$ 9,006	\$ 1,514
Interest income	3	3	15	12
Total revenues	<u>7,495</u>	<u>7,495</u>	<u>9,021</u>	<u>1,526</u>
Expenditures				
Parks	<u>13,833</u>	<u>13,833</u>	<u>100</u>	<u>13,733</u>
Revenues in excess (deficiency) of expenditures	<u>(6,338)</u>	<u>(6,338)</u>	<u>8,921</u>	<u>15,259</u>
Net change in fund balance	<u>\$ (6,338)</u>	<u>\$ (6,338)</u>	<u>\$ 8,921</u>	<u>\$ 15,259</u>

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Highway users tax	\$ -	\$ -	\$ 6,750	\$ 6,750
Fees	25,000	25,000	27,000	2,000
Total revenues	25,000	25,000	33,750	8,750
Expenditures				
Capital outlay	315,000	315,000	-	315,000
Total expenditures	315,000	315,000	-	315,000
Revenues in excess (deficiency) of expenditures	(290,000)	(290,000)	33,750	323,750
Other Financing Sources (Uses)				
Transfers in	238,995	238,995	54,150	(184,845)
Net change to fund balance	<u>\$ (51,005)</u>	<u>\$ (51,005)</u>	<u>\$ 87,900</u>	<u>\$ 138,905</u>

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Water charges	\$ 1,193,494	\$ 1,193,494	\$ 965,446	\$ (228,048)
Water taps	-	-	5,500	5,500
Sales and service	4,500	4,500	9,200	4,700
Water tank	5,400	5,400	6,595	1,195
Standby tap fees	56,484	56,484	54,574	(1,910)
Penalties	1,000	1,000	50	(950)
Rents	1,000	1,000	1,000	-
Grants	-	-	9,896	9,896
Miscellaneous revenue	-	-	1,429	1,429
Total revenues	<u>1,261,878</u>	<u>1,261,878</u>	<u>1,053,690</u>	<u>(208,188)</u>
Expenditures				
Salaries and wages	143,518	143,518	141,601	1,917
Employee benefits	61,301	61,301	46,962	14,339
John Norris retirement	20,160	20,160	20,160	-
Supplies	11,270	11,270	20,976	(9,706)
Legal and engineering	500	500	43,673	(43,173)
Repairs and maintenance	194,656	194,656	49,331	145,325
Professional fees	11,000	11,000	11,000	-
Telephone	4,200	4,200	5,053	(853)
Postage	3,925	3,925	5,468	(1,543)
Travel and meetings	1,957	1,957	1,840	117
Insurance and bonds	23,508	23,508	24,873	(1,365)
Utilities	27,325	27,325	28,880	(1,555)
Vehicle expense	6,219	6,219	18,303	(12,084)
Dues and subscriptions	1,855	1,855	24,998	(23,143)
Shop expense	3,305	3,305	5,921	(2,616)
Miscellaneous	14,045	14,045	23,026	(8,981)
Fees and permits	11,661	11,661	17,372	(5,711)
WPA loan	191,222	191,222	173,838	17,384
Drinking water revolving funds	24,054	24,054	23,343	711
Capital projects	150,000	150,000	-	150,000
Depreciation expense	318,698	318,698	331,052	(12,354)
Debt service, debt principal	-	-	(151,795)	151,795
Total expenditures	<u>1,224,379</u>	<u>1,224,379</u>	<u>865,875</u>	<u>358,504</u>
Other Financing Sources (Uses)				
Transfers (out)	<u>(37,499)</u>	<u>(37,499)</u>	<u>(33,660)</u>	<u>3,839</u>
Total other financing sources (uses)	<u>(37,499)</u>	<u>(37,499)</u>	<u>(33,660)</u>	<u>3,839</u>
Change in net position	-	-	154,155	154,155
Beginning net position, GAAP basis	<u>5,938,021</u>	<u>5,938,021</u>	<u>5,938,021</u>	<u>-</u>
Ending net position, GAAP basis	<u>\$ 5,938,021</u>	<u>\$ 5,938,021</u>	<u>6,092,176</u>	<u>\$ 154,155</u>
Adjustments for capital assets and debt			<u>(5,481,388)</u>	
Available working capital			<u>\$ 610,788</u>	

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sewer charges	\$ 537,996	\$ 537,996	\$ 530,967	\$ (7,029)
Sewer taps	15,000	15,000	4,500	(10,500)
Interest	4,600	4,600	452	(4,148)
Total revenues	<u>557,596</u>	<u>557,596</u>	<u>535,919</u>	<u>(21,677)</u>
Expenditures				
Salaries and wages	121,786	121,786	120,936	850
Employee benefits	50,425	50,425	37,875	12,550
Supplies	9,029	9,029	13,040	(4,011)
Repairs and maintenance	48,862	48,862	41,588	7,274
Professional fees	4,500	4,500	4,500	-
Telephone	1,681	1,681	1,863	(182)
Postage	2,250	2,250	2,857	(607)
Travel and meetings	2,307	2,307	1,090	1,217
Insurance and bonds	8,816	8,816	9,131	(315)
Utilities	35,151	35,151	33,593	1,558
Vehicle expense	6,397	6,397	18,214	(11,817)
Fees and permits	7,319	7,319	7,179	140
Debt service payments	107,983	107,983	46,451	61,532
Gauging station	4,089	4,089	5,360	(1,271)
Depreciation	107,622	107,622	109,012	(1,390)
Capital outlay	-	-	-	-
Miscellaneous	22,789	22,789	27,979	(5,190)
Total expenditures	<u>541,006</u>	<u>541,006</u>	<u>480,668</u>	<u>60,338</u>
Other Financing Sources (Uses)				
Transfers (out)	(16,590)	(16,590)	(18,929)	(2,339)
Total other financing sources (uses)	<u>(16,590)</u>	<u>(16,590)</u>	<u>(18,929)</u>	<u>(2,339)</u>
Change in net position	-	-	36,322	36,322
Beginning net position, GAAP basis	3,792,477	3,792,477	3,792,477	-
Ending net position, GAAP basis	<u>\$ 3,792,477</u>	<u>\$ 3,792,477</u>	<u>3,828,799</u>	<u>\$ 36,322</u>
Adjustments for capital assets and debt			(2,522,500)	
Available working capital			<u>\$ 1,306,299</u>	

Town of Paonia, Colorado

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

Year Ended December 31, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Garbage charges	\$ 259,072	\$ 260,704	\$ 1,632
Expenditures			
Salaries and wages	118,367	118,410	(43)
Employee benefits	50,118	41,259	8,859
Supplies	1,347	1,122	225
Repairs and maintenance	106	-	106
Legal and engineering	4,500	4,500	-
Telephone	543	777	(234)
Postage	876	1,791	(915)
Insurance and bonds	4,985	5,795	(810)
Utilities	1,576	2,322	(746)
Vehicle expense	7,929	15,503	(7,574)
Landfill fees	37,868	38,981	(1,113)
Miscellaneous	5,478	8,399	(2,921)
Depreciation	17,646	17,646	-
Capital outlay	-	-	-
Total expenditures	<u>251,339</u>	<u>256,505</u>	<u>(5,166)</u>
Other Financing Sources (Uses)			
Transfers (out)	(7,733)	(9,561)	(1,828)
Total other financing sources (uses)	<u>(7,733)</u>	<u>(9,561)</u>	<u>(1,828)</u>
Change in net position	-	(5,362)	(5,362)
Beginning net position, GAAP basis	283,300	283,300	-
Ending net position, GAAP basis	<u>\$ 283,300</u>	<u>277,938</u>	<u>\$ (5,362)</u>
Adjustments for capital assets		135,286	
Available working capital		<u>\$ 142,652</u>	



COLORADO
Department of Transportation

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

Annual Highway Finance Report - CY21

Email address: finance@townofpaonia.com

City/County: Paonia

Receipts, Disbursements & Costs

II - Receipts for Road & Street Purposes

A. Receipts from local sources

2. General Fund Appropriations:	\$	40,000.00
3. Other local imposts: <i>from A.3. 'Total' below</i>	\$	546,972.00
4. Miscellaneous local receipts: <i>from A.4. 'Total' below</i>	\$	22,245.00
5. Transfers from toll facilities	\$	0.00
6. Proceeds of sale of bonds and notes		
a. Bonds - Original Issues:	\$	0.00
b. Bonds - Refunding Issues:	\$	0.00
c. Notes:	\$	0.00

SubTotal: \$ 609,217.00

B. Private Contributions \$ 0.00

Receipts, Disbursements & Costs

II - Receipts for Road & Street Purposes (Detail)

A.3. Other local imposts

a. Property Taxes & Assessments	\$	8,057.00
b. Other Local Imposts		
1. Sales Taxes:	\$	375,669.00
2. Infrastructure and Impact Fees:	\$	112,596.00
3. Liens:	\$	0.00
4. Licenses:	\$	27,000.00
5. Specific Ownership and/or Other:	\$	23,650.00
Total: (a + b) carried to 'Other local imposts' above	\$	546,972.00

A.4. Miscellaneous local receipts

a. Interest on Investments:	\$	283.00
b. Traffic fines and Penalties:	\$	18,541.00
c. Parking Garage Fees:	\$	0.00
d. Parking Meter Fees:	\$	0.00
e. Sale of Surplus Property:	\$	0.00
f. Charges for Services:	\$	1,610.00
g. Other Misc. Receipts:	\$	1,811.00
h. Other:	\$	0.00
Total: (a through h) carried to 'Misc local receipts' above	\$	22,245.00

C. Receipts from State Government

1. Highway User Taxes:	\$	53,719.00
3. Other State funds:		
c. Motor Vehicle Registrations:	\$	6,702.00
d. Other (Specify):		
Comments: undefined	\$	0.00
e. Other (Specify):		
Comments: undefined	\$	0.00
Total: (1+3c,d,e)	\$	60,421.00

D. Receipts from Federal Government

2. Other Federal Agencies		
a. Forest Service:	\$	0.00

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

Receipts, Disbursements & Costs

III - Disbursements for Road & Street Purposes

A. Local highway disbursements

1. Capital outlay: <i>(from A.1.d. 'Total Capital Outlay' below)</i>	\$	230,147.00
2. Maintenance:	\$	0.00
3. Road and street services		
a. Traffic control operations:	\$	101,809.00
b. Snow and ice removal:	\$	5,511.00
c. Other:	\$	0.00
4. General administration and miscellaneous	\$	0.00
5. Highway law enforcement and safety	\$	0.00
Total: (A.1-5)	\$	337,467.00

B. Debt service on local obligations

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

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

Total Disbursements: *(A+B+C+D)* \$ 337,467.00

Receipts, Disbursements & Costs

III - Disbursements for Road & Street Purposes - (Detail)

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
A.1. Capital Outlay			
a. Right-Of-Way Costs:	\$ 0.00	\$ 0.00	\$ 0.00
b. Engineering Costs:	\$ 0.00	\$ 0.00	\$ 0.00
c. Construction			
1. New Facilities:	\$ 0.00	\$ 0.00	\$ 0.00
2. Capacity Improvements:	\$ 0.00	\$ 75,103.00	\$ 75,103.00
3. System Preservation:	\$ 0.00	\$ 155,044.00	\$ 155,044.00
4. System Enhancement:	\$ 0.00	\$ 0.00	\$ 0.00
5. Total Construction:			\$ 230,147.00
d. Total Capital Outlay: <i>(Lines A.1.a. + 1.b. + 1.c.5)</i>			\$ 230,147.00

Receipts, Disbursements & Costs

IV. Local Highway Debt Status

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

Receipts, Disbursements & Costs

V - Local Road & Street Fund Balance

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
\$ 693,919.00	\$ 669,638.00	\$ 337,467.00	\$ 1,026,090.00	\$ 0.00

Notes and Comments:

undefined

Please enter your name:

Please provide a telephone number where you may be reached:

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



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FORM FHWA-536e (Version 8.00) - CY21

OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)

Town of Paonia, Colorado

OLD PENSION PLAN

For the Year Ended December 31, 2021

The Town has a closed pension plan with one former employee included in the estimated liability. The last actuarial valuation performed on the plan was December 31, 2012, using future projected cash flow discounted by a yield curve rate utilizing expected mortality rates. The actuarial assumptions included a 3.5% interest rate. The Town is contributing annually an amount equal to the required contribution determined by the actuarial valuation. The Town pays the required yearly contribution of \$20,160 out of the Water Fund. Based on the actuarial valuation and the yearly payments made, the estimated remaining liability due on the plan is \$125,162.