

TOWN OF PAONIA, COLORADO

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

June 19, 2020

To the Board of Trustees
Town of Paonia, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paonia, Colorado, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paonia, Colorado, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the



Board of Trustees
Town of Paonia, Colorado

year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–10 and 46–51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Paonia, Colorado's basic financial statements. The combining and individual nonmajor fund financial statements, the budget to actual schedules for the non-major governmental funds and the proprietary funds, and the Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budget to actual schedules for the non-major governmental funds and the proprietary funds, and the Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Old Pension Plan information on page 66 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

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

TOWN OF PAONIA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended December 31, 2019

As management of the Town of Paonia, we offer readers of the Town of Paonia Financial Statements this narrative overview and analysis of the financial activities and performance of the Town of Paonia for Fiscal Year ended December 31, 2019.

INTRODUCTION

The Town operates under a Mayor - Town Board form of government with a contract Town Administrator. The Town Board provides strategic leadership, goal setting and policy-making authority, and employs the Town Administrator who is responsible for the day-to-day management, financial and technical support to ensure equitable, efficient and effective implementation of government services to our citizens. As of August 2019, the board elected to create a dual role of Town Administrator/Town Clerk until the new Board is seated and determines further action regarding the two roles.

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

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

HIGHLIGHTS AND NOTABLE FINANCIAL STATEMENT COMPARISONS OF 2018 TO 2019:

1. Change in cash position has increased from 2018 to 2019 for Governmental Activities and Business-Type Activities for a total of \$2,504,457, with a total increase of \$277,098.
2. Change in net capital fixed assets has increased from 2018 to 2019 for Governmental Activities and Business-Type Activities for a total of \$15,917,570, with a total increase of \$126,018.
3. Long-Term Liabilities for Governmental Activities and Business-Type Activities decreased by \$205,840.
4. Governmental Funds Tax revenue increased from 2018 to 2019 totaling \$855,104, with a total increase of \$185,810.
5. Governmental Funds Intergovernmental revenue increased from 2018 to 2019 by \$35,630.
6. Governmental Funds Other revenue increased from 2018 to 2019 by \$81,427.
7. Governmental Funds Expenditures increased by \$24,636.
8. Governmental Funds Fund Balance increased by \$284,640.
9. Enterprise Funds revenue decreased from 2018 to 2019 by a total of \$4,090.
10. Enterprise Funds expenditures decreased from 2018 to 2019 by a total of \$286,170.
11. Enterprise Funds Net Position increased in 2019 by \$64,836.

For the Fiscal Year Adopted 2019 Budget, the Town Board for the Town of Paonia focused on several minor projects which are highlighted below including the current status:

1. Acquire an Intern to assist with the update of the Master Plan.
An intern was put in place 6/10/19 and the master planning process started with two public meetings that were held in 2019 regarding Housing, Utilities, Economic Development, Transportation and Community Sustainability.

2. Annexation
Investigation and preliminary actions were taken toward several road annexations but have been continued to 2020.
3. Signage Project
The town donated \$2,500 for the signage program.
4. Host 2019 Rural Philanthropy Days
The town successfully hosted 2019 Philanthropy Days with 391 participants.
5. Building Code Update
Building Code update started and will be sent to the Planning Committee for review in 2020.
6. Purchase marijuana enforcement equipment
A drone was purchased with grant funds in 2019.
7. Victims Advocate
The town assumed the responsibility to ensure that the advocates are provided cell phones @ \$70.00 per month.
8. School Resource Officer
The town promoted Taffine Patterson to SRO for the 2019 school year. This has been a successful program.
9. Arbor Day/Tree City USA
The Town of Paonia has celebrated Arbor Day the last several years and has maintained its status in 2019 as a designated Tree City USA.
10. Tree Board
The tree board has been established and is meeting regularly.
11. Poulos Park
The Town started the Poulos Park upgrade using the AARP Grant Funds for the first phase.
12. Parks Recreation and Trails Master Plan
This grant was not received until 2020.
13. 3% Impact fee
The 3% impact fee was implemented in 2019 for water, sewer, and trash.
14. Sewer line replacement/Storm drain addition at 2nd and Clark
Engineering was completed and construction began in 2019 totaling \$215,654.84. The project was completed in February 2020, except for the road work.
15. Space to Create continued planning phase.
The planning phase continued through 2019.
16. Town Hall Repairs
Audio and visual equipment for Council Meetings was installed.
17. (2) PD Vehicles
(2) 2018 Chevy Equinox were purchased from Hellman Motor and outfitted.
18. Replace Electric Car
The Electric Car was replaced from WENCO.
19. Street improvements
Street overlays were done on 2nd, 6th, and Orchard Avenue.
20. Water repair & maintenance priorities:
 - a. 1MG Tank
1MG Tank was placed online in 2019.
 - b. 3rd Street Loop
This project was postponed.
 - c. 300 Orchard
This project was postponed.
 - d. 2MG Tank lining
The 2MG tank liner was postponed for 2019 but will be inspected in 2020.

21. Sewer repairs & maintenance priorities

- a. Auto trash cleaner
This project was postponed.
- b. Manhole lining
This project was postponed.
- c. Slip lining
This project was postponed.
- d. Aerators
The purchase/replacement for new aerators was postponed. The Town did repair existing aerators.

Other projects completed that were not in the original 2019 budget but became a priority during the year:

22. Purchase of a new Trash Truck totaling \$176,460.00.
23. Miner Statue/ Park Entrance revitalization started in 2018 spending \$37,357.68 continued in 2019 with the memorial wall installation spending an additional \$22,408.00. The balance of \$5,050.00 is due in 2020.
24. EHS Center Roof replacement was engineered, and construction began.
25. V-Pan at 1st & Dorris Ave and between North Fork and Orchard on 3rd were improved.
26. A handrailing was installed at the Minnesota Bridge.
27. Minor sidewalk improvements were completed on 3rd & Box Elder and 4th & Onarga which included tree removal.
28. Water equipment (Leak Detector and Line Locator) was purchased in 2019.
29. Spring line repairs totaling \$ 54,227.11.
30. Meter replacement project continued totaling \$34,243.74.
31. Water plant improvements totaled \$24,798.47.
32. 2019 Water Issue totaled \$48,053.50 not including man hours and donations.

OVERVIEW OF THE FISCAL YEAR 2019 FINANCIAL STATEMENTS

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

1. Governmental Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

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

Government-wide financial statements: The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Town'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 government's net assets

changed during the most recent Fiscal Year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

The Governmental Funds of the Town of Paonia include the:

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

The General Fund is used to provide for Administration, Building Permits, Public Safety, Streets, and Parks and Recreation services. The primary sources of revenues for the General Fund are:

1. Sales taxes (Town and Delta County),
2. Property taxes,
3. Franchise Taxes and
4. Intergovernmental revenues specifically Highway Users Tax.

2. **Conservation Trust Fund:** The Conservation Trust Fund is used to account for monies received by the Town from the State of Colorado lottery proceeds. These funds are restricted for use in the acquisition, development and maintenance of new park and conservation sites or for capital improvements and maintenance of any existing public site for recreational purposes.
3. **Sales Tax Capital Improvement Fund:** The Sales Tax Capital Improvement Fund is funded by 1% of the 3% Town Sales Tax and used to account for capital projects and purchases.
4. **Street Capital Improvement Fund:** The Street Capital Improvement fund was added in 2018 and is funded by 3% impact fees paid by the Water, Sewer and Trash Funds and is to be used for capital improvements (reconstruction and paving) to the roads.
5. **Bridge Fund:** The Bridge Fund is deferred revenue which was received from Delta County in January 2010 for the total of \$800,000 which by contract is amortized at \$40,000/year.
6. **Sidewalk Fund:** The Sidewalk Fund is funded through utility billing by a \$3.00 fee assessed monthly on in-Town properties only to be used to repair and replace existing sidewalks.
7. **Space-to-Create Fund:** In 2017, the Town received a grant from the Boettcher Foundation of \$35,000 to begin Space-to-Create project. Space-to-Create will advance a feasibility

analysis of creative sector workforce space in the Town of Paonia. The initiative began with a preliminary feasibility study and community engagement work, followed by 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.

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

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

In particular, **Unassigned Fund Balance** may serve as a useful measure of a government's net resources available for spending at the end of the Fiscal Year. Governmental fund statements are presented separately for revenue, expenditures, and changes in fund balances for the General Fund, Sales Tax Capital Improvement Fund, Street Capital Improvement Fund, Conservation Trust Fund, Sidewalk Fund and the Space to Create Fund. The General Fund and Sales Tax Capital Improvement Fund are considered major funds of the Town.

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

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

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

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

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

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

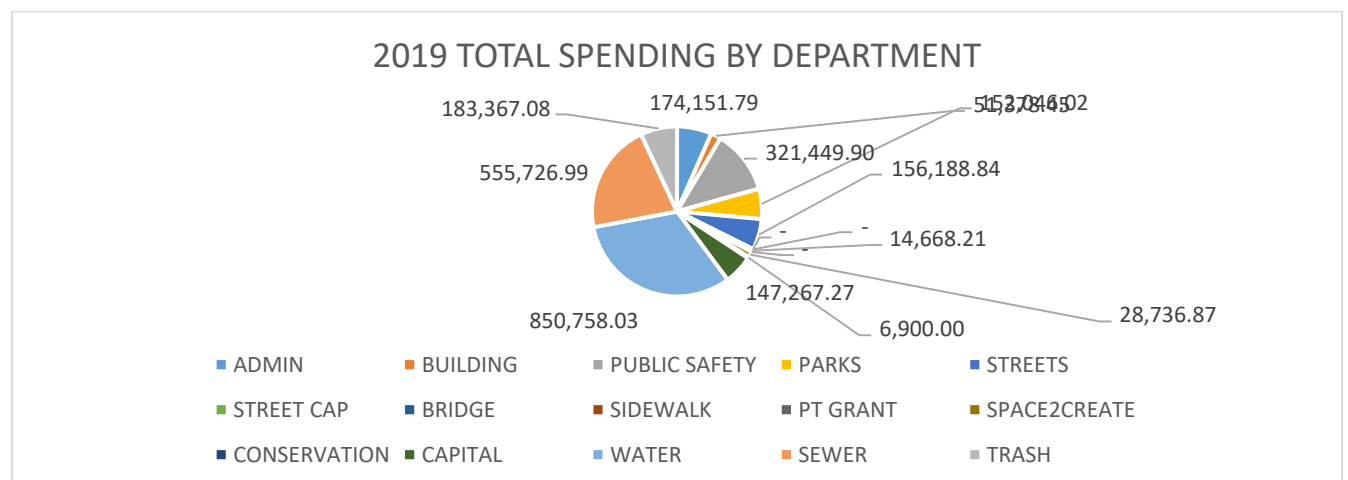
Sanitation (Trash) Fund: The Trash Fund is used to account for revenues and expenses associated with the collection and disposal of trash for In-Town residents and businesses. Charges for the service are the only revenue source for this activity.

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

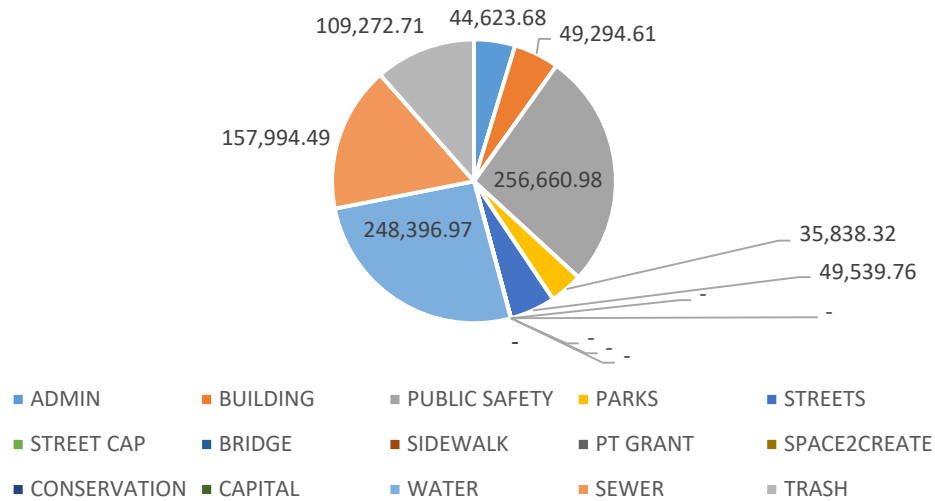
Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

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

FINANCIAL ANALYSIS FOR THE TOWN OF PAONIA AS A WHOLE



2019 TOTAL PAYROLL BY DEPARTMENT



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

The 2019 Fund Balances are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund	507,079	336,284	220,337	178,787	94,900
Sales Tax Capital Improvement Fund	338,150	296,990	354,942	338,969	270,325
Street Capital Improvement Fund	90,775	19,416	0	0	0
Conservation Trust Fund	1,317	0	18,905	14,941	10,902
Grant Project Fund	0	0	0	0	781,095
Sidewalk Fund	19,763	3,659	18,498	888	17,798
Space To Create Fund	<u>13,124</u>	<u>29,219</u>	<u>37,410</u>	<u>0</u>	<u>0</u>
Governmental Funds	970,208	685,568	650,092	533,585	1,175,020

The General Fund is the chief operating fund to the Town of Paonia. At the end of 2019, **Unassigned Fund Balance** of the General Fund is \$321,226.

The committed Bridge reserve is \$144,168 plus the Unearned revenue of \$440,000, totals \$584,168.

The restricted fund for the Airport Capital Improvement totals \$44,892 at the end of 2019.

Available Resources of the Enterprise Funds at the end of the Fiscal Year 2019 is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Water Fund	166,873	105,507	1,203,966	822,179	686,079
Sewer Fund	374,079	555,190	1,056,096	302,498	424,684
Trash Fund	112,419	248,637	208,538	256,376	162,291

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets are the Town of Paonia investments in capital assets for its governmental

and business-type activities as of December 31, 2019, which for this fiscal year amounts to \$15,917,570 (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 2019 included the a new Trash Truck (\$176,460.), Clark Sewer/Storm Drain project (\$215,654.85), Water Spring line improvements (\$54,227.11), Remote Meter Project (\$34,243.74), Water Plant improvements (\$24,798.47), (2) Police Vehicles Chevy Equinox (\$50,000.), EHS Center Roof replacement (\$43,440.), Miner Wall (\$22,408.), and Poulos Park Improvements (\$15,589.36).

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, 2019 was \$4,120,059. The Town of Paonia has no General Obligation debt.

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 2019 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.

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.

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

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Paonia finances for all those with an interest in the Town government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Finance 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/Town Clerk
Ross King, Town Treasurer
Cindy Jones, Finance Director

BASIC FINANCIAL STATEMENTS

Town of Paonia, Colorado

STATEMENT OF NET POSITION

December 31, 2019

	Governmental Activities	Business- Type Activities	Total
Assets			
Pooled cash and investments	\$ 804,319	\$ 483,509	\$ 1,287,828
Restricted cash and investments (Notes 5 and 10)	584,168	632,461	1,216,629
Property taxes receivable	133,063	-	133,063
Accounts receivable, net	12,681	109,984	122,665
Grants receivable	-	9,878	9,878
Due from other governments	62,527	-	62,527
Inventories	-	116,314	116,314
Capital assets (Note 12)			
Nondepreciable	246,481	834,157	1,080,638
Depreciable, net of accumulated depreciation	2,886,145	11,950,787	14,836,932
Total Assets	<u>4,729,384</u>	<u>14,137,090</u>	<u>18,866,474</u>
Deferred outflows of resources			
FPPA pension (Note 8)	110,994	-	110,994
Liabilities			
Accounts payable	34,240	54,484	88,724
Accrued payroll liabilities	19,247	-	19,247
Accrued interest payable	-	11,830	11,830
Unearned other revenue	440,000	-	440,000
FPPA net pension liability (Note 8)	23,648	-	23,648
Noncurrent liabilities:			
Due within one year (Note 6)	17,973	178,990	196,963
Due in more than one year (Note 6)	-	3,941,068	3,941,068
Total Liabilities	<u>535,108</u>	<u>4,186,372</u>	<u>4,721,480</u>
Deferred inflows of resources			
FPPA pension (Note 8)	1,160	-	1,160
Deferred property tax revenue	133,063	-	133,063
Total Deferred Inflows of Resources	<u>134,223</u>	<u>-</u>	<u>134,223</u>
Net position			
Net investment in capital assets	3,132,626	8,664,886	11,797,512
Restricted for:			
Emergencies (Note 3)	41,685	-	41,685
Airport capital improvements (Note 11)	44,892	-	44,892
Water utility maintenance (Note 6)	-	208,080	208,080
Debt service (Notes 6 and 10)	-	632,461	632,461
Unrestricted	951,845	445,291	1,397,136
Total Net Position	<u>\$ 4,171,048</u>	<u>\$ 9,950,718</u>	<u>\$ 14,121,766</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

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	\$ 319,313	\$ 42,462	\$ -	\$ 35,000	\$ (241,851)	\$ -
Public safety	337,646	51,461	18,859	-	(267,326)	-
Public works	151,866	30,773	46,504	-	(74,589)	-
Culture and recreation	178,190	-	63,696	12,453	(102,041)	-
Total government activities	987,015	124,696	129,059	47,453	(685,807)	-
Business-type Activities						
Water operations	834,629	819,925	-	-	-	(14,704)
Sewer operations	551,604	470,802	-	25,997	-	(54,805)
Trash	186,873	217,726	-	-	-	30,853
Total business-type activities	1,573,106	1,508,453	-	25,997	-	(38,656)
Total primary government	<u>\$ 2,560,121</u>	<u>\$ 1,633,149</u>	<u>\$ 129,059</u>	<u>\$ 73,450</u>	<u>(685,807)</u>	<u>(38,656)</u>
General Revenues:						
Property taxes					101,557	-
Specific ownership taxes					18,678	-
Sales taxes					724,941	-
Franchise taxes					58,971	-
Miscellaneous					45,744	-
Severance tax					10,721	-
Mineral leasing					6,580	-
Investment earnings					24,171	14,737
Gain on sale of asset					-	105,500
Transfers					16,745	(16,745)
Total general revenues					<u>1,008,108</u>	<u>103,492</u>
Total change in net position					322,301	64,836
Beginning net position					3,848,747	9,885,882
					<u>\$ 4,171,048</u>	<u>\$ 9,950,718</u>
						<u>\$ 14,121,766</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

BALANCE SHEET- GOVERNMENTAL FUNDS

December 31, 2019

	General Fund	Sales Tax Capital Improvement Fund	Total Nonmajor Funds	Total
Assets				
Pooled cash and investments	\$ 300,403	\$ 321,970	\$ 181,946	\$ 804,319
Restricted cash and investments	584,168	-	-	584,168
Taxes receivable	133,063	-	-	133,063
Due from other governments	46,347	16,180	-	62,527
Due from other funds	59,575	-	-	59,575
Accounts receivable	10,073	-	2,608	12,681
Total assets	1,133,629	338,150	184,554	1,656,333
Liabilities				
Accounts payable	34,240	-	-	34,240
Accrued payroll liabilities	19,247	-	-	19,247
Due to other funds	-	-	59,575	59,575
Unearned revenue bridge agreement	440,000	-	-	440,000
Total liabilities	493,487	-	59,575	553,062
Deferred Inflows of Resources				
Deferred property taxes	133,063	-	-	133,063
Fund Balance				
Restricted				
Reserve for emergencies	41,685	-	-	41,685
Conservation	-	-	1,317	1,317
Airport capital improvements	-	44,892	-	44,892
Committed				
Bridge reserve	144,168	-	-	144,168
Capital acquisition	-	293,258	-	293,258
Sidewalk improvement	-	-	19,763	19,763
Street improvement	-	-	90,775	90,775
Space to create	-	-	13,124	13,124
Unassigned	321,226	-	-	321,226
Total fund balance	\$ 507,079	\$ 338,150	\$ 124,979	\$ 970,208

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, 2019

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

Total fund balance - governmental funds		\$ 970,208
Capital assets used in governmental activities are no current financial resources and therefore, are not reported in the funds		
Governmental capital assets	\$ 5,107,962	
Less: Accumulated depreciation	<u>(1,975,336)</u>	
		3,132,626
Net pension assets are not current assets available to cover current year expenditures and, therefore, are not reported as assets in the governmental funds.		(23,648)
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.		110,994
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.		(1,160)
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>(17,973)</u>	<u>(17,973)</u>
Total governmental activities net assets		<u>\$ 4,171,047</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, 2019

	General Fund	Sales Tax Capital Improvement Fund	Nonmajor Fund	Total
Revenues				
Taxes	\$ 639,595	\$ 180,778	\$ 34,731	\$ 855,104
Fees and fines	60,130	-	30,772	90,902
Licenses and permits	42,190	-	-	42,190
Intergovernmental	146,179	-	12,454	158,633
Interest income	23,975	-	-	23,975
Miscellaneous	113,942	7,650	196	121,788
Total revenues	1,026,011	188,428	78,153	1,292,592
Expenditures				
Current				
General government	225,531	-	28,737	254,268
Public safety	321,449	-	-	321,449
Public works	144,187	-	7,682	151,869
Culture and recreation	152,046	-	6,900	158,946
Capital outlay	12,003	119,176	6,986	138,165
Total expenditures	855,216	119,176	50,305	1,024,697
Revenues in excess (deficiency) of expenditures	170,795	69,252	27,848	267,895
Other financing sources (uses)				
Transfers in (out)	-	(28,092)	44,837	16,745
Total other financing sources (uses)	-	(28,092)	44,837	16,745
Revenues and other sources in excess (deficiency) of expenditures and other (uses)	170,795	41,160	72,685	284,640
Fund balance, beginning	336,284	296,990	52,294	685,568
Fund balance, ending	\$ 507,079	\$ 338,150	\$ 124,979	\$ 970,208

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, 2019

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

Net change in fund balances - total governmental funds	\$ 284,640
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital assets current additions	\$ 182,795	
Depreciation expense	<u>(157,165)</u>	
Excess of capital outlay over depreciation		25,630

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.

9,001

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.

3,030

Changes in Net Position of Governmental Funds

\$ 322,301

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF NET POSITION
ENTERPRISE FUNDS

December 31, 2019

	Water	Sewer	Trash	Total
Assets				
Current Assets				
Pooled cash and investments	\$ 18,896	\$ 366,769	\$ 97,844	\$ 483,509
Restricted cash and investments	-	632,461	-	632,461
Accounts receivable, net	61,786	29,995	18,203	109,984
Grants receivable	-	9,878	-	9,878
Inventories	110,030	6,284	-	116,314
Total current assets	190,712	1,045,387	116,047	1,352,146
Capital Assets				
Land and improvements	269,777	564,380	-	834,157
Utility system	11,643,375	5,321,495	-	16,964,870
Equipment and furniture	201,814	99,060	289,018	589,892
Less accumulated depreciation	(3,841,468)	(1,644,067)	(118,440)	(5,603,975)
Net capital assets	8,273,498	4,340,868	170,578	12,784,944
Total Assets	8,464,210	5,386,255	286,625	14,137,090
Liabilities				
Current Liabilities				
Accounts payable	12,009	38,847	3,628	54,484
Accrued interest payable	11,830	-	-	11,830
Current portion of long-term debt	148,544	30,446	-	178,990
Total current liabilities	172,383	69,293	3,628	245,304
Long-term Liabilities				
Notes payable	2,407,793	1,533,275	-	3,941,068
Total long-term liabilities	2,407,793	1,533,275	-	3,941,068
Total liabilities	2,580,176	1,602,568	3,628	4,186,372
Net Position				
Net investment in capital assets	5,717,161	2,777,147	170,578	8,664,886
Restricted for debt service	-	632,461	-	632,461
Restricted for water maintenance	208,080	-	-	208,080
Unrestricted	(41,207)	374,079	112,419	445,291
Total net position	\$ 5,884,034	\$ 3,783,687	\$ 282,997	\$ 9,950,718

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, 2019

	Water	Sewer	Trash	Total
Operating Revenues				
Charges for services	\$ 819,925	\$ 470,802	\$ 217,726	\$ 1,508,453
Total operating revenues	819,925	470,802	217,726	1,508,453
Operating Expenses				
Personnel expenses	248,397	157,995	109,271	515,663
Contractual services	-	-	34,842	34,842
Professional fees	13,079	62,782	3,525	79,386
Utilities	29,321	36,273	2,451	68,045
Repairs and maintenance	132,108	110,829	12,035	254,972
Other supplies and expense	48,701	30,951	14,888	94,540
Insurance claims and expense	20,586	6,995	3,979	31,560
Depreciation	311,327	102,115	5,882	419,324
Total operating expenses	803,519	507,940	186,873	1,498,332
Net income (loss) from operations	16,406	(37,138)	30,853	10,121
Nonoperating Revenues (Expenses)				
Grants	-	25,997	-	25,997
Interest income	-	14,737	-	14,737
Interest expense	(31,110)	(43,664)	-	(74,774)
Total non-operating revenues (expenses)	(31,110)	(2,930)	-	(34,040)
Net income (loss) before capital contributions and transfers	(14,704)	(40,068)	30,853	(23,919)
Capital contributions - tap fees	57,000	48,500	-	105,500
Transfers in (out)	(16,128)	(4,124)	3,507	(16,745)
Change in net position	26,168	4,308	34,360	64,836
Net position, beginning	5,857,866	3,779,379	248,637	9,885,882
Net position, ending	\$ 5,884,034	\$ 3,783,687	\$ 282,997	\$ 9,950,718

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

Year Ended December 31, 2019

	Water	Sewer	Trash	Total
Cash flows from operating activities:				
Charges for sales and services	\$ 887,618	\$ 525,563	\$ 218,677	\$ 1,631,858
Payments to employees	(248,397)	(157,995)	(109,271)	(515,663)
Payments to suppliers	(212,004)	(248,874)	(71,262)	(532,140)
Net cash provided by operating activities	427,217	118,694	38,144	584,055
Cash flows from non-capital financing activities:				
Due (to) from other funds	(316,540)	-	-	(316,540)
Transfers from (to) other funds	(16,128)	(4,124)	3,507	(16,745)
Net cash provided (used) by non-capital financing activities	(332,668)	(4,124)	3,507	(333,285)
Cash flows from capital and related financing activities				
Grant revenues	239,603	16,119	-	255,722
Acquisition of capital assets	(127,585)	(215,647)	(176,460)	(519,692)
Principal paid on loans and leases	(148,545)	(57,296)	-	(205,841)
Interest expense	(39,126)	(43,664)	-	(82,790)
Proceeds from tap fees	-	48,500	-	48,500
Net cash provided (used) by capital and related financing activities	(75,653)	(251,988)	(176,460)	(504,101)
Cash flows from investing activities				
Investment income	-	14,737	-	14,737
Net cash provided (used) by investing activities	-	14,737	-	14,737
Net increase (decrease) in cash and cash equivalents	18,896	(122,681)	(134,809)	(238,594)
Cash at beginning of year	-	1,121,911	232,653	1,354,564
Cash at end of year	\$ 18,896	\$ 999,230	\$ 97,844	\$ 1,115,970

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

Year Ended December 31, 2019

	Water	Sewer	Trash	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 73,400	\$ (37,138)	\$ 30,853	\$ 67,115
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	311,327	102,115	5,882	419,324
(Increase) decrease in accounts receivable	10,699	19,671	951	31,321
Increase (decrease) in accounts payable	9,641	35,090	458	45,189
Increase (decrease) in inventory	22,150	(1,044)	-	21,106
Total adjustments	353,817	155,832	7,291	516,940
Net cash provided by operating activities	<u>\$ 427,217</u>	<u>\$ 118,694</u>	<u>\$ 38,144</u>	<u>\$ 584,055</u>
Reconciliation of cash flow statement to statement of net position				
Cash	\$ 18,896	\$ 366,769	\$ 97,844	\$ 483,509
Restricted cash and investments	-	632,461	-	632,461
	<u>\$ 18,896</u>	<u>\$ 999,230</u>	<u>\$ 97,844</u>	<u>\$ 1,115,970</u>

The accompanying notes are an integral part of this statement.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Town's significant accounting policies are described below:

Financial Reporting Entity

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

Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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

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

The Town reports the following major governmental funds:

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

The following funds are considered nonmajor governmental funds:

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

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

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

Measurement Focus & Basis of Accounting

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

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

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

Cash and Cash Equivalents

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

Fair Value Measurement

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Inventory

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

Capital Assets

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

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

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

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

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

Interfund Transactions

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Long-Term Liabilities

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

Net Position

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

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Police Officers Pension Plan

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

Fund Balances

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

- Nonspendable Fund Balance: amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted Fund Balance: amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed Fund Balance: amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. The Town Council 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 Town Council has provided otherwise in its commitment or assignment actions.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Property Tax

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

Use of Estimates

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

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

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

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

NOTE 3 – TAX, SPENDING, AND DEBT LIMITATIONS

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

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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, 2019 was \$29,500.

NOTE 4 - BUDGETS

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

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

NOTE 5 – DEPOSITS AND INVESTMENTS

Cash Deposits

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

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

Cash and investments	
Cash on hand	\$ 225
Cash with County Treasurer	2,286
Bank deposits	244,736
Certificates of deposit	452,376
Colostrust	<u>1,804,834</u>
 Total	 <u>\$ 2,504,457</u>
 Cash and investments in the statement of net position	
Pooled cash and investments	\$ 1,287,828
Restricted cash and investments	<u>1,216,629</u>
 Total	 <u>\$ 2,504,457</u>

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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, 2019, the bank balance of the Town's deposits was \$769,948, of which \$250,000 was covered by federal depository insurance and \$519,948 was collateralized under PDPA.

Investments

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

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

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

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

The Town's investment maturities at December 31, 2019 are as follows:

Investment by Type	Rating	Investment maturities		Total
		Less than One Year	One ot Five Year	
Certificates of Deposit	Unrated	\$ 452,376	\$ -	\$ 452,376
COLOTRUST		1,804,834	-	1,804,834
Total		<u>\$ 2,257,210</u>	<u>\$ -</u>	<u>\$2,257,210</u>

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

The Town invested \$1,804,834 in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities Commission administers and enforces all state statutes governing public investment pools. The investment is an external investment pool that reports at the fair value per share of the pool's underlying portfolio. The unit of account is each share held, and the value of the position is the fair value of the pool's share price multiplied by the number of shares held. For pricing and redeeming shares, COLOTRUST maintains a stable net asset value (NAV) of \$1 per share, which approximates fair value. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables and payables. All COLOTRUST investments are reported at NAV and do not have any unfunded commitments, redemption restrictions or redemption notice periods. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, which are both rated AAAM by Standard & Poor's. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Financial statements and information about the pool for COLOTRUST may be obtained through its website at www.colotrust.com. COLOTRUST may, without the necessity of a formal meeting of their Board, temporarily suspend the right of redemption or postpone the date of payment for redeemed shares under certain specific conditions described in their trust indenture and during any financial emergency when it is not reasonably practicable because of substantial losses which might be incurred.

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Government-wide Activities					
Compensated absences	\$ 20,982	\$ -	\$ 3,009	\$ 17,973	\$ 17,973
Total	<u>\$ 20,982</u>	<u>\$ -</u>	<u>\$ 3,009</u>	<u>\$ 17,973</u>	<u>\$ 17,973</u>
Business-type Activities					
RUS Loan	\$ 1,621,018	\$ -	\$ 57,296	\$ 1,563,722	\$ 38,290
Loan - WPA	2,462,084	-	127,807	2,334,277	128,838
Premium - WPA	19,780	-	1,211	18,569	1,211
Loan - CWRPDA	<u>223,017</u>	<u>-</u>	<u>19,526</u>	<u>203,491</u>	<u>19,869</u>
Total	<u>\$ 4,325,899</u>	<u>\$ -</u>	<u>\$ 205,840</u>	<u>\$ 4,120,059</u>	<u>\$ 188,208</u>

RUS Loan Payable

The Town has an obligation to the U.S. Department of Agriculture's Rural Utilities Service (RUS), bearing interest at 4.375%. The bonds are payable in semi-annual installments of \$50,521, including interest, and are collateralized by the sewer system's pledged revenues through 2046, which is approximately \$3,250,000. Pledged revenues received amounted to \$101,042 during the year. The proportion of the pledged revenue to total sewer revenue is not estimable because annual total fees collected fluctuate. The purpose of the bonds was for construction improvements to the wastewater treatment plant and collection system. Principal and interest payments for the years following December 31, 2019 are as follows:

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

RUS Loan Payable

	Principal	Interest	Total
2020	\$ 38,290	\$ 62,752	\$ 101,042
2021	34,065	66,977	101,042
2022	35,586	65,456	101,042
2023	37,174	63,868	101,042
2024	38,833	62,209	101,042
2025 - 2029	221,769	283,441	505,210
2030 - 2034	275,887	229,323	505,210
2035 - 2039	343,210	162,000	505,210
2040 - 2044	426,962	78,248	505,210
2045 - 2046	111,945	4,208	116,153
Total	<u>\$ 1,563,721</u>	<u>\$ 1,078,482</u>	<u>\$ 2,642,203</u>

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

CWRPDA Loan

The Town has a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA), which originally enabled the Town to borrow up to \$448,200 at 1.75% interest annually, with payments of \$23,343 per year. The purpose of the loan was for upgrades to the lower water treatment plant. The project was completed in 2011, and the Town is no longer able to draw on the loan agreement. The Town pledged its net revenue from the operation of the water utility for repayment of the loan in the amount of approximately \$338,000 through 2029. Pledged revenues received during 2019 were \$23,343. The proportion of the pledged revenue to total related revenues is not estimable because annual total fees collected fluctuate. The Town is required to provide rates and charges in order to maintain coverage of 110% of the debt service due on the governmental agency bond coming due in each calendar year.

As of December 31, 2019, the Town borrowed \$395,969, of which the Town has made principal payments of \$192,478. Principal and interest payments for the years following December 31, 2019 are as follows:

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

	Principal	Interest	Total
2020	\$ 19,869	\$ 3,475	\$ 23,344
2021	20,218	3,125	23,343
2022	20,573	2,770	23,343
2023	20,935	2,408	23,343
2024	21,303	2,040	23,343
2025 - 2029	100,593	4,452	105,045
Total	\$ 203,491	\$ 18,270	\$ 221,761

WPA Loan

The Town has a Water Power Authority (WPA) loan agreement with CWRPDA for \$2,996,494 at 1.75% interest annually, with twice yearly payments ranging from about \$83,000 to \$91,000. The purpose of the loan is for improvements and the expansion of the existing water treatment facilities and distribution system. The Town pledged its net revenue from the operation of the water utility for repayment of the loan in the amount of approximately \$3,707,000 through 2035. Pledge revenues received during 2019 were \$146,907. The proportion of the pledged revenue to total related revenues is not estimable because annual total fees collected fluctuate. The Town is required to provide rates and charges in order to maintain coverage of 110% of the debt service due on the governmental agency bond coming due in each calendar year.

The loan balance includes a premium of \$25,431, which will be amortized over the life of the loan on a straight-line basis. Yearly amortization will be \$1,211. The remaining premium balance is \$18,569 as of December 31, 2019.

The agreement states that the Town must maintain an operation and maintenance reserve in an amount equal to three months of operating expense, excluding depreciation of the water utility system, as set forth in the annual budget. At no time should the budget reserve be greater than \$1,250,000. As of December 31, 2019, the Town's budgeted reserve was \$210,250.

Principal and interest payments for the years following December 31, 2019 are as follows:

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

	Principal	Interest	Total
2019	\$ 128,838	\$ 18,050	\$ 146,888
2020	129,869	17,000	146,869
2021	130,900	15,950	146,850
2022	132,276	14,900	147,176
2023	133,651	13,850	147,501
2024 - 2028	702,177	53,500	755,677
2029 - 2033	800,743	24,950	825,693
2034 - 2035	175,823	1,300	177,123
Total	\$ 2,334,277	\$ 159,500	\$ 2,493,777

Line of Credit

The Town had a \$200,000 working-capital line of credit with an interest rate of 1.55% and a maturity date of July 2020. As of December 31, 2019, 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 Mutual of Omaha. In May 2014, the Town changed its 401(b) plan through Dreyfus Company to a defined contribution 457(b) plan through Mutual of Omaha.

The Town contributes 5%, and there are no matching requirements for the employees. Total contributions in 2019, 2018 and 2017 were \$22,322, \$17,778, and \$18,363 respectively. The employees are 100% vested at all times and are eligible for the plan after the 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, a cost-sharing multi-employer defined benefit pension plan administered by FPPA. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Benefits Provided

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

The annual normal retirement benefit is 2% of the average of the member's highest 3 years' base salary for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to SWDB plan. Benefits paid to retired members are evaluated and may be predetermined every October 1. The amount of any increase is based on the Board's discretion and can range from 0% to the 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' base salary for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter.

Contributions

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

Members of SWDB plan and their employers are contributing at the rate of 10% and 8%, respectively, of base salary for a total contribution rate of 18% in 2018. In 2014, the members elected to increase the member contribution rate to SWDB plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8%, resulting in a combined contribution rate of 20% in 2022.

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 22% of base salary in 2018. It is a local decision as to whether the member or employer pays the additional 4% contribution. Per the 2014 member election, the reentry group could also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022, for a total combined member and employer contribution rate of 24% in 2022.

The contribution rate for members and employers of affiliated Social Security employers is 5% and 4%, respectively, of base salary for a total contribution rate of 9% in 2018. Per the 2014 member election, members

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

of the affiliate Social Security group will have their required contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of base salary. Employer contributions will remain at 4% resulting in a combined contribution rate of 10% in 2022.

Employer contributions are recognized by SWDB plan in the period in which the compensation becomes payable to the member, and the Town is statutorily committed to pay the contributions to SWDB plan. Employer contributions recognized by SWDB plan from the Town were \$13,679 for the year ended December 31, 2019.

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

At December 31, 2019, the Town reported a liability of \$23,648 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. The Town's proportion of the net pension liability was based on Town contributions to the SWDB plan for the calendar year 2018 relative to the total contributions of participating employers to the SWDB plan.

At December 31, 2018, the Town's proportionate share was 0.019%, which was an increase of 0.0005% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the Town recognized a reduction of pension expense of \$56,299. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 30,387	\$ 253
Changes of assumptions	22,903	-
Net difference between projected and actual earning on pension plan investments	18,603	-
Change in proportion	25,422	907
Town contributions subsequent to the measurement date	13,679	-
Total	<u>\$ 110,994</u>	<u>\$ 1,160</u>

The SWDB plan reported \$13,679 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, 2020.

Town of Paonia, Colorado

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December 31, 2019

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

Year ended December 31,	Amounts Recognized in Pension Expense
2020	\$ 17,245
2021	13,361
2022	11,921
2033	17,331
2034	10,314
Thereafter	25,983
Total	<u>\$ 96,155</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, 2018. The valuations used the following actuarial assumptions and other inputs:

	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2019	January 1, 2018
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%	7.50%
Projected Salary Increases	4.25% - 11.25%	4.0% - 14.0%
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.

For determining the actuarial determined contributions, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar

Town of Paonia, Colorado

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adjustment projected with Scale BB. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

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 and were used in the roll forward calculation of total pension liability as of December 31, 2018. Actuarial assumptions effective for actuarial valuation prior to January 1, 2019 were used in the determination of the actuarially determined contributions as of December 31, 2018. 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	37.00%	8.03%
Equity Long/Short	9.00%	6.45%
Private Markets	24.00%	10.00%
Fixed Income	15.00%	2.90%
Absolute Return	9.00%	5.08%
Managed Futures	4.00%	5.35%
Cash	2.00%	2.52%
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,

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 3.71% (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>
\$ 91,707	\$ (23,649)	\$ (32,804)

Pension Plan Fiduciary Net Position

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

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

Plan Description

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

Benefits

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

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

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

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

Contributions

Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado statute. The state made a one-time contribution in 1997 of \$39,000,000 to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further state contributions are anticipated. Members hired on or after January 1, 1997 contribute a percentage of the payroll based on actuarial experience. This percentage was 8% for 2019, 8% for 2018 and 8% for 2017. The Town contributed \$4,912, \$3,460, and \$8,531 to the Plan during 2019, 2018 and 2017, 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.

NOTE 9 – RESTRICTED CASH

The Town has restricted cash in the Sewer Fund of \$632,461 for the RUS loan. The RUS loan documents require that \$842 per each month be designated into restricted cash until the sum of \$101,040 is reached. At June 30, there is \$106,067 including earned interest. The remaining \$526,395 is land sale proceeds that can only be spent on sewer projects per a USDA grant agreement.

As of December 31, 2019, the Town has restricted cash in the governmental activities of \$584,168 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

Town of Paonia, Colorado

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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

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

In September 2009, the Town entered into an agreement with the County for the ownership, maintenance and management of the North Folk Valley Airport. Per the agreement, the Town owns 75% of the airport, and therefore, any future capital improvements will be 75% funded by the Town. The Town currently has one representative on the board and does not have control over the decisions of the board; accordingly, this arrangement does not constitute a joint venture or qualify for component unit reporting. The County assumes responsibility for the operations and maintenance of the airport. The agreement was amended in February 2014 to include how the proceeds from the wireless communication facility at the airport are to be divided. Per the agreement, any proceeds will be divided 75% to the Town and 25% to the County. The Town must hold its 75% share as a reserve for the Town's contributions to future capital improvements. As of December 31, 2019, the Town has a reserve for airport capital improvements of \$44,892.

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Town of Paonia, Colorado
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 11 – CAPITAL ASSETS

	Balance January 1, 2019	Additions	Disposals	Transfers	Balance December 31, 2019
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 246,481	\$ -	\$ -	\$ -	246,481
Total Capital Assets, Not Being Depreciated	246,481	-	-	-	246,481
Capital assets being depreciated					
Buildings	690,992	-	-	-	690,992
Improvements, other than buildings	424,792	81,435	-	-	506,227
Infrastructure	2,791,599	37,926	-	-	2,829,525
Equipment	794,186	63,451	(22,900)	-	834,737
Total Capital Assets Being Depreciated	4,701,569	182,812	(22,900)	-	4,861,481
Less accumulated depreciation;					
Buildings	(344,660)	(18,996)	-	-	(363,656)
Improvements	(266,631)	(15,259)	-	-	(281,890)
Infrastructure	(640,960)	(78,398)	-	-	(719,358)
Equipment	(588,822)	(44,510)	22,900	-	(610,432)
Total Accumulated Depreciation	(1,841,073)	(157,163)	22,900	-	(1,975,336)
Capital assets depreciated, net	2,860,496	25,649	-	-	2,886,145
Total Governmental Activities Capital Assets	\$ 3,106,977	\$ 25,649	\$ -	\$ -	\$ 3,132,626

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Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

	Balance January 1, 2019	Additions	Disposals	Transfers	Balance December 31, 2019
Business-type Activities					
Capital assets not being depreciated					
Land and water rights	\$ 834,157	\$ -	\$ -	\$ -	\$ 834,157
Total Capital Assets, Not Being Depreciated	834,157	-	-	-	834,157
Capital assets being depreciated					
Distributions system	3,992,444	88,471	-	-	4,080,915
Collection system	529,476	215,655	-	-	745,131
Vehicles and equipment	399,124	190,768	-	-	589,892
Treatment plant	12,114,026	24,798	-	-	12,138,824
Less: Accumulated depreciation	(5,184,651)	(419,324)	-	-	(5,603,975)
Total Capital Assets Being Depreciated, Net	11,850,419	100,368	-	-	11,950,787
Total Business-type Activities Capital Assets	\$ 12,684,576	\$ 100,368	\$ -	\$ -	\$ 12,784,944

Deprecation charged to governmental activities by department is as follows:

General government	\$ 43,478
Public safety	12,008
Public works	82,444
Culture and recreation	19,233
Total	<u>\$ 157,163</u>

NOTE 12 – INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at December 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General	Space to Create	59,575
Total		<u>\$ 59,575</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the

Town of Paonia, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

accounting system and (3) payments between funds are made. The purposes of the interfund transactions were to finance capital projects. All interfund balances are expected to be collected within one year.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Street Capital Fund	\$ 44,837	\$ -
Sales Tax Fund		28,092
Water Fund	8,091	24,219
Sewer Fund	-	4,124
Trash Fund	10,000	6,493
	<u>\$ 62,928</u>	<u>\$ 62,928</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.

NOTE 14 – SUBSEQUENT EVENTS

On March 13, 2020, an emergency was declared for the COVID-19 pandemic. The State of Colorado subsequently declared a statewide emergency and enacted shutdown orders for significant portions of the economy beginning March 15, 2020. At the time of the issuance of these financial statements, the full economic impact of the events surrounding the pandemic are unknown, but are expected to be significant.

The Town issued Water and Sewer Revenue Refunding Bonds, Series 2020A on April 28, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Paonia, Colorado

SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
General propoerty taxes	\$ 101,007	\$ 101,862	\$ 101,163	\$ (699)
Specific ownership taxes	16,700	18,678	18,678	-
Sales tax - town	294,850	338,713	338,715	2
Sales tax - county	102,000	120,348	120,349	1
Franchise taxes	58,325	55,428	58,971	3,543
Cigarette taxes	1,200	1,325	1,325	-
Delinquent taxes	100	47	32	(15)
Interest on delinquent taxes	450	347	362	15
Total taxes	<u>574,632</u>	<u>636,748</u>	<u>639,595</u>	<u>2,847</u>
Licenses and permits				
Liquor licenses	4,500	3,450	3,450	-
Building permits	56,925	28,225	28,222	(3)
Miscellaneous permits	1,500	2,800	2,800	-
Special reviews	2,000	6,562	6,563	1
VIN inspections	1,200	1,155	1,155	-
Total licenses and permits	<u>66,125</u>	<u>42,192</u>	<u>42,190</u>	<u>(2)</u>
Intergovernmental				
State				
Highway users tax	48,150	52,709	56,024	3,315
Motor vehicle fees	6,000	6,070	6,071	1
Severance tax	7,050	10,721	10,721	-
Mineral leasing	6,000	6,580	6,580	-
Motor vehicle licenses	-	-	-	-
Culture and recreation	-	25,000	60,000	35,000
Other governments				
Road and bridge	6,400	6,504	6,783	279
Total intergovernmental revenue	<u>73,600</u>	<u>107,584</u>	<u>146,179</u>	<u>38,595</u>
Fines and forfeitures				
Court fines	100	631	632	1
Police fines	20,500	20,437	20,437	-
PD Grant	9,500	38,274	18,859	(19,415)
Miscellaneous	21,200	787	20,202	19,415
Total fines and forfeitures	<u>51,300</u>	<u>60,129</u>	<u>60,130</u>	<u>1</u>
Investment income	15,300	23,974	23,975	1
Miscellaneous	316,100	148,743	113,942	(34,801)
Total miscellaneous revenue	<u>331,400</u>	<u>172,717</u>	<u>137,917</u>	<u>(34,800)</u>
Total Revenues	<u>\$ 1,097,057</u>	<u>\$ 1,019,370</u>	<u>\$ 1,026,011</u>	<u>\$ 6,641</u>

Town of Paonia, Colorado

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures				
General Government				
Mayor and trustee	\$ -	\$ 7,150	\$ 7,150	\$ -
Salaries and wages	43,387	30,259	30,259	-
Employee benefits	350	9,051	7,249	1,802
Contract labor	50,000	45,421	45,421	-
Supplies	5,135	6,161	6,153	8
Legal and professional fees	77,500	53,864	53,859	5
Telephone	1,900	1,557	1,553	4
Travel and meetings	7,000	3,860	3,856	4
Insurance and bonds	6,125	7,039	7,036	3
Utilities	5,400	5,405	5,400	5
Cultural Events	5,000	17,288	5,000	12,288
Publishing ads	3,200	3,515	3,511	4
Dues and subscriptions	8,325	8,305	8,301	4
Audit fees	6,500	5,170	5,170	-
Postage	300	1,690	1,689	1
Human services	5,800	3,765	6,263	(2,498)
Town Hall expense	11,850	11,045	11,043	2
Data processing	9,300	10,640	10,635	5
Treasurer's fees	2,200	2,145	2,142	3
Total general government	254,272	237,171	225,531	11,640
Public Safety - Police Department				
Salaries and wages	260,204	194,460	194,458	2
Judge	-	3,600	3,600	-
Employee benefits	7,400	40,025	40,012	13
Supplies	7,205	10,210	4,403	5,807
Repairs and Maintenance	250	280	280	-
Legal services	1,500	195	195	-
Telephone	2,570	2,645	2,642	3
Travel and meetings	3,500	3,605	3,605	-
Insurance and bonds	15,346	16,540	16,536	4
Utilities	2,000	2,070	2,066	4
Vehicle expense	11,850	15,860	15,855	5
Dues and subscriptions	4,375	3,235	3,235	-
Miscellaneous	725	68,082	6,110	61,972
Uniforms	-	-	-	-
Publishing and ads	100	145	142	3
Officer's training	-	-	-	-
Juvenile diversion	-	-	-	-
Data processing	7,375	9,720	9,719	1
FPPA	-	18,595	18,591	4
Total public safety	324,400	389,267	321,449	67,818

Town of Paonia, Colorado

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued from previous page)				
Public Works				
Salaries and wages	46,509	37,590	37,588	2
Employee benefits	3,700	11,975	11,952	23
Supplies	1,050	608	606	2
Repairs and maintenance	17,335	45,815	33,812	12,003
Legal and engineering	5,000	1,845	1,845	-
Telephone	160	465	460	5
Insurance and bonds	5,200	5,600	5,593	7
Utilities	21,000	20,610	20,606	4
Snow removal	17,700	20,095	20,095	-
Street lighting	-	-	-	-
Vehicle expense	9,200	7,885	7,884	1
Miscellaneous	2,525	18,593	12	18,581
Shop expense	4,000	3,735	3,734	1
Total public works	133,379	174,816	144,187	30,629
Culture and Recreation				
Salaries and wages	33,811	26,720	26,718	2
Employee benefits	475	9,135	9,122	13
Supplies	4,950	4,280	4,070	210
Repairs and maintenance	314,470	104,320	12,506	91,814
Legal fees	500	280	-	280
Telephone	100	390	389	1
Miscellaneous	4,500	23,571	3,084	20,487
Insurance bonds	3,500	3,930	3,929	1
Utilities	7,200	7,575	7,574	1
Park improvements	-	-	-	-
Contract services	2,000	2,225	2,148	77
Capital outlay	13,000	34,620	81,437	(46,817)
Vehicle expense	500	1,070	1,069	1
Total culture and recreation	385,006	218,116	152,046	66,070
Other Expenditures				
Capital Outlay	-	-	12,003	(12,003)
	-	-	12,003	(12,003)
Total Expenditures	1,097,057	1,019,370	855,216	164,154
Net change in fund balance	\$ -	\$ -	\$ 170,795	\$ 170,795

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, 2018 (Measurement Date)

	2018	2017	2016	2015	2014
Town's portion of the net pension asset (liability)	0.0187%	0.0182%	0.0162%	0.0239%	0.0432%
Town's proportionate share of the net pension asset (liability)	\$ (23,649)	\$ 26,228	\$ (5,871)	\$ 421	\$ 48,715
Town's covered payroll	\$ 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	13.86%	20.90%	5.45%	0.41%	24.52%
Plan fiduciary net position as a percentage of the total pension asset	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, 2019

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 13,649	\$ 10,024	\$ 10,442	\$ 6,946	\$ 8,910
Contributions in relation to the contractually required contribution	13,649	10,024	10,442	6,946	8,910
Contribution (excess) deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	170,612	125,296	125,516	107,806	103,306
Contributions as a percentage of covered payroll	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, 2019

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, 2019

	Steet Capital Improvement Fund	Conservation Trust Fund	Sidewalk Fund	Space to Create Fund	Total Non-Major Governmental Funds
Asset					
Pooled cash	\$ 90,775	\$ 1,317	\$ 17,155	\$ 72,699	\$ 181,946
Accounts receivable	-	-	2,608	-	2,608
Total assets	90,775	1,317	19,763	72,699	184,554
Liabilities					
Due to other funds	-	-	-	59,575	59,575
Total liabilities	-	-	-	59,575	59,575
Fund Balance					
Committed					
Conservation	-	1,317	-	-	1,317
Sidewalk improvements	-	-	19,763	-	19,763
Street improvements	90,775	-	-	-	90,775
Space to create	-	-	-	13,124	13,124
Total fund balance	\$ 90,775	\$ 1,317	\$ 19,763	\$ 13,124	\$ 124,979

Town of Paonia, Colorado

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

Year Ended December 31, 2019

	Street Capital Improvement Fund	Conservation Trust Fund	Sidewalk Fund	Space to Create Fund	Total Non-Major Governmental Funds
Revenues					
Taxes	\$ 26,522	\$ 8,209	\$ -	\$ -	\$ 34,731
Fees and fines	-	-	30,772	-	30,772
Intergovernmental	-	-	-	12,454	12,454
Miscellaneous	-	8	-	188	196
Total revenues	26,522	8,217	30,772	12,642	78,153
Expenditures					
Current					
General government	-	-	-	28,737	28,737
Public works	-	-	7,682	-	7,682
Culture and recreation	-	6,900	-	-	6,900
Capital projects	-	-	6,986	-	6,986
Total expenditures	-	6,900	14,668	28,737	50,305
Revenues in excess (deficiency) of expenditures	26,522	1,317	16,104	(16,095)	27,848
Other Financing Sources (Uses)					
Transfers in	44,837	-	-	-	44,837
Total other financing sources (uses)	44,837	-	-	-	44,837
Revenues and other sources in excess (deficiency) of expenditures and other sources (uses)	71,359	1,317	16,104	(16,095)	72,685
Fund balance, beginning	19,416	-	3,659	29,219	52,294
Fund balance, ending	\$ 90,775	\$ 1,317	\$ 19,763	\$ 13,124	\$ 124,979

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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sales tax	\$ 145,600	\$ 180,777	\$ 180,778	\$ 1
Miscellaneous	7,650	7,650	7,650	-
Total revenues	<u>153,250</u>	<u>188,427</u>	<u>188,428</u>	<u>1</u>
Expenditures				
Capital outlay	<u>145,600</u>	<u>188,427</u>	<u>119,176</u>	<u>69,251</u>
Total expenditures	<u>145,600</u>	<u>188,427</u>	<u>119,176</u>	<u>69,251</u>
Other financing uses				
Transfers (out)	<u>-</u>	<u>-</u>	<u>(28,092)</u>	<u>(28,092)</u>
Net change in fund balance	<u>\$ 7,650</u>	<u>\$ -</u>	<u>\$ 41,160</u>	<u>\$ 41,160</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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Grants	\$ 150,000	\$ -	\$ -	\$ -
Intergovernmental	-	12,453	12,454	1
Miscellaneous	-	188	188	-
Total revenues	150,000	12,641	12,642	1
Expenditures				
General government	197,300	28,741	28,737	4
Total expenditures	197,300	28,741	28,737	4
Net change in fund balance	<u>\$ (47,300)</u>	<u>\$ (16,100)</u>	<u>\$ (16,095)</u>	<u>\$ 5</u>

Town of Paonia, Colorado

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

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sidewalk revenue	\$ 35,400	\$ 30,773	\$ 30,772	\$ (1)
Expenditures				
Legal services	500	50	-	(50)
Repairs and maintenance	34,800	30,673	7,682	22,991
Publishing and ads	100	50	-	50
Capital outlay	-	-	6,986	(6,986)
Total expenditures	35,400	30,773	14,668	16,005
Net change in fund balance	\$ -	\$ -	\$ 16,104	\$ 16,004

Town of Paonia, Colorado

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

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Lottery	\$ 8,000	\$ 8,208	\$ 8,209	\$ 1
Interest income	15	8	8	-
Total revenues	8,015	8,216	8,217	1
Expenditures				
Parks	8,015	8,216	6,900	1,316
Revenues in excess (deficiency) of expenditures	-	-	1,317	1,317
Net change in fund balance	\$ -	\$ -	\$ 1,317	\$ 1,317

Town of Paonia, Colorado

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

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Highway users tax	\$ 5,000	\$ 3,682	\$ 3,681	\$ (1)
Sales tax	16,750	22,840	22,841	1
Total revenues	21,750	26,522	26,522	-
Expenditures				
Capital outlay	64,975	71,358	-	71,358
Total expenditures	64,975	71,358	-	71,358
Revenues in excess (deficiency) of expenditures	(43,225)	(44,836)	26,522	71,358
Other Financing Sources (Uses)				
Transfers in	43,225	44,836	44,837	1
Net change to fund balance	\$ -	\$ -	\$ 71,359	\$ 71,359

Town of Paonia, Colorado

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

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Water charges	\$ 765,200	\$ 761,739	\$ 761,739	\$ -
Water taps	21,000	57,000	57,000	-
Sales and service	800	4,982	4,982	-
Water tank	2,500	4,964	4,964	-
Standby tap fees	45,000	45,485	45,485	-
Penalties	5,500	1,255	1,255	-
Rents	1,000	1,500	1,500	-
Total revenues	<u>841,000</u>	<u>876,925</u>	<u>876,925</u>	<u>-</u>
Expenditures				
Salaries and wages	246,179	178,705	178,701	4
Employee benefits	5,200	49,545	49,536	9
John Norris retirement	15,120	20,160	20,160	-
Supplies	19,850	17,490	17,485	5
Legal and engineering	30,600	1,800	1,799	1
Repairs and maintenance	181,795	172,925	123,640	49,285
Professional fees	13,000	11,280	11,280	-
Telephone	3,800	4,135	4,130	5
Postage	4,000	3,870	3,867	3
Travel and meetings	3,500	1,230	1,129	101
Insurance and bonds	20,000	68,760	20,586	48,174
Utilities	23,000	27,500	25,191	2,309
Vehicle expense	10,000	8,470	8,468	2
Dues and subscriptions	200	1,855	1,835	20
Shop expense	4,500	3,580	3,578	2
Miscellaneous	10,350	10,045	10,286	(241)
Fees and permits	11,000	10,630	10,521	109
WPA loan	191,250	164,330	164,326	4
Drinking water revolving funds	23,350	23,350	23,343	7
Capital projects	-	-	-	-
Depreciation expense	-	309,752	311,327	(1,575)
Debt service, debt principal	-	-	(156,559)	156,559
Total expenditures	<u>816,694</u>	<u>1,089,412</u>	<u>834,629</u>	<u>254,783</u>
Other Financing Sources (Uses)				
Transfers (out)	<u>(24,306)</u>	<u>(24,225)</u>	<u>(16,128)</u>	<u>8,097</u>
Total other financing sources (uses)	<u>(24,306)</u>	<u>(24,225)</u>	<u>(16,128)</u>	<u>8,097</u>
Change in net position	-	(236,712)	26,168	262,880
Beginning net position, GAAP basis	<u>5,857,866</u>	<u>5,857,866</u>	<u>5,857,866</u>	<u>-</u>
Ending net position, GAAP basis	<u>\$ 5,857,866</u>	<u>\$ 5,621,154</u>	<u>5,884,034</u>	<u>\$ 262,880</u>
Adjustments for capital assets and debt			<u>(5,717,161)</u>	
Available working capital			<u>\$ 166,873</u>	

Town of Paonia, Colorado

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

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sewer charges	\$ 468,900	\$ 470,801	\$ 470,802	\$ 1
Sewer taps	15,000	48,500	48,500	-
Grants	-	35,996	25,997	(9,999)
Interest	11,500	14,736	14,737	1
Total revenues	<u>495,400</u>	<u>570,033</u>	<u>560,036</u>	<u>(9,997)</u>
Expenditures				
Salaries and wages	161,625	127,455	127,452	3
Employee benefits	1,700	30,555	30,543	12
Supplies	36,900	9,540	9,532	8
Repairs and maintenance	65,675	78,620	77,575	1,045
Professional fees	13,550	60,965	62,782	(1,817)
Telephone	1,675	1,540	1,538	2
Postage	2,750	2,270	2,268	2
Travel and meetings	2,000	-	-	-
Insurance and bonds	6,800	6,995	6,995	-
Utilities	37,000	34,740	34,735	5
Vehicle expense	8,500	6,500	6,496	4
Fees and permits	11,200	6,440	6,437	3
Debt service payments	102,500	50,000	43,664	6,336
Gauging station	3,900	2,621	2,621	-
Depreciation	-	102,115	102,115	-
Capital outlay	-	245,000	26,758	218,242
Miscellaneous	26,300	10,095	10,093	2
Total expenditures	<u>482,075</u>	<u>775,451</u>	<u>551,604</u>	<u>223,847</u>
Other Financing Sources (Uses)				
Transfers (out)	<u>(13,325)</u>	<u>(14,125)</u>	<u>(4,124)</u>	<u>10,001</u>
Total other financing sources (uses)	<u>(13,325)</u>	<u>(14,125)</u>	<u>(4,124)</u>	<u>10,001</u>
Change in net position	13,325	(205,418)	4,308	213,850
Beginning net position, GAAP basis	<u>3,779,379</u>	<u>3,779,379</u>	<u>3,779,379</u>	<u>-</u>
Ending net position, GAAP basis	<u>\$ 3,792,704</u>	<u>\$ 3,573,961</u>	<u>3,783,687</u>	<u>\$ 213,850</u>
Adjustments for capital assets and debt			<u>(3,409,608)</u>	
Available working capital			<u>\$ 374,079</u>	

Town of Paonia, Colorado

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

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Garbage charges	\$ 210,700	\$ 217,726	\$ 217,726	\$ -
Expenditures				
Salaries and wages	107,670	84,965	84,960	5
Employee benefits	7,800	24,317	24,311	6
Supplies	1,800	1,471	1,470	1
Repairs and maintenance	125	-	-	-
Legal and engineering	4,500	3,525	3,525	-
Telephone	125	480	479	1
Postage	1,000	1,241	1,241	-
Insurance and bonds	4,500	3,980	3,979	1
Utilities	3,250	1,975	1,972	3
Vehicle expense	13,800	12,035	12,035	-
Landfill fees	34,355	34,842	34,842	-
Miscellaneous	25,575	12,190	12,177	13
Depreciation	-	5,882	5,882	-
Capital outlay	-	176,460	-	176,460
Total expenditures	204,500	363,363	186,873	176,490
Other Financing Sources (Uses)				
Transfers in	-	10,000	10,000	-
Transfers (out)	(6,200)	(6,495)	(6,493)	2
Total other financing sources (uses)	(6,200)	3,505	3,507	2
Change in net position	-	(142,132)	34,360	176,492
Beginning net position, GAAP basis	248,637	248,637	248,637	-
Ending net position, GAAP basis	\$ 248,637	\$ 106,505	282,997	\$ 176,492
Adjustments for capital assets			170,578	
Available working capital			\$ 112,419	

Steps for printing your content and returning to 'Edit Mode'

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

ANNUAL HIGHWAY FINANCE REPORT - CY19

Email address: finance@townofpaonia.com

City/County: Paonia

II - RECEIPTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Receipts from local sources

2. General Fund Appropriations:	\$	40,000.00
3. Other local imposts: <i>from A.3. 'Total' below</i>	\$	414,283.72
4. Miscellaneous local receipts: <i>from A.4. 'Total' below</i>	\$	33,289.11
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: \$ 487,572.83

B. Private Contributions

\$ 0.00

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

Please no commas or dollar signs for the input

A.3. Other local imposts

a. Property Taxes and Assessments	\$	0.00
b. Other Local Imposts		
1. Sales Taxes:	\$	288,998.03
2. Infrastructure and Impact Fees:	\$	106,607.38
3. Liens:	\$	0.00
4. Licenses:	\$	0.00
5. Specific Ownership and/or Other:	\$	18,678.31
Total: (a + b) carried to 'Other local imposts' above)		\$ 414,283.72

A.4. Miscellaneous local receipts

Please no commas or dollar signs for the input

a. Interest on Investments:	\$	11,065.26
b. Traffic fines & Penalties:	\$	21,068.85
c. Parking Garage Fees:	\$	0.00
d. Parking Meter Fees:	\$	0.00
e. Sale of Surplus Property:	\$	0.00
f. Charges for Services:	\$	1,155.00
g. Other Misc. Receipts:	\$	0.00
h. Other:	\$	0.00
Total: (a through h) carried to 'Misc local receipts' above)		\$ 33,289.11

C. Receipts from State Government

Please no commas or dollar signs for the input

1. Highway User Taxes:	\$	60,934.45
3. Other State funds:		
c. Motor Vehicle Registrations:	\$	6,071.40
d. Other (Specify):		
Comments: Road & Bridge	\$	6,504.12
e. Other (Specify):		
Comments: undefined	\$	0.00
Total: (1+3c,d,e)		\$ 73,509.97

D. Receipts from Federal Government

Please no commas or dollar signs for the input

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

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input - 63 -

A. Local highway disbursements

1. Capital outlay: <i>(from A.1.d. 'Total Capital Outlay' below)</i>	\$	1,845.00
2. Maintenance:	\$	134,248.96
3. Road and street services		
a. Traffic control operations:	\$	0.00
b. Snow and ice removal:	\$	20,094.88
c. Other:	\$	0.00
4. General administration & miscellaneous	\$	0.00
5. Highway law enforcement and safety	\$	76,292.81
Total: <i>(A.1-5)</i>	\$	232,481.65

Please no commas or dollar signs for the input

B. Debt service on local obligations

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

Please no commas or dollar signs for the input

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

Total Disbursements: *(A+B+C+D)* \$ 232,481.65

Please no commas or dollar signs for the input

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES - (Detail)

Please no commas or dollar signs for the input

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
A.1. Capital Outlay			
a. Right-Of-Way Costs:	\$ 0.00	\$ 0.00	\$ 0.00
b. Engineering Costs:	\$ 0.00	\$ 0.00	\$ 0.00
c. Construction			
1. New Facilities:	\$ 0.00	\$ 0.00	\$ 0.00
2. Capacity Improvements:	\$ 0.00	\$ 0.00	\$ 0.00
3. System Preservation:	\$ 0.00	\$ 1,845.00	\$ 1,845.00
4. System Enhancement:	\$ 0.00	\$ 0.00	\$ 0.00
5. Total Construction:			\$ 1,845.00
d. Total Capital Outlay: <i>(Lines A.1.a. + 1.b. + 1.c.5)</i>			\$ 1,845.00

IV. LOCAL HIGHWAY DEBT STATUS

Please no commas or dollar signs for the input

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

V - LOCAL ROAD AND STREET FUND BALANCE

Please no commas or dollar signs for the input

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
\$ 420,914.10	\$ 561,082.80	\$ 232,481.65	\$ 749,515.25	\$ 0.00

Notes & Comments:

undefined

Please enter your name: Cindy Jones

Please provide a telephone number where you may be reached: 9705274101

Save

Print Mode

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

OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)

Town of Paonia, Colorado

OLD PENSION PLAN

For the Year Ended December 31, 2019

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 \$154,978.