



Annual Comprehensive Financial Report

For the Year ending December 31, 2023



Town of Paonia, Colorado

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December 31, 2023

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Town of Paonia

Office of the Town Administrator

214 Grand Ave.

Paonia, CO 81428

O: (970) 527-4101

F: (970) 527-4102

9/10/2024

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

The statutes of the State of Colorado require local governments to publish the results of their annual audit and a comprehensive report of financial statements. The report must conform to generally accepted accounting principles (GAAP), and the accounting requirements established by the Governmental Accounting Standards Board (GASB). The Town of Paonia must have its financial statements audited by a firm of licensed certified public accountants. The Town hired Hinkle & Company, P.C. in 2023 to complete the FY-2022 Audit through FY-2026.

The Town's management is responsible for the preparation and fair public presentation of its financial statements, in accordance with accounting principles generally accepted within the United States, and for the design, implementation, and maintenance of internal controls that are relevant to such presentations, free from material misstatements due to fraud and error. The Town utilizes the assistance of a third-party accounting firm throughout the year to ensure accuracy in financial statements and to assist with internal controls functions.

Pursuant to these requirements, we hereby issue the annual comprehensive financial report of the Town of Paonia, Colorado for the fiscal year ended December 31, 2023.

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

1. The **Independent Auditor's Report**, which includes general information about the audit as provided by the Town's independent licensed certified public accountants, Hinkle and Company, P.C. The 2023 independent audit resulted in an unqualified audit opinion, with no findings or recommendations.
2. The **Management's Discussion and Analysis (MD&A)**, which includes an analysis of the Town's financial performance for both governmental activities and business-type activities (enterprise funds such as water, wastewater, and trash). The MD&A also includes discussions on compliance, risks such as long-term debt, and investments in capital assets such as infrastructure, buildings, and equipment. Management has established a comprehensive internal-control system that is meant to protect both the Town's assets from loss, theft, or misuse, which provides a foundation for making the representations in this report. This section should be read in conjunction with this Transmittal Letter.
3. The **Basic Financial Statements** include the report from the Town's external, independent auditors, and the basic financial statements. These documents include the government-wide

financial statements comprised of the Statement of Net Position, the Statement of Activities, and the accompanying notes to the financial statements. This section also includes the fund financial statements including the governmental funds financial statements, the proprietary funds financial statements, and the combined individual funds financial statements for the nonmajor governmental and proprietary funds and the internal service funds.

4. The **Required Supplementary Information** includes Required supplementary information, other than the MD&A, which is comprised of the General Fund budget to the actual schedule and information about the Town's defined benefit retirement plans. This section also includes information about Special Revenue Funds like the Sales Tax Improvement Fund, Conservation Trust Fund, and the Street Fund.
5. The **Supplementary Information** includes information about nonmajor governmental funds, which includes Statements of Revenues, Expenditures, and Changes in Fund Balance. The section also includes Budgetary Comparison Schedules for the Sidewalk fund, and the water, sewer, and trash funds.
6. The **Compliance Section** contains a report summarizing the Town's Local Highway Finance Report.

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

The Town of Paonia's financial statements have been audited by Hinkle and Company, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended December 31, 2023, are free of material misstatement presented in accordance with United States GAAP and accounting requirements established by the Governmental Accounting Standards Board (GASB). The audit involved examining, on a test-basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

The independent auditor gave an unmodified and unqualified opinion, with no findings or recommendations for correction for the Town's fiscal year 2023 financial statements. As a result, we can provide reasonable assurance that the financial information contained in this report is complete, reliable, and accurate. The independent auditor's report was presented before this transmittal letter, and stated, "in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Town as of December 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America."

PROFILE OF THE TOWN OF PAONIA, COLORADO

Introduction

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

The Town of Paonia is a statutory town and is limited to exercising governing powers that are granted by the State of Colorado and are subject to provisions and limitations imposed by the state. As of the 2020 decennial census, the population for the Town of Paonia was 1,447.

In 1902, Paonia was first incorporated as a Mayor – Council form of Government with a Board of Trustees serving as the “Council” and legislative body. The Mayor and Trustees are elected to staggered four-year terms. The Mayor and Board of Trustees passed Ordinance 2014-09, establishing the position of Town Administrator and enumerated the duties, and powers of the position to include all executive and administrative functions for the proper management of the Town.

The Town Board provides strategic leadership, goal setting and policy-making authority, and appoints the Town Administrator who serves as the Chief Executive Officer of the administrative branch and is responsible for the day-to-day management operations of the Town, and for providing financial and technical support to ensure equitable, efficient, and effective implementation of government services to our Residents.

Services Provided

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). The Town oversees land-use, infrastructure, and permitting for development, facility maintenance, and provides a forum for community discussion through bi-monthly Board meetings that are open to the general public.

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

Inclusion of a Component Unit

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

Summary of Budget Process

The annual budget serves as the foundation for the Town’s financial planning and control. All departments of the Town are required to submit requests to the Town Administrator and Treasurer in August of each year for the following year’s budget. The Town Administrator then uses those requests to develop the proposed budget, typically presented to the Board of Trustees in September/October. The Board of Trustees is required to hold a public hearing prior to the final adoption of the budget. Pursuant to Colorado Revised

Statutes, the Board of Trustees shall adopt a final budget in a timely manner prior to the start of the ensuing budget/fiscal year. Annual appropriations must also be adopted.

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

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

Factors Affecting Financial Condition

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

Local Economy: The events of the year 2020 had a significant lingering influence on the costs of goods and services within Delta County and Paonia. The impact from 2020 caused an increase to the costs of goods and services that is expected to become the new normal. Prior to the year 2020, Paonia was still recovering from the closure of several mines, which it relied on for mineral leasing revenue and for high paying jobs. Paonia has been qualified by the State of Colorado as a Disadvantaged Community, which allows for priority access to supplemental funding such as grants and low-interest loans.

Inflation of prices for goods and services is another challenging and lasting impact of the global pandemic with a direct impact on the local, regional, and national economies. Increases in interest rates have led to a positive increase in investments that the Town has with ColoTrust, but also an increase in the cost of normal goods and services required for day-to-day operations.

In 2019, the Town experienced a catastrophic water loss that began on February 14, 2019. The Town could not service any of its Residents or out of town water customers. As a result, a referendum vote was passed on January 7, 2020, that instituted a water moratorium on the sale of new water taps into the system (Water Moratorium). The water loss exposed neglected infrastructure in most of the Town's utility services, most of which is well over its useful life. The Town began heavily investing in its infrastructure in FY-2023 and will continue to do so over the next decade.

The water moratorium has effectively stopped any growth of new residential or commercial developments within the Town and has placed a constraint on the local economy. To effectively budget and plan for debt-funding improvements to the water infrastructure, rates will have to increase. The Board of Trustees recognized that rate increases were necessary to qualify for State-Revolving Fund Loans and implemented a 5-year step plan to increase water rates beginning in FY-2024. It is expected that once conditions of the moratorium are met, and the Town grasps the capacity of its natural resources for sustainable development, these limiting factors may be reduced.

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

Financial Information

The General Fund unrestricted balance increased \$155,701 in 2023, but the Business-Type (Utility Enterprise) Activities unrestricted balance decreased \$112,672, which is indicative of investment in infrastructure. The Business-Type Activities saw an increase of \$593,000 in Capital Assets, mostly due to investment in the Wastewater (Sewer) Collections system.

Internal Control: The Town's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The Town utilizes a financial accounting system that includes a system of internal accounting controls. Such controls have been designed and are continually being reevaluated to provide reasonable, but not absolute assurance.

Budgeting Control: The Town also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget as approved by the Board of Trustees. Activities of all funds are included in the annual appropriated budget. The level of budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is established at the fund level. However, budgetary accounting is maintained on a line-item basis.

Long-Term Financial Planning: To continue the Town's historic investment in capital assets, the Town recognized that the cost of doing business has also increased. At the close of 2023, the Board of Trustees adopted Resolution 2022-14 increasing the basic rate of the Trash Utility. The Town also passed Resolution 2023-20 increasing the water rates and charges for all users for the next five years. The Board of Trustees also increased wastewater/sewer rates through Ordinance 2023-07 in anticipation of future discharge limitations and to begin building reserves for planned collections and treatment systems improvements. The Town will continue to evaluate the cost of improvements to its enterprise activities and will review rates annually to ensure that capital needs are financed.

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

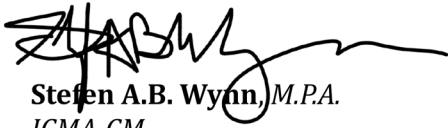
Major Initiatives: The Town continues to work toward financial sustainability. In 2023, as well as in the 2022 budget, major initiatives are set forth to take the Town into the future. Infrastructure maintenance, improvement and replacement is a priority for the Town, and building fund balance in all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

Other Information

Independent Audit: The Town receives an annual audit of the "books", accounts, financial records, and transactions of all administrative departments of the Town by an independent certified public accountancy firm, selected by the Board of Trustees. This requirement has been complied with and the independent auditors' report by Hinkle & Company, P.C., has been included in this report.

Acknowledgements: Preparing this report could not have been accomplished without the dedication of employees in Town Hall. Each staff member in the Administration Department, and the staff of our bookkeeping consultant has my earnest appreciation for the contributions made in the preparation of this report. I would also like to express my appreciation to Hinkle and Company, P.C., the firm that serves as our external auditors. We would also like to thank the members of the Board of Trustees, the Board of Trustees Finance Committee, whose efforts are integral to ensuring adequate internal controls, and the Residents of the Town of Paonia for their interest and support in planning and conducting the financial operations of the Town in a responsible, transparent, and continuously improving manner. Without the team effort, these financial statements and this report may not have ever been completed.

In Public Service,

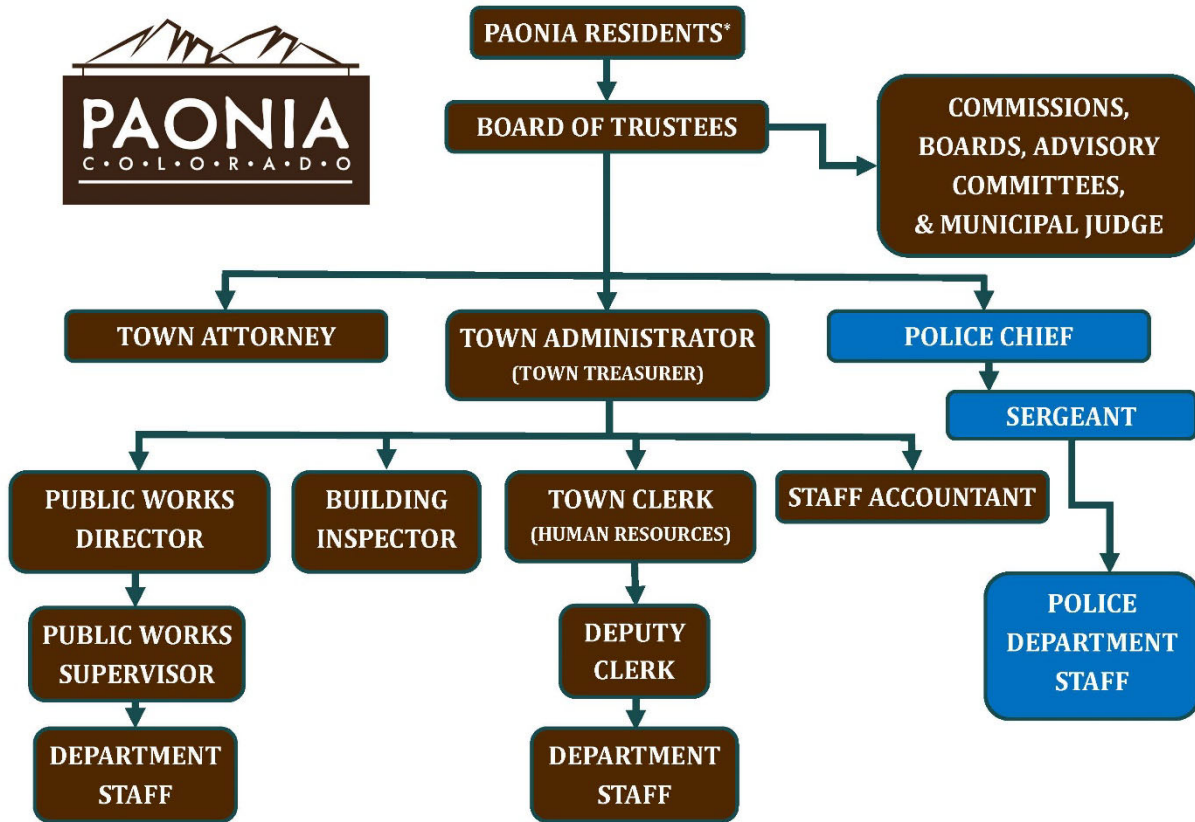
A handwritten signature in black ink, appearing to read 'Stefan A.B. Wynn', with a long horizontal flourish extending to the right.

Stefan A.B. Wynn, M.P.A.

ICMA-CM

Paonia Town Administrator/Treasurer

Town of Paonia Organizational Chart



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

Town of Paonia, Colorado
List of Elected and Appointed Officials
As of December 31, 2023

Elected Officials – Board of Trustees

Mary Bachran	Mayor
Dave Knutson	Mayor Pro-Tem
Rick Stelter	Trustee
John Valentine	Trustee
Paige Smith	Trustee
Morgan MacInnis	Trustee
Kathy Swartz	Trustee

Board Appointed Officials

Stefen Wynn	Town Administrator/Treasurer
Samira Vetter	Town Clerk
Nick Cotton – Baez	Town Attorney
Julie Huffman	Municipal Judge

Department Directors

Cory Heiniger	Public Works Director
Matt Laiminger	Paonia Police Chief



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

We have audited the financial statements of the Town of Paonia, Colorado (the Town) as of and for the year ended December 31, 2023 and have issued our report thereon dated August 21, 2024. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter dated May 30, 2024, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

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

Compliance with All Ethics Requirements Regarding Independence

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

Office Locations:

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

Denver Office:

750 W. Hampden Avenue,
Suite 400
Englewood,
Colorado 80110
TEL: 303.796.1000
FAX: 303.796.1001
www.HinkleCPAs.com

Significant Accounting Policies

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

Accounting Estimates

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

Corrected and Uncorrected Misstatements

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

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule summarizes the financial statement adjustments we identified as a result of our audit procedures, were brought to the attention of, and corrected by, management.

Disagreements with Management

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

Difficulties Encountered in Performing the Audit

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated August 21, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation



involves the application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to contact us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Issues

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

Conclusion

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

Hick & Company, PC

Englewood, Colorado
August 21, 2024



Client: **PAO5010 - Paonia, Town of**
Engagement: **AUD 2023 - Town of Paonia, Colorado**
Period Ending: **12/31/2023**
Trial Balance: **02-01 - Government Fund Trial Balance**
Workpaper: **04-01 - AJEs**
Fund Level: **All**
Index: **All**

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 101			
Record Biz asset activity			
0161-60	CIP	81,787.00	
0164-70	COLLECT SYSTEM	754,167.00	
59-90-60	DEPRECIATION	298,677.00	
59-90-70	DEPRECIATION	124,652.00	
59-90-80	DEPRECIATION	18,207.00	
0173-60	ACCUMULATED DEPRECIATION		298,677.00
0173-70	ACCUMULATED DEPRECIATION		124,652.00
0173-80	ACCUMULATED DEPRECIATION		18,207.00
50-20-60	LEGAL, ENGINEERING & PROF SVCS		81,787.00
51-22-70	REPAIRS & MAINTENANCE		754,167.00
0172-80	EQUIPMENT		
0280-80	FUND BALANCE		
Total		1,277,490.00	1,277,490.00
Adjusting Journal Entries JE # 102			
To adjust inventory			
50-16-60	OPERATING SUPPLIES	10,599.00	
51-16-70	OPERATING SUPPLIES	1,453.00	
0150-70	INVENTORY OF SUPPLIES		1,453.00
0152-60	INVENTORY OF SUPPLIES		10,599.00
Total		12,052.00	12,052.00
Adjusting Journal Entries JE # 103			
To post immaterial PBC as a PPA for 2022 F250 vehicle placed in service.(PBC)			
0172-80	EQUIPMENT		
0280-80	FUND BALANCE		
Total		0.00	0.00
Adjusting Journal Entries JE # 104			
to record transfer as PBC (PBC)			
0100-22	CASH IN COMBINED CASH FUND	538,000.00	
45-99-10	TRANSFERS	192,000.00	
70-99-50	Transfers	346,000.00	
0100-10	CASH IN COMBINED CASH FUND		192,000.00
0100-50	CASH IN COMBINED CASH FUND		346,000.00
45-99-22	TRANSFERS		192,000.00
45-99-22	TRANSFERS		346,000.00
Total		1,076,000.00	1,076,000.00
Adjusting Journal Entries JE # 105			
To record addition of FA in Governmental funds (PBC)			
0186-01	PARK, LAND & STRUCTURES	37,752.00	
46-22-01	Capitalized Expenses		37,752.00
Total		37,752.00	37,752.00

Adjusting Journal Entries JE # 106

To adjust for rounding

60-04-01	COMPENSATED ABSENCES	4.00	
0280-01	FUND BALANCE		4.00
Total		<u>4.00</u>	<u>4.00</u>

Town of Paonia, Colorado

Financial Statements
with Independent Auditor's Report

December 31, 2023





Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Town of Paonia, Colorado (the Town) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Town as of December 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

Office Locations:

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

Denver Office:

750 W. Hampden Avenue,
Suite 400
Englewood,
Colorado 80110
TEL: 303.796.1000
FAX: 303.796.1001
www.HinkleCPAs.com

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Englewood, Colorado
August 21, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Paonia, we offer readers of the Town of Paonia's Financial Statements this narrative overview and analysis of the financial activities and performance of the Town of Paonia for Fiscal Year ended December 31, 2023. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$16,877,664 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$11,625,096 include property, plant(s), equipment, and infrastructure such as roads, bridges, sidewalks, distribution and collections systems, and similar items, net accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Net position of \$796,616 are restricted by constraints imposed from outside the Town such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted, unreserved net position of \$4,455,952 represents the portion available to maintain the Town's continuing obligations to Residents and creditors.
- The Town's governmental funds, comprised of the General Fund, Sales Tax Capital Improvement Fund, and Non-Major Funds, reported total ending fund balance of \$2,804,139 this year. This compares to the prior year ending fund balance of \$2,471,248 showing an increase of \$332,891 during the current year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$909,507 or 51% of total General Fund expenditures and other financing uses; unassigned fund balance for the Sales Tax Capital Improvement Fund was \$90,084 or 298% of total Sales Tax Capital Improvement Fund expenditures and other financing uses; and the unassigned fund balance for Non-Major Funds was \$1,054,556 or 527% of total Non-Major Funds expenditures and other financing uses.

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

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Town also includes in this report

additional information to supplement the basic financial statements. Comparative data is presented where available.

Government-wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in accrual accounting and elimination of reclassification of activities between funds.

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

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

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

Fund Financial Statements

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

The Town has two kinds of funds:

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

financing requirements of governmental programs and the commitment of spendable resources for the near-term.

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Supplementary Information

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources at fiscal year-end 2023 exceeded liabilities and deferred inflows of resources by \$16,877,664, a 3.26% increase over fiscal year-end 2022. The following table on the next page provides a summary of the Town's net position.

Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 3,356,167	\$ 3,160,323	\$ 2,693,549	\$ 2,777,776	\$ 6,049,716	\$ 5,938,099
Capital assets	3,029,174	3,192,071	12,163,997	11,739,207	15,193,171	14,931,278
Total assets	6,385,341	6,352,394	14,857,546	14,516,983	21,242,887	20,869,377
Deferred Outflows of Resources						
Related to Pensions	73,573	70,002	-	-	73,573	70,002
Total Deferred Outflows of Resources	73,573	70,002	-	-	73,573	70,002
Liabilities:						
Other Liabilities	410,266	395,648	261,898	268,111	672,164	663,759
Long-term Liabilities	7,982	17,967	3,518,703	3,694,766	3,526,685	3,712,733
Total Liabilities	418,248	413,615	3,780,601	3,962,877	4,198,849	4,376,492
Deferred inflows of resources						
Property taxes	159,967	146,513	-	-	159,967	146,513
Deferred inflows of resources	-	-	-	-	-	-
Related to pensions deferred inflows	79,980	80,902	-	-	79,980	80,902
Total deferred inflows of resources	239,947	227,415	-	-	239,947	227,415
Net Position:						
Net investments in capital assets	2,979,802	3,116,199	8,645,294	8,052,297	11,625,096	11,168,496
Restricted	113,420	113,371	683,196	648,538	796,616	761,909
Unresetricted	2,707,497	2,551,796	1,748,455	1,861,127	4,455,952	4,412,923
Total net position	\$ 5,800,719	\$ 5,781,366	\$11,076,945	\$10,561,962	\$16,877,664	\$16,343,328

By far the largest portion of the Town's net position, 69%, reflects its investment in capital assets, including infrastructure, less any related debt used to acquire those assets that are still outstanding. The Town of Paonia uses these capital assets to provide services to Residents; consequently, these assets are not available for future spending. Although the Town of Paonia's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to pay the annual debt service must

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended December 31, 2023

Town of Paonia, Colorado

be provided from other sources (service fees, utility rate increases, etc.), since the capital assets themselves cannot be used to pay the debt.

At the end of the current fiscal year, the Town of Paonia is able to report positive balances in the government as a whole, as well as for both its governmental activities and business-type activities.

All activities and functions of the Town showed positive growth. Net position increased \$19,353 for governmental activities, and for business-type activities the net position increased \$514,983. The Town's overall financial position improved during fiscal year 2023.

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

	Summary of Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program:						
Charges for services	\$ 229,726	\$ 193,574	\$ 2,350,966	\$ 1,880,970	\$ 2,580,692	\$ 2,074,544
Operating Grants	19,285	49,866	137,798	184,616	157,083	234,482
Capital Grants	-	-	-	-	-	-
General:						
Taxes	1,639,806	1,783,051	-	-	1,639,806	1,783,051
Other	246,084	120,769	34,888	27,479	280,972	148,248
Total revenues	<u>2,134,901</u>	<u>2,147,260</u>	<u>2,523,652</u>	<u>2,093,065</u>	<u>4,658,553</u>	<u>4,240,325</u>
Program Expenses:						
General Government	606,514	343,138	-	-	606,514	343,138
Public Safety	861,951	507,341	-	-	861,951	507,341
Public Works	492,596	300,175	-	-	492,596	300,175
Culture and Recreation	154,487	164,329	-	-	154,487	164,329
Water Operations	-	-	1,123,494	1,077,484	1,123,494	1,077,484
Sewer Operations	-	-	582,910	409,659	582,910	409,659
Trash	-	-	302,265	278,871	302,265	278,871
Total Expenses	<u>2,115,548</u>	<u>1,314,983</u>	<u>2,008,669</u>	<u>1,766,014</u>	<u>4,124,217</u>	<u>3,080,997</u>
Excess	19,353	832,277	514,983	327,051	534,336	1,159,328
Transfers	<u>-</u>	<u>(35,997)</u>	<u>-</u>	<u>35,997</u>	<u>-</u>	<u>-</u>
Change in Net Position	19,353	796,280	514,983	363,048	534,336	1,159,328
Beginning Net Position	<u>5,781,366</u>	<u>4,985,086</u>	<u>10,561,962</u>	<u>10,198,914</u>	<u>16,343,328</u>	<u>15,184,000</u>
Ending Net Position	<u><u>5,800,719</u></u>	<u><u>5,781,366</u></u>	<u><u>11,076,945</u></u>	<u><u>10,561,962</u></u>	<u><u>16,877,664</u></u>	<u><u>16,343,328</u></u>

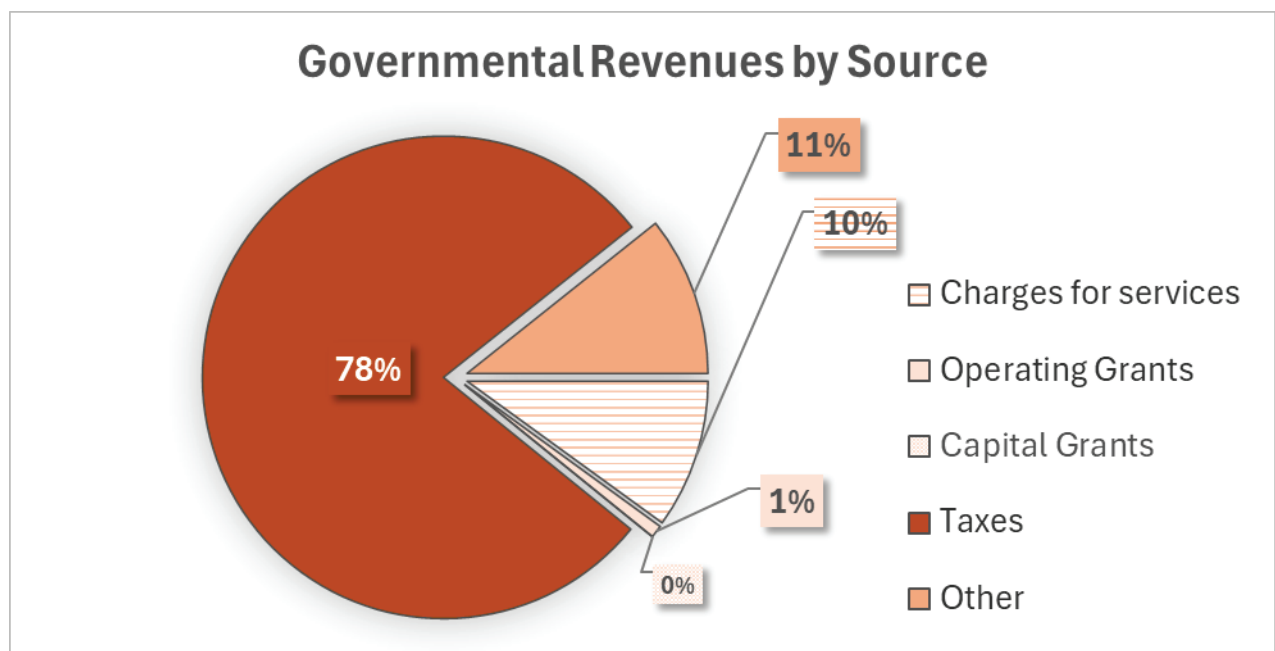
GOVERNMENTAL REVENUES

The Town is heavily reliant on ad valorem (property), sales, use, and occupational taxes to support governmental operations. Town sales and use taxes account for 77% of the revenues for governmental activities. This is a decrease of 7.5% over fiscal year 2022 and may be the result of certain economic factors that affected the Western Slope of Colorado such as the closure of Highway 133 due to washout.

In fiscal year 2023, the Town saw a decrease in tourism over 2022 with access to major annual tourism events significantly hampered by highway closures, and in turn caused less sales tax revenue to be generated. However, because of the Town's healthy financial position, management has been able to earn \$165,348 in interest earnings to support governmental activities related to the Federal Reserve raising interest rates in 2022. This is an increase of 545% over the interest income for governmental activities in fiscal year 2022, which was \$25,604. Management for the Town also invested and earned interest in its business-type activities and earned \$34,746 at fiscal year-end 2023, which is an increase of 208% over year end for fiscal year 2022, which was \$11,264.

The total interest earnings between governmental activities and business-type activities of \$200,094 is an increase of \$163,226 from the interest earnings of fiscal year 2022, which was \$36,868. Program revenues covered 11% of governmental operating expenses in 2023, which is a 27% decrease of charges for services (program revenues) from 2022, which was 15%. This means that the Town relied more heavily on taxes and other revenues to cover the expenses of providing primary government services in fiscal year 2023 than it did in fiscal year 2022. The government's taxpayers and the Town's other general revenues funded the balance of the governmental activities such as services offered from public safety and parks and recreation. As a result, the general economy and local businesses have a major impact on the Town's revenue streams. Program revenues for fiscal year 2022 covered 4.55% more of governmental operating expenses than that of fiscal year 2021.

The graph below shows governmental revenues by source:



GOVERNMENTAL FUNCTIONAL EXPENSES

Public safety comprises 40.7% of the Town's total expenses, which is an increase from 2022. The increase to Public Safety spending is due to the department being fully staffed. Culture (Parks) and Recreation make up 7.3% of the Town's total governmental activities expenses. General Government, comprised of Administration, Clerk, Building, Finance and Community Development functions, make up 28.7% of the Town's total governmental activities expenses. Public Works make up 23.3% of the Town's total governmental activities expenses. While most expense categories were similar to fiscal year 2022, Public Safety, General Government and Public Works all changed significantly, due to being fully staffed through most of the fiscal year.

The overall increase in expenses was 61% over the prior fiscal year. In 2023, the efforts to return to and improve regular operations along with staffing changes, including payouts for terminations, hiring additional staff, and paying for consultancies for various functions are likely causes of the increase.

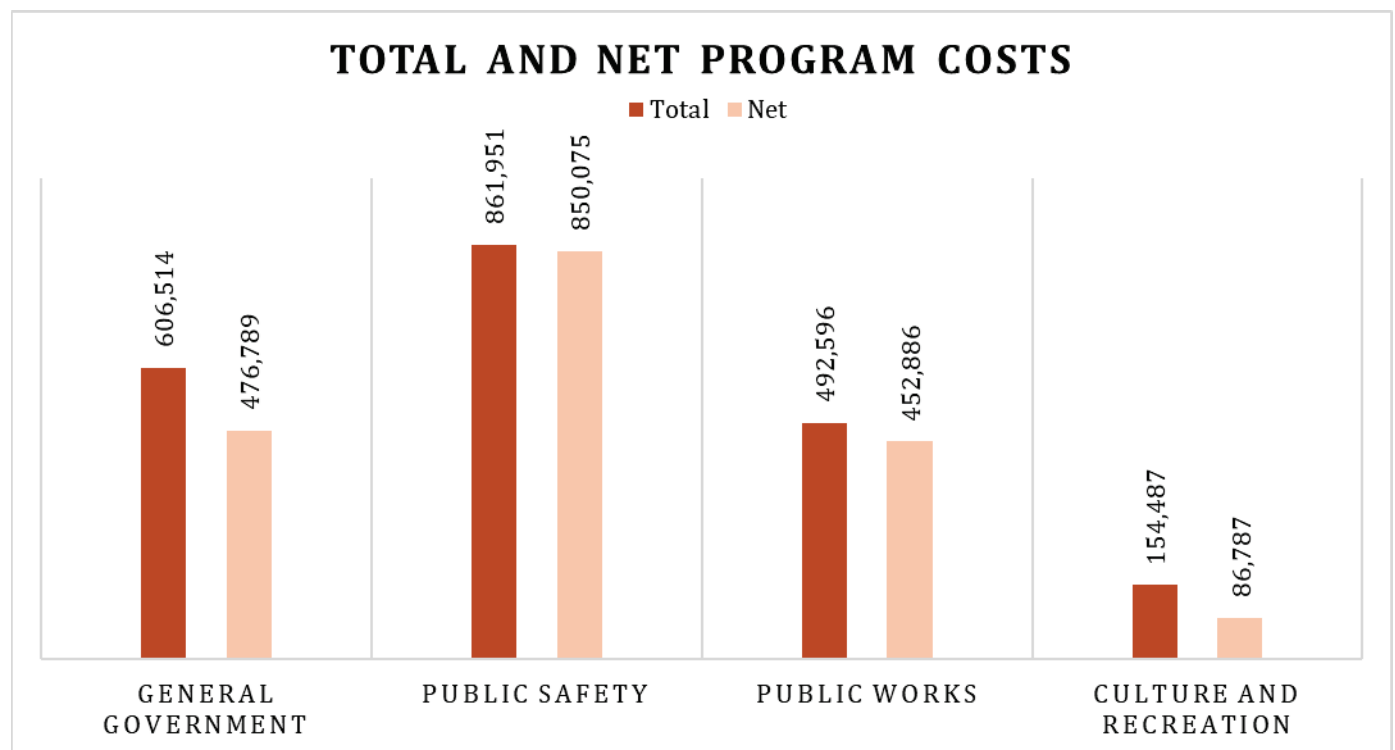
The following table presents the cost of each of the Town's programs, including the net costs (e.g. total cost less revenues generated by the activities). The net costs show the financial burden that was placed on the Town's taxpayers by each of these functions. Page 9 of the financial statements describes the Town's Statement of Activities for fiscal year 2023, and should be read to understand this section.

Governmental Activities

	<u>Total Cost of Services</u>	<u>Percentage of Total</u>	<u>Net Cost of Services</u>	<u>Percentage of Total</u>
General Government	\$ 606,514	28.7%	\$ 476,789	25.5%
Public Safety	861,951	40.7%	850,075	45.5%
Public Works	492,596	23.3%	452,886	24.3%
Culture and Recreation	154,487	7.3%	86,787	4.6%
Total	<u>\$ 2,115,548</u>	<u>100.0%</u>	<u>\$ 1,866,537</u>	<u>100.0%</u>

The Culture and Recreation function has the best cost recovery of 43.8%, due mostly to utilizing the Conservation Trust Fund for improvements, repairs and maintenance of the robust parks and trail network that the Town enjoys. The General Government function has the second-best cost recovery at 21% as shown in the chart on the next page as well as visualized in the graph below it. Permit fees and application fees are set to recover most of the expenses associated with community development, building and licensing services. The Town received operating grants to help reduce the cost of providing services for both Public Works and Public Safety in fiscal year 2023. While these program revenues can vary in any given year, the corresponding acquisition of assets does not appear as a program expense. For that reason, program revenues can fluctuate dramatically from year to year depending on the amount of capital grants and contributions received.

Governmental Activities Cost Recovery				
	Total Cost of Services	Program Revenues	Net Cost of Services	Percent Recovered
General Government	\$ (606,514)	\$ 129,725	\$ (476,789)	21.4%
Public Safety	(861,951)	11,876	(850,075)	1.4%
Public Works	(482,596)	39,710	(442,886)	8.2%
Culture and Recreation	(154,487)	67,700	(86,787)	43.8%
Total	<u>\$(2,105,548)</u>	<u>\$ 249,011</u>	<u>\$(1,856,537)</u>	<u>11.8%</u>



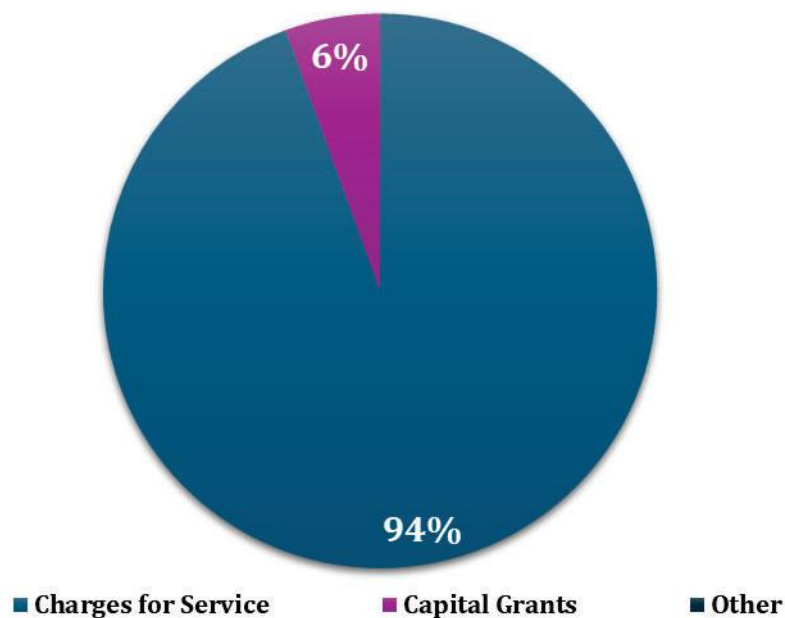
BUSINESS – TYPE ACTIVITIES

For the year ending December 31, 2023, the Town reported all enterprise funds as major funds. Business-type activities increased the Town's net position by \$514,983. Key elements of business-type (enterprise) activities net position are as follows:

The operating revenues for all the enterprise funds were 20% greater than fiscal year 2022, due to Resolution 2022-15 raising water rates, Resolution 2022-14 raising garbage rates, and Ordinance 2022-08 raising Wastewater Rates. Operating expenses for all enterprise funds were 15% more than in fiscal year 2022. Within the total business-type activities of the Town, these activities reported an operating income of \$566,169 compared to an operating income of \$400,197 for the prior year. Non-operating expenses decreased by \$3,378 over fiscal year 2022. Capital contributions for 2023 were \$100. Capital contributions include tap fees, developer contributions of capital assets, and capital grants.

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

Business-Type Revenue by Source

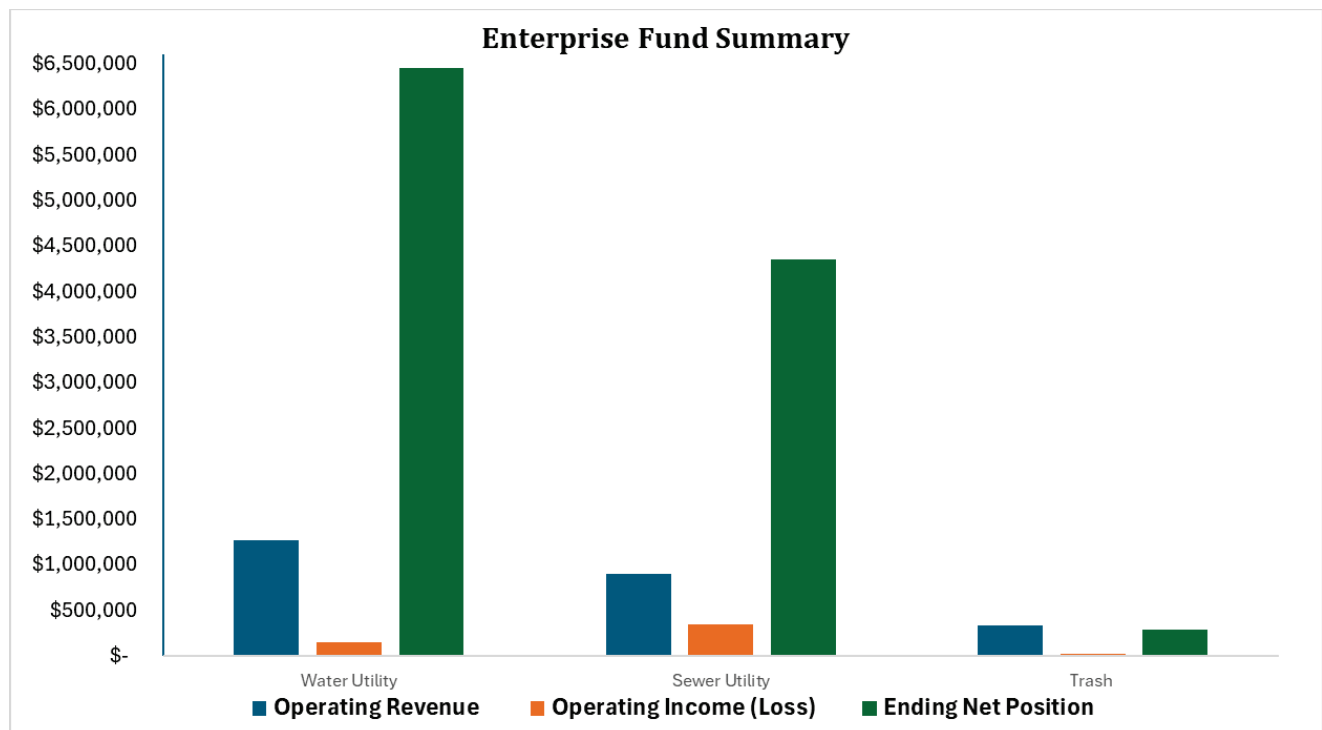


The water utility accounts for approximately 51% of operating revenues and 56% of operating expenses. This utility reported a net increase in net position of \$146,173. The water utility had an operating income of \$199,905 and \$100 in capital contributions. The water utility had a 1% decrease in revenues and an increase of 3.5% in operating expenses, which is attributed to higher expenditures on professional services such as design engineering for the First Phase of the Water Capital Improvement Plan.

For the sewer utility fund, operating expenses increased 51% over the prior year. Operating revenues saw an increase of 64% over the prior year. Net operating income for 2023 was \$343,126 in comparison to \$178,370 in 2022.

Trash made up 13% of operating revenues for all enterprise funds compared to 16% of operating expenses. Net operating income for 2023 was \$23,138, which is a redirection from 2022 when the fund experienced a loss of operating income (\$29,334). The ending net position of \$279,599 brings the Trash Fund to a better ending position than both 2022 and 2021. This fund has corrected course and is experiencing an increase in net position that brings it closer to ending position for the end of fiscal year 2020.

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



Financial Analysis of the Town's Funds

Governmental Funds

As mentioned earlier, governmental funds are reported in the fund statements with a focus on short-term, inflow and outflow of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$2,804,139. Approximately, \$749,992 of the year-end total governmental fund balance is restricted, committed, or assigned fund balance.

The total ending fund balances of governmental funds show an increase of \$332,891 over the prior year. This increase is primarily the result of transfers from the General Fund and the Sales Tax and Capital Improvement Fund into the Non-Major Funds. The transfers are most likely due to projects that were not completed during the year and are expected to be complete in fiscal year 2024.

Major Governmental Funds

The General Fund:

The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance decreased by \$252,800 after two years of increases, \$463,510 in fiscal year 2022, and \$417,214 in fiscal year 2021. The decrease in the General Fund's fund balance is primarily due to several unplanned expenditures including hiring an interim administrator consulting firm, hiring a new administrator, hiring a third-party bookkeeper, and accrued time payouts for terminations.

Total revenues for 2023 were \$1,709,015 an increase of \$50,525 or 3% over 2022. All tax revenues decreased in 2023 compared to 2022. Due to the Town's healthy financial position and the Federal Reserve raising interest rates in late 2022, the Town's investments saw a significant increase in investment income. The remaining revenue sources were comparable with the prior year.

Expenditures for 2023 were \$1,769,815, an increase of 48% over fiscal year 2022. This reflects an effort to hire key management employees and fully-staff departments within the Town, as well as hiring third-party consultancies to assist with financial management and interim management.

General government expenditures increased 87% overall when compared to the previous year. Again, this was due to the hiring of third-party consultants for both financial bookkeeping and interim management.

Total public safety actual expenditures saw a 26% increase in spending over the previous year. This is primarily due to the efforts of management to provide new equipment that promotes officer safety and hiring more employees to become fully staffed.

Public works expenditures increased 47% as compared to fiscal year 2022, and Culture and Recreation expenditures increased 22% over 2022. These increases in expenditures are largely due to hiring efforts and investing in tools and equipment necessary for Public Works to perform their functions.

The general fund transferred \$192,000 to non-major funds, and the Sales Tax Capital Improvement Fund transferred \$346,000 to Non-Major Funds. This amount varies based on available resources in any given year and Town staff's capacity to administer additional projects.

The Proprietary Funds

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

Budgetary Highlights

The General Fund – The Fiscal Year 2023 Budget had one amendment, Resolution 2023-18. The amendment increased the appropriation in the General Fund by \$200,000 due to lower than anticipated revenue, and within the Wastewater/Sewer Fund by \$1,200,000 due to unexpected, emergency repairs. The final fiscal year 2023 budget included \$2,035,213 in expected revenues, the actual revenues for fiscal year 2023 were \$1,709,015 for a negative variance of \$326,198.

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

The final general fund budget for expenditures had a favorable variance of \$105,252, due to amending the general fund budget and pulling cash from reserves to make up the deficit from lost sales tax revenue.

Capital Assets and Debt Administration

Capital Assets

The Town's net investments in capital assets, for governmental and business-type activities as of December 31, 2023, depreciated to \$2,979,802 (governmental activities) which is 4% less than in 2022, and increased to \$8,645,294 (business-type activities) which is 7% more than 2022.

The following table provides a summary of capital asset activity:

	Capital Assets				Total	
	Governmental Activities		Business-Type Activities		2023	2022
	2023	2022	2023	2022		
Non-Depreciable Assets:						
Land and Water Rights	\$ 246,481	\$ 246,481	\$ 834,157	\$ 834,157	\$ 1,080,638	\$ 1,080,638
Improvements/CIP	-	-	81,787	-	81,787	-
Total Non-Depreciable	246,481	246,481	915,944	834,157	1,162,425	1,080,638
Depreciable Assets:						
Buildings	703,646	703,646	-	-	703,646	703,646
Improvements (not buildings)	585,541	547,789	-	-	585,541	547,789
Infrastructure	3,152,517	3,152,517	-	-	3,152,517	3,152,517
Equipment	1,042,874	1,042,874	-	-	1,042,874	1,042,874
Distribution Systems	-	-	4,187,566	4,187,566	4,187,566	4,187,566
Collection Systems	-	-	1,679,685	925,517	1,679,685	925,517
Vehicles and Equipment	-	-	535,816	535,816	535,816	535,816
Treatment Plant	-	-	12,175,799	12,175,799	12,175,799	12,175,799
Software	-	-	22,514	-	22,514	-
Total Depreciable Assets	5,484,578	5,446,826	18,601,380	17,824,698	24,085,958	23,271,524
Less accumulated depreciation	(2,701,885)	(2,501,236)	(7,353,327)	(6,911,792)	(10,055,212)	(9,413,028)
Percentage Depreciated	49%	40%	40%	47%	41%	46%
Total Capital Assets, Net	\$ 3,029,174.00	\$ 3,192,071.00	\$12,163,997.00	\$11,747,063.00	\$15,193,171.00	\$14,939,134.00

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended December 31, 2023

Town of Paonia, Colorado

On December 31, 2023, the depreciable capital assets for governmental activities were 49% depreciated. This is 9% higher than in fiscal year 2022 and is due to lack of investment in existing buildings such as Town Hall and the Public Works Annex. This comparison indicates that the Town needs to invest in repairs and improvements to existing facilities or invest in new buildings to stay at a comparable rate to depreciation. Experiencing multiple years of depreciation outpacing investment in assets is a negative indicator and will need to be corrected.

With the Town's business-type activities, 40% of the depreciable capital assets were depreciated on December 31, 2023, comparable to 47% on December 31, 2022. This is a positive indicator that the Town is investing in its business-type activities and that investment is outpacing depreciation. However, most of the improvements were related to emergency repairs to the town's Wastewater Collections system, and ought to be planned instead of waiting until critical failure.

Overall, the Town's capital assets are depreciated at 41%, which is less than 2022 and demonstrates the Town's continuing investment in capital.

Long-term Debt

At the end of fiscal year 2023, the Town only had long-term debt transactions for the governmental activities related to compensated absences. Compensated absences made up \$25,736 of the Town's total long-term debt. Compensated absences are listed as long-term debt since they are recorded only when payment is due, and they were accrued in 2023, but will be paid out in a subsequent year (usually up to the discretion of the employee that accrued them). The Town currently has no General Obligation debt which allows the Town to use its tax revenues for providing services and programs to its Residents rather than unconditionally pledging it to pay interest and principal on debt.

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

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

	Outstanding Borrowings						% Change
	Governmental Activities		Business-Type Activities		Total		
	2023	2022	2023	2022	2023	2022	
CWRPDA Loan	\$ -	\$ -	\$ 128,389	\$ 152,246	\$ 128,389	\$ 152,246	-16%
WPA Loan	-	-	1,903,310	2,063,868	1,903,310	2,063,868	-8%
2020 Revenue Refunding Bonds	-	-	2,058,600	2,167,100	2,058,600	2,167,100	-5%
Lease Financing Equipment	-	-	22,514	-	22,514	-	New Debt
Compensated Absences	17,967	21,814	7,769	-	25,736	21,814	18%
Total	17,967	21,814	4,120,582	4,383,214	4,138,549	4,405,028	-6%

See note 5 for additional information about the Town's long-term debt.

Economic Conditions and Next Year's Budget

Financially, 2023 showed decreases over previous years. Sales and Use, and occupational taxes, which are economic indicators for tourism and spending, decreased by 7.5% over fiscal year 2022. The loss of sales and use tax is most likely due to Highway 133 being closed during the peak of tourism season which reduced the amount of traffic through Town.

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

A serious issue facing residents in Paonia is the lack of affordable housing options, which is exacerbated by a lack of year-round jobs due to the seasonally dependent industries of the Town. The Town also enacted a water moratorium in 2020 with certain criteria that must be met in order lift it. The moratorium has limited growth and is a contributing factor for the lack of affordable housing. The 2024 budget was prepared with these conditions in mind, while continuing to fund services for residents and visitors alike.

Contacting the Town's Financial Management

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



Basic Financial Statements

Town of Paonia, Colorado
Statement of Net Position
December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,347,613	\$ 1,531,648	\$ 3,879,261
Cash and cash equivalents - restricted	631,028	683,196	1,314,224
Property Taxes Receivable	159,967	-	159,967
Accounts Receivable, net	159,952	360,475	520,427
Due from other governments	57,607	-	57,607
Inventories	-	118,230	118,230
Capital Assets, <i>not being depreciated</i>	246,481	915,944	1,162,425
Capital Assets, <i>net of accumulated depreciation</i>	<u>2,782,693</u>	<u>11,248,053</u>	<u>14,030,746</u>
Total Assets	<u>6,385,341</u>	<u>14,857,546</u>	<u>21,242,887</u>
Deferred Outflows of Resources			
Deferred Outflows Due to Pensions	<u>73,573</u>	<u>-</u>	<u>73,573</u>
Liabilities			
Accounts Payable	42,188	27,048	69,236
Accrued Payroll Liabilities	29,873	21,620	51,493
Accrued interest payable	-	28,614	28,614
Unearned Revenue	320,000	184,616	504,616
Net Pension Liability	18,205	-	18,205
Noncurrent Liabilities			
Due Within One Year	798	216,804	217,602
Due in More Than One Year	<u>7,184</u>	<u>3,301,899</u>	<u>3,309,083</u>
Total Liabilities	<u>418,248</u>	<u>3,780,601</u>	<u>4,198,849</u>
Deferred Inflows of Resources			
Deferred Inflows Due to Pensions	79,980	-	79,980
Unavailable Revenue - Property Taxes	<u>159,967</u>	<u>-</u>	<u>159,967</u>
Total Deferred inflows of resources	<u>239,947</u>	<u>-</u>	<u>239,947</u>
Net Position			
Net Investment in Capital Assets	2,979,802	8,645,294	11,625,096
Restricted for:			
Emergencies (TABOR)	53,228	-	53,228
Debt Service	-	683,196	683,196
Streets Improvements	60,192	-	60,192
Unrestricted, unreserved	<u>2,707,497</u>	<u>1,748,455</u>	<u>4,455,952</u>
Total Net Position	<u>\$ 5,800,719</u>	<u>\$ 11,076,945</u>	<u>\$ 16,877,664</u>

See Notes to the Financial Statements.

Town of Paonia, Colorado
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities						
General Government	\$ 606,514	\$ 129,725	\$ -	\$ (476,789)	\$ -	\$ (476,789)
Public Safety	861,951	3,631	8,245	(850,075)	-	(850,075)
Public Works	492,596	28,670	11,040	(452,886)	-	(452,886)
Culture and Recreation	154,487	67,700	-	(86,787)	-	(86,787)
Total Governmental Activities	2,115,548	229,726	19,285	(1,866,537)	-	(1,866,537)
Business-Type Activities						
Water Operations	1,123,494	1,269,525	-	-	146,031	146,031
Sewer Operations	582,910	756,038	137,798	-	310,926	310,926
Trash Water	302,265	325,403	-	-	23,138	23,138
Total Business-Type Activities	2,008,669	2,350,966	137,798	-	480,095	480,095
Total Primary Government	\$ 4,124,217	\$ 2,580,692	\$ 157,083	(1,866,537)	480,095	(1,386,442)
General Revenues						
Taxes						
Property				172,050	-	172,050
Specific ownership				24,006	-	24,006
General sales				1,233,964	-	1,233,964
Franchise				110,218	-	110,218
Occupancy				97,330	-	97,330
Other				2,238	-	2,238
Investment Income				165,348	34,746	200,094
Capital Contributions - Tap Fees				-	100	100
Proceeds from the Sale of Assets				-	42	42
Misc.				80,736	-	80,736
Total General Revenues and Transfers				1,885,890	34,888	1,920,778
Change in Net Position				19,353	514,983	534,336
Net Position, Beginning of year				5,781,366	10,561,962	16,343,328
Net Position, End of year				\$ 5,800,719	\$ 11,076,945	\$ 16,877,664

See Notes to the Financial Statements.

Town of Paonia, Colorado
Balance Sheet
Governmental Funds
December 31, 2023

	Major Funds			
	General	Sales Tax Capital Improvement	Non-Major	Total
	Fund	Fund	Funds	
Assets				
Cash and cash equivalents				
Unrestricted	\$ 795,169	\$ 500,524	\$ 1,051,920	\$ 2,347,613
Restricted	631,028	-	-	631,028
Accounts receivable	157,316	-	-	157,316
Taxes receivable	-	-	2,636	2,636
Property taxes receivable	159,967	-	-	159,967
Due from other governments	-	57,607	-	57,607
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 1,743,480	\$ 558,131	\$ 1,054,556	\$ 3,356,167
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
Accounts Payable	\$ 42,188	\$ -	\$ -	\$ 42,188
Accrued payroll	29,873	-	-	29,873
Unearned Revenue	320,000	-	-	320,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	392,061	-	-	392,061
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred Inflows of Resources				
Property Taxes	159,967	-	-	159,967
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance				
Restricted for:				
Emergencies (TABOR)	53,228	-	-	53,228
Airport Capital Improvements	-	60,192	-	60,192
Committed				
Bridge reserve	228,717	-	-	228,717
Capital Acquisition	-	407,855	-	407,855
Unassigned	909,507	90,084	1,054,556	2,054,147
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	1,191,452	558,131	1,054,556	2,804,139
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,743,480	\$ 558,131	\$ 1,054,556	\$ 3,356,167
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See Notes to the Financial Statements.

Town of Paonia, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023

	Major Funds			
	General	Sales Tax Capital Improvement	Non-Major	Total
	Fund	Fund	Funds	
Revenues				
Taxes	\$ 1,269,394	\$ 270,043	\$ 100,369	\$ 1,639,806
Licenses and Permits	48,285	-	32,726	81,011
Intergovernmental	142,037	15,087	-	157,124
Investment Income	165,337	-	-	165,337
Fines and Forfeitures	10,876	-	-	10,876
Miscellaneous	73,086	7,650	10	80,746
Total Revenues	<u>1,709,015</u>	<u>292,780</u>	<u>133,105</u>	<u>2,134,900</u>
Expenditures				
Current				
General Government	591,474	-	-	591,474
Public Safety	676,742	-	-	676,742
Public Works	296,187	-	-	296,187
Culture and Recreation	167,662	-	2,000	169,662
Capital Outlay	37,750	30,194	-	67,944
Total Expenditures	<u>1,769,815</u>	<u>30,194</u>	<u>2,000</u>	<u>1,802,009</u>
Excess Revenues Over (Under) Expenditures	<u>(60,800)</u>	<u>262,586</u>	<u>131,105</u>	<u>332,891</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(192,000)</u>	<u>(346,000)</u>	<u>538,000</u>	<u>-</u>
Other Financing Sources (Uses)	<u>(192,000)</u>	<u>(346,000)</u>	<u>538,000</u>	<u>-</u>
Net Change in Fund Balance	<u>(252,800)</u>	<u>(83,414)</u>	<u>669,105</u>	<u>332,891</u>
Fund Balance, Beginning of year	<u>1,444,252</u>	<u>641,545</u>	<u>385,451</u>	<u>2,471,248</u>
Fund Balance, End of year	<u>\$ 1,191,452</u>	<u>\$ 558,131</u>	<u>\$ 1,054,556</u>	<u>\$ 2,804,139</u>

See Notes to the Financial Statements.

Town of Paonia, Colorado
Reconciliation of Balance Sheet of the Governmental Funds
to the Statement of Net Position
December 31, 2023

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

Total Fund Balance of Governmental Funds	\$ 2,804,139
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds.	3,029,174
Pension assets and deferred outflows are not current, therefore, are not reported in governmental funds:	
Net Pension Asset (Liability)	(18,205)
Deferred Outflows, Pensions	73,573
Deferred Inflows, Pensions	(79,980)
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Accrued compensated absences	<u>(7,982)</u>
Total Net Position of Governmental Activities	<u>\$ 5,800,719</u>

Town of Paonia, Colorado
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2023

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

Net Change in Fund Balance of Governmental Funds	\$ 332,891
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.	
Capital outlays	37,752
Depreciation expense	(200,649)
Revenues received after the period of availability are recognized as deferred revenue in the funds statements, but as revenues in the Statement of Activities	
	2,215
FPPA Pension liabilities reported in governmental funds as expenditures when contributions are made. However, for governmental activities those costs are reflected as liabilities when incurred.	
Compensated Absences	7,770
Net Pension Asset (Liability)	(165,119)
Deferred Outflows, Pensions	3,571
Deferred Inflows, Pensions	922
Change in Net Position of Governmental Activities	\$ <u><u>19,353</u></u>

Town of Paonia, Colorado
Statement of Net Position
Proprietary Fund
December 31, 2023

	Water	Sewer	Trash	Total
<i>Current Assets</i>				
Cash and Investments	\$ 1,212,543	\$ 168,908	\$ 150,197	\$ 1,531,648
Restricted Cash and investments	-	683,196	-	683,196
Accounts Receivable	124,083	206,944	29,448	360,475
Leased Asset - Software	22,514	-	-	22,514
Inventory	107,313	10,917	-	118,230
Total Current Assets	<u>1,466,453</u>	<u>1,069,965</u>	<u>179,645</u>	<u>2,716,063</u>
<i>Noncurrent Assets</i>				
Capital Assets, <i>Not being depreciated</i>	351,564	564,380	-	915,944
Capital Assets, <i>Net of accumulated depreciation</i>	<u>6,861,702</u>	<u>4,279,622</u>	<u>106,729</u>	<u>11,248,053</u>
Total Noncurrent Assets	<u>7,213,266</u>	<u>4,844,002</u>	<u>106,729</u>	<u>12,163,997</u>
Total Assets	<u>8,679,719</u>	<u>5,913,967</u>	<u>286,374</u>	<u>14,880,060</u>
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	18,758	4,827	3,463	27,048
Accrued interest payable	17,364	11,250	-	28,614
Accrued Liabilities	9,487	9,502	2,631	21,620
Unearned grant revenues	184,616	-	-	184,616
Lease Liability	22,514	-	-	22,514
Current Portion of Noncurrent Liabilities	<u>161,382</u>	<u>55,354</u>	<u>68</u>	<u>216,804</u>
Total Current Liabilities	<u>414,121</u>	<u>80,933</u>	<u>6,162</u>	<u>501,216</u>
<i>Noncurrent Liabilities</i>				
Notes and bonds payable	<u>1,812,691</u>	<u>1,488,595</u>	<u>613</u>	<u>3,301,899</u>
Total Noncurrent Liabilities	<u>1,812,691</u>	<u>1,488,595</u>	<u>613</u>	<u>3,301,899</u>
Total Liabilities	<u>2,226,812</u>	<u>1,569,528</u>	<u>6,775</u>	<u>3,803,115</u>
Net Position				
Net Investment in Capital Assets	5,239,193	3,300,053	106,048	8,645,294
Restricted for Debt Service	-	114,575	-	114,575
Restricted for Maintenance	-	568,621	-	568,621
Unrestricted	<u>1,213,714</u>	<u>361,190</u>	<u>173,551</u>	<u>1,748,455</u>
Total Net Position	<u>\$ 6,452,907</u>	<u>\$ 4,344,439</u>	<u>\$ 279,599</u>	<u>\$ 11,076,945</u>

See Notes to the Financial Statements.

Town of Paonia, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2023

	Water	Sewer	Trash	Total
Operating Revenues				
Charges for Services	\$ 1,269,525	\$ 756,038	\$ 325,403	\$ 2,350,966
Grant Revenue	-	137,798	-	137,798
Miscellaneous	42	-	-	42
	<u>1,269,567</u>	<u>893,836</u>	<u>325,403</u>	<u>2,488,806</u>
Total Operating Revenues				
Operating Expenses				
Personnel expenses	375,208	200,601	206,514	782,323
Contractual service	33,439	-	41,143	74,582
Professional fees	103,820	54,267	4,952	163,039
Utilities	27,240	42,672	2,631	72,543
Repairs and maintenance	104,860	71,164	731	176,755
Other supplies and expense	96,629	47,380	21,332	165,341
Insurance claims and expense	29,789	9,974	6,755	46,518
Depreciation	298,677	124,652	18,207	441,536
	<u>1,069,662</u>	<u>550,710</u>	<u>302,265</u>	<u>1,922,637</u>
Total Operating Expenses				
Net Operating Income	<u>199,905</u>	<u>343,126</u>	<u>23,138</u>	<u>566,169</u>
Non-Operating Revenues (Expenses)				
Interest Income	-	34,746	-	34,746
Interest Expense	(53,832)	(32,200)	-	(86,032)
	<u>146,073</u>	<u>345,672</u>	<u>23,138</u>	<u>514,883</u>
Net Income (Loss) Before Contributed Capital				
Contributed Capital and Transfers				
System Development Fees	100	-	-	100
	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
Total Capital Contributions and Transfers				
Change in Net Position	146,173	345,672	23,138	514,983
Net Position, Beginning of year	<u>6,306,734</u>	<u>3,998,767</u>	<u>256,461</u>	<u>10,561,962</u>
Net Position, End of year	<u>\$ 6,452,907</u>	<u>\$ 4,344,439</u>	<u>\$ 279,599</u>	<u>\$ 11,076,945</u>

See Notes to the Financial Statements.

Town of Paonia, Colorado
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2023

	Water	Sewer	Trash	Total
Cash Flows From Operating Activities				
Cash Received from Customers	\$ 1,269,525	\$ 756,038	\$ 325,403	\$ 2,350,966
Cash Received from Others	(31,178)	137,798	(5,374)	101,246
Cash Paid to Suppliers	(476,565)	(415,734)	(127,444)	(1,019,743)
Cash Paid to Employees	(284,118)	(161,549)	(159,949)	(605,616)
	<u>477,664</u>	<u>316,553</u>	<u>32,636</u>	<u>826,853</u>
Net Cash Provided by Operating Activities				
	<u>477,664</u>	<u>316,553</u>	<u>32,636</u>	<u>826,853</u>
Cash Flows From Capital and Related Financing Activities				
System Development Fees	100	-	-	100
Acquisition and Construction of Capital Assets	(59,274)	(754,168)	-	(813,442)
Debt Principal Payments	(176,935)	(51,925)	-	(228,860)
Debt Interest Payments	(53,832)	(32,200)	-	(86,032)
	<u>(289,941)</u>	<u>(838,293)</u>	<u>-</u>	<u>(1,128,234)</u>
Net Cash Used by Capital and Related Financing Activities				
	<u>(289,941)</u>	<u>(838,293)</u>	<u>-</u>	<u>(1,128,234)</u>
Cash Flows From Investing Activities				
Interest received	-	34,746	-	34,746
	<u>-</u>	<u>34,746</u>	<u>-</u>	<u>34,746</u>
Net Cash Used by Capital and Related Financing Activities				
	<u>-</u>	<u>34,746</u>	<u>-</u>	<u>34,746</u>
Net Change in Cash and Cash Equivalents	187,723	(486,994)	32,636	(266,635)
Cash and Cash Equivalents, Beginning of year	1,024,820	1,339,098	117,561	2,481,479
Cash and Cash Equivalents, End of year	<u>\$ 1,212,543</u>	<u>\$ 852,104</u>	<u>\$ 150,197</u>	<u>\$ 2,214,844</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:				
Net Operating Income	\$ 199,905	\$ 343,126	\$ 23,138	\$ 566,169
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	298,677	124,652	18,207	441,536
Changes in Assets and Liabilities Related to Operations				
Accounts Receivable	(31,220)	(157,866)	(5,374)	(194,460)
Inventory	10,599	1,453	-	12,052
Accounts Payable	215	(2,235)	(1,607)	(3,627)
Accrued Expenses	(512)	7,423	(1,728)	5,183
	<u>477,664</u>	<u>316,553</u>	<u>32,636</u>	<u>826,853</u>
Net Cash Provided by Operating Activities				
	<u>\$ 477,664</u>	<u>\$ 316,553</u>	<u>\$ 32,636</u>	<u>\$ 826,853</u>

See Notes to the Financial Statements.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies

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

The Town's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Reporting Entity

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

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

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

Government-wide and Fund Financial Statements

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

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

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

Fund Financial Statements

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

Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with self-balancing accounts. Governmental resources are allocated to and accounted for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Town has all three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

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

The following are the Town's governmental major funds:

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

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental Funds (Continued)

The following funds are considered nonmajor governmental funds:

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

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Cash and Investments

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

Receivables

The Town uses the allowance method for recognizing the uncollectable delinquent accounts receivable. At December 31, 2023, no allowance has been established, as all amounts are considered collectible. Each October, any utility bills more than 60 days old are certified to the County Treasurer for collection with the property taxes to be collected the following year.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed, but uncollected, property taxes for calendar year 2023 have been recorded as receivable and as deferred revenue. Property taxes are billed and collected by Delta County, Colorado and distributed to the municipalities and special districts within the county the month after collection.

Inventories

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

Interfund Receivables and Payables

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

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

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

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

Deferred Outflows and Inflows of Resources

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources (Continued)

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

Capital Assets

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

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

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

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

Compensated Absences

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Town's defined benefit pension plan and additions to/deductions from the fiduciary net position of the Town's defined benefit pension plans have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Obligations

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

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

Net Position

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

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

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

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

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance Classification

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

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

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

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

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

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

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

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

Use of Estimates

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

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Town has evaluated subsequent events through August 21, 2024, the date the financial statements were available to be issued.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

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

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

Note 3: Cash Deposits and Investments

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

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2023

Note 3: Cash Deposits and Investments (Continued)

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

Petty Cash	\$ 225
Cash held by County Treasurer	123,871
Bank deposits	2,709,200
Certificates of deposit	475,296
Colotrust	1,884,893
Total	<u>\$ 5,193,485</u>

Deposits

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

Cash and Investments	\$ 3,879,261
Restricted Cash and Investments	1,314,224
Total	<u>\$ 5,193,485</u>

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

As of December 31, 2023, the Town had deposits of \$3,184,496. Depositor's insurance (FDIC) covers \$250,000 of this amount; the balance is covered by PDPA.

Investments

The Town's investment policy lists the authorized investment types as defined by Colorado statutes. Authorized investments include direct obligations of the United States, obligations of U.S. government agencies, general or revenue obligations of any state of the United States, any territory, or political subdivision of any state, qualified bankers' acceptances, commercial paper, certificates of participation, repurchase agreements, qualified local government investment pool, money market funds, qualified corporate or bank debt, and certain guaranteed investment contracts. The Town held no such investments at December 31, 2023.

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 3: Cash Deposits and Investments (Continued)

Investments (Continued)

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

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

Local Government Investment Pool - At December 31, 2023, the Town had \$1,884,893 (fair value) invested in COLOTRUST, an investment vehicle established by State statute for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating COLOTRUST. COLOTRUST operates similar to money market funds and each share is equal in value to \$1.00. COLOTRUST is rated AAAM by Standard and Poor's. Investments are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

The Town had the following investments at December 31, 2023:

Investment Type	Rating	Total	Less than 1 year	1 to 5 years
Colorado Liquid Government Asset Trust (ColoTrust Plus)	No Rating	\$ 1,884,893	\$ -	\$ 1,884,893
Certificates of deposit	No Rating	475,296	-	475,296
U.S. Treasury Securities		<u>\$ 2,360,189</u>	<u>\$ -</u>	<u>\$ 2,360,189</u>

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

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2023

Note 3: Cash Deposits and Investments (Continued)

Investments (Continued)

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

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

Note 4: Capital Assets

Capital assets activity for the year ended December 31, 2023 is summarized below:

Governmental Activities	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 246,481	\$ -	\$ -	\$ 246,481
Total Capital Assets Not Being Depreciated	<u>246,481</u>	<u>-</u>	<u>-</u>	<u>246,481</u>
 Capital Assets Being Depreciated				
Buildings	703,646	-	-	703,646
Improvements other than Buildings	547,789	37,752	-	585,541
Infrastructure	3,152,517	-	-	3,152,517
Equipment	1,042,874	-	-	1,042,874
Total Capital Assets Being Depreciated	<u>5,446,826</u>	<u>37,752</u>	<u>-</u>	<u>5,484,578</u>
 Less Accumulated Depreciation for				
Buildings	(424,138)	(20,169)	-	(444,307)
Improvements other than Buildings	(324,784)	(18,693)	-	(343,477)
Infrastructure	(985,542)	(92,891)	-	(1,078,433)
Equipment	(766,772)	(68,896)	-	(835,668)
Total Accumulated Depreciation	<u>(2,501,236)</u>	<u>(200,649)</u>	<u>-</u>	<u>(2,701,885)</u>
 Total Capital Assets Being Depreciated, Net	<u>2,945,590</u>	<u>(162,897)</u>	<u>-</u>	<u>2,782,693</u>
 Government Type Activities, Capital Assets, Net	<u>\$ 3,192,071</u>	<u>\$ (162,897)</u>	<u>\$ -</u>	<u>\$ 3,029,174</u>

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2023

Note 4: Capital Assets (Continued)

Capital assets Business-Type activity for the year ended December 31, 2023 is summarized below:

Business Type Activities	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Capital Assets Not Being Depreciated				
Land & water rights	\$ 834,157	\$ -	\$ -	\$ 834,157
CIP	-	81,787	-	81,787
Total Capital Assets Not Depreciated	<u>834,157</u>	<u>-</u>	<u>-</u>	<u>915,944</u>
Capital Assets Being Depreciated				
Distribution systems	4,187,566	-	-	4,187,566
Collection system	925,517	754,168	-	1,679,685
Vehicles and equipment	535,816	-	-	535,816
Treatment plant	12,175,799	-	-	12,175,799
Software	-	22,514	-	22,514
Less Accumulated depreciation	<u>(6,911,792)</u>	<u>(441,535)</u>	<u>-</u>	<u>(7,353,327)</u>
Total Capital Assets Being Depreciated	<u>10,912,906</u>	<u>335,147</u>	<u>-</u>	<u>11,248,053</u>
Total Capital Assets Being Depreciated, Net	<u>10,912,906</u>	<u>335,147</u>	<u>-</u>	<u>11,248,053</u>
Business Type Activities, Capital Assets, Net	<u>\$ 11,747,063</u>	<u>\$ 335,147</u>	<u>\$ -</u>	<u>\$ 12,163,997</u>

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

Governmental Activities	
General Government	\$ 25,024
Public Safety	24,583
Public Works	128,465
Culture and Recreation	<u>22,577</u>
Total	<u>\$ 200,649</u>

Note 5: Long-Term Debt

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2023.

Governmental Activities	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023	Due Within One Year
Compensated Absences	\$ 17,967	\$ -	\$ (9,985)	\$ 7,982	\$ 798
Total	<u>\$ 17,967</u>	<u>\$ -</u>	<u>\$ (9,985)</u>	<u>\$ 7,982</u>	<u>\$ 798</u>

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2023

Note 5: Long-Term Debt (Continued)

Business-type Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2023.

Business-Type Activities	Balance 12/31/22	Additions	Deletions	Balance 12/31/23	Due Within One Year
Revenue - refunding bonds	\$ 1,550,000	\$ -	\$ (50,000)	\$ 1,500,000	\$ 55,000
Premium - refunding bonds	42,330	-	(1,925)	40,405	-
Loan-WPA	1,944,668	-	(132,275)	1,812,393	139,725
Premium-WPA	14,936	-	(1,211)	13,725	-
Loan CWRPDA	142,832	-	(20,935)	121,897	21,303
Lease Financing Agreement	-	22,514	-	22,514	-
Compensated Absences	-	7,769	-	7,769	776
	<u>-</u>	<u>7,769</u>	<u>-</u>	<u>7,769</u>	<u>776</u>
Total Business-Type Activities	\$ <u>3,694,766</u>	\$ <u>-</u>	\$ <u>(206,346)</u>	\$ <u>3,518,703</u>	\$ <u>216,804</u>

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 2023 were \$23,343. The proportion of the pledged revenue to total related revenues is not estimable because annual total fees collected fluctuate. The Town is required to provide rates and charges in order to maintain coverage of 110% of the debt service due on the governmental agency bond coming due in each calendar year, and to maintain an operation and maintenance reserve in an amount equal to three months of operating costs.

As of December 31, 2023, the Town borrowed \$395,969, of which the Town has made principal payments of \$253,137. Principal and interest payments for the years following December 31, 2023 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 21,303	\$ 2,040	\$ 23,343
2025	21,677	1,666	23,343
2026	22,058	1,285	23,343
2027	22,446	897	23,343
2028	22,841	503	23,344
2029	11,572	101	11,673
	<u>121,897</u>	<u>6,492</u>	<u>128,389</u>

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2023

Note 5: Long-Term Debt (Continued)

Business-type Activities (Continued)

WPA Loan

The Town has a Water Power Authority (WPA) loan agreement with CWRPDA for \$2,996,494 at 2.08% interest annually, with twice yearly payments ranging from about \$83,000 to \$91,000. The purpose of the loan is for improvements and the expansion of the existing water treatment facilities and distribution system. The Town pledged its net revenue from the operation of the water and sewer utility for repayment of the loan in the amount of approximately \$3,728,185 through 2035. Pledge revenues received during 2023 were \$191,222. The proportion of the pledged revenue to total related revenues is not estimable because annual total fees collected fluctuate. The Town is required to provide rates and charges in order to maintain coverage of 110% of the debt service due on the governmental agency bond coming due in each calendar year, and to maintain an operation and maintenance reserve in an amount equal to three months of operating expense, excluding depreciation of the water and sewer utility system, as set forth in the annual budget.

The loan balance includes a premium of \$25,431, which is amortized over the life of the loan on a straight-line basis. Yearly amortization is \$1,211. The remaining premium balance is \$13,725 as of December 31, 2023. At no time should the budget reserve be greater than \$1,250,000. Principal and interest payments for the years following December 31, 2023 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 133,651	13,850	147,501
2025	135,025	12,800	147,825
2026	137,088	11,750	148,838
2027	138,806	10,700	149,506
2028	174,492	26,517	201,009
2029-2033	734,345	7,650	741,995
2034-2035	358,986	7,650	366,636
	<u>\$ 1,812,393</u>	<u>\$ 90,917</u>	<u>\$ 1,903,310</u>

2020 Revenue Refunding Bonds

The Town issued \$1,650,000 of Revenue Refunding Bonds, Series 2020A. The bonds were issued on September 28, 2020, with interest payments due April 1 and October 1 of each year through April 1, 2044, commencing October 1, 2021. Principal payments are due April 1 of each year commencing April 1, 2021. The bonds carry an interest rate of 3.0%. The bond refunding resulted in a decrease in required cash flow for debt service of \$401,412, which constitutes an economic gain on refunding of \$226,757. These bonds were used to refund the RUS Loan payable.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 5: Long-Term Debt (Continued)

Business-type Activities (Continued)

2020 Revenue Refunding Bonds (Continued)

The bonds do not constitute a lien on any physical property of the Town, but constitute a lien only on the net revenues of the water and sewer enterprise funds and all moneys on deposit in the Reserve Account. The Reserve Account is required to be maintained at \$100,750.

The Bonds were issued with a premium of \$46,180 which is amortized on a straight-line basis through the life of the bonds (24 years) and recognized as interest expense. Annual amortization is \$1,925. Principal and interest payments for the years following December 31, 2023 are as follows:

Year Ended December 31,	Principal	Interest	Total
2024	\$ 55,000	\$ 45,000	\$ 100,000
2025	55,000	43,350	98,350
2026	55,000	41,700	96,700
2027	60,000	40,050	100,050
2028	60,000	38,250	98,250
2029-2033	190,000	165,300	355,300
2034-2038	440,000	121,650	561,650
2039-2043	250,000	62,250	312,250
2044	335,000	1,050	336,050
	<u>\$ 1,500,000</u>	<u>\$ 558,600</u>	<u>\$ 2,058,600</u>

Line of Credit

The Town had a \$200,000 working-capital line of credit with an interest rate of 1.35% and a maturity date of September 2023. As of December 31, 2023, there was a \$0.00 outstanding balance on the line of credit.

Note 6: Employee Retirement Plans

Deferred Compensation Plan

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

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2023

Note 6: Employee Retirement Plans (Continued)

Deferred Compensation Plan (Continued)

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

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

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

FPPA Statewide Defined Benefit Plan

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

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

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 6: Employee Retirement Plans (Continued)

FPPA Statewide Defined Benefit Plan (Continued)

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

Members of the SWDB plan and their employers are contributing at the rate of 8 percent of base salary for a total contribution rate of 16 percent through 2014. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2023.

Contributions from members and employers of departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20 percent of base salary through 2014. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014-member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2023 for a total combined member and employer contribution rate of 24 percent in 2023.

The contribution rate for members and employers of affiliated social security employers is 4 percent of base salary for a total contribution rate of 8 percent through 2014. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2023 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2023.

The Town's contributions to the SWDB Plan for the year ended December 31, 2023, were \$32,996, equal to the required contributions.

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

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

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

At December 31, 2023, the Town reported a net pension liability (asset) of \$((18,205)) representing its proportionate share of the net pension asset of the SWDB.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 6: Employee Retirement Plans (Continued)

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

The net pension liability was measured on December 31, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at January 1, 2023. The Town's proportion of the net pension asset was based on a projection of the Town's contributions to the plans for the calendar year ended December 31, 2023, relative to the projected contributions of all participating employers.

At December 31, 2023, the Town's proportion of the SWDB Plan was 0.02710922%, which was an increase of 0.002209% from its proportion measured on December 31, 2022.

For the year ended December 31, 2023, the Town recognized pension expense (Benefit) for the SWDB plan of \$(16,554).

At December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Statewide Defined Benefit Plan		
Differences between expected and actual experience	\$ 31,724	\$ 1,876
Net difference between projected and actual earnings on plan investments	43,375	-
Changes in assumptions and other inputs	18,873	-
Changes in proportion	1,841	78,104
Contributions subsequent to the measurement date	(22,240)	-
Total	\$ <u>73,573</u>	\$ <u>79,980</u>

Town contributions to the SWDB plan subsequent to the measurement date were \$(45,442) and will be recognized as an increase or decrease to the net pension (asset) liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows.

Year Ended December 31,	Amount
2024	\$ (2,801)
2025	3,968
2026	13,577
2027	(6,631)
2028	2,396
Thereafter	<u>5,324</u>
Total	\$ <u>15,833</u>

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 6: Employee Retirement Plans (Continued)

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

Actuarial Assumptions - The actuarial valuation at January 1, 2023, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

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

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

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 6: Employee Retirement Plans (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	35%	8.93%
Equity Long/Short	6%	7.47%
Private Markets	34%	10.31%
Fixed Income Rates	10%	5.45%
Fixed Income Credit	5%	6.90%
Absolute Return	9%	6.49%
Cash	1%	3.92%
	100%	

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the SWDB net pension (asset) liability	\$ 125,505	\$ 18,205	\$ (70,674)

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 6: Employee Retirement Plans (Continued)

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

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

Note 7: Public Entity Risk Pool

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the Town is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

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

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

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

CIRSA's operations are funded by contributions from member governments. Coverage is provided in the amount of \$500,000 per claim or occurrence for property damage, \$600,000 per claim or occurrence for liability, and \$150,000 per claim or occurrence for crime. CIRSA has also acquired additional excess coverage from outside sources. While the Town may be liable for any losses in excess of this coverage, the Town does not anticipate losses at December 31, 2023. No settlements of claims against the Town in the last three years have exceeded the Town's coverage.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2023

Note 7: Public Entity Risk Pool (Continued)

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

For 2023, the Town's deductible for property and liability claims per occurrence is \$1,000 for each. The auto liability deductible and the auto physical damage deductible are both \$1,000 per occurrence.

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

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

Note 8: Commitments and Contingencies

Litigation/Legal Claims

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

Federal and State Grants and Financial Sources

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

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2023

Note 8: Commitments and Contingencies (Continued)

TABOR Amendment

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

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

TABOR also requires local governments to establish an emergency reserve to be used to declare emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The Town has reserved \$53,228, which is the approximate required reserve at December 31, 2023.

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

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

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

Required Supplementary Information

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Town of Paonia, Colorado
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes			
General property taxes	\$ 146,913	\$ 169,011	\$ 22,098
Specific ownership taxes	23,550	24,006	456
Sales tax - town	599,400	540,123	(59,277)
Sales tax - county	198,942	423,798	224,856
Franchise taxes	49,910	110,218	60,308
Cigarette taxes	1,350	1,860	510
Delinquent taxes	15	378	363
Licenses and Permits	69,175	48,285	(20,890)
Intergovernmental	239,580	142,037	(97,543)
Charges for Services	88,668	-	(88,668)
Grants	553,350	-	(553,350)
Investment Income	27,800	165,337	137,537
Fines and Forfeitures	27,550	10,876	(16,674)
Miscellaneous	9,010	73,086	64,076
	<u>2,035,213</u>	<u>1,709,015</u>	<u>(326,198)</u>
Total Revenues			
	<u>2,035,213</u>	<u>1,709,015</u>	<u>(326,198)</u>
Expenditures			
Current			
General Government	688,722	629,224	59,498
Public Safety	731,109	676,742	54,367
Public Works	395,164	296,187	98,977
Community Service	194,270	167,662	26,608
	<u>2,009,265</u>	<u>1,769,815</u>	<u>239,450</u>
Total Expenditures			
	<u>2,009,265</u>	<u>1,769,815</u>	<u>239,450</u>
Excess Revenues Over (Under) Expenditures	25,948	(60,800)	(86,748)
Other Financing Sources (Uses)			
Transfers Out	-	(192,000)	192,000
Other Financing Sources (Uses)			
	<u>-</u>	<u>(192,000)</u>	<u>192,000</u>
Net Change in Fund Balance	25,948	(252,800)	105,252
Fund Balance, Beginning of year	<u>1,444,252</u>	<u>1,444,252</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 1,470,200</u>	<u>\$ 1,191,452</u>	<u>\$ 105,252</u>

See Accompanying Independent Auditor's Report.

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Sales Tax Capital Improvement Fund
 For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Sales tax	\$ 299,700	\$ 285,130	\$ (14,570)
Miscellaneous	32,650	7,650	(25,000)
Total Revenues	<u>332,350</u>	<u>292,780</u>	<u>(39,570)</u>
Expenditures			
Capital Outlay	614,719	30,194	584,525
Total Expenditures	<u>614,719</u>	<u>30,194</u>	<u>584,525</u>
Excess Revenues Over (Under) Expenditures	(282,369)	262,586	(624,095)
Other Financing Uses			
Transfers (out)	346,000	(346,000)	(692,000)
Net Change in Fund Balance	63,631	(83,414)	(147,045)
Fund Balance, <i>Beginning of year</i>	<u>641,545</u>	<u>641,545</u>	<u>-</u>
Fund Balance, <i>End of year</i>	<u>\$ 705,176</u>	<u>\$ 558,131</u>	<u>\$ (147,045)</u>

See Accompanying Independent Auditor's Report.

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Conservation Trust Fund
 For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Taxes	\$ 9,250	\$ 3,039	\$ (6,211)
Interest income	-	10	10
	<u>9,250</u>	<u>3,049</u>	<u>(6,201)</u>
Total Revenues			
Expenditures			
Parks	-	2,000	(2,000)
	<u>-</u>	<u>2,000</u>	<u>(2,000)</u>
Total Expenditures			
Excess Revenues Over (Under) Expenditures	9,250	1,049	(8,201)
Other Financing Sources (Uses)			
Transfers Out	-	100	100
Other Financing Sources (Uses)	<u>-</u>	<u>100</u>	<u>100</u>
Net Change in Fund Balance	9,250	1,149	(8,101)
Fund Balance, Beginning of year	<u>17,332</u>	<u>21,581</u>	<u>4,249</u>
Fund Balance, End of year	\$ <u><u>26,582</u></u>	\$ <u><u>22,730</u></u>	\$ <u><u>(3,852)</u></u>

See Accompanying Independent Auditor's Report.

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Street Fund
 For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Highway users tax	\$ 49,916	\$ 97,330	\$ 47,414
Fees	<u>994,161</u>	<u>2,600</u>	<u>(991,561)</u>
Total Revenues	<u>1,044,077</u>	<u>99,930</u>	<u>(944,147)</u>
Expenditures			
Streets	-	-	
Capital outlay	<u>1,835,153</u>	<u>-</u>	<u>1,835,153</u>
Total Expenditures	<u>1,835,153</u>	<u>-</u>	<u>1,835,153</u>
Excess Revenues Over (Under) Expenditures	(791,076)	99,930	(2,779,300)
Other Financing Sources (Uses)			
Transfers In	<u>538,000</u>	<u>538,000</u>	<u>-</u>
Net Change in Fund Balance	(253,076)	637,930	891,006
Fund Balance, Beginning of year	<u>141,777</u>	<u>300,552</u>	<u>158,775</u>
Fund Balance, End of year	<u>\$ (111,299)</u>	<u>\$ 938,482</u>	<u>\$ 1,049,781</u>

See Accompanying Independent Auditor's Report.

Town of Paonia, Colorado
Notes to Required Supplementary Information
December 31, 2023

Note 1: Stewardship, Compliance, and Accountability

Budgets

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

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

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

Supplementary Information

Town of Paonia, Colorado
Balance Sheet
Nonmajor Governmental Funds
December 31, 2023

	Street Fund	Conservation Trust Fund	Sidewalk Fund	Total
Assets				
Cash and cash equivalents				
Unrestricted	\$ 938,482	\$ 22,730	\$ 90,708	\$ 1,051,920
Taxes receivable	<u>-</u>	<u>-</u>	<u>2,636</u>	<u>2,636</u>
Total Assets	<u><u>\$ 938,482</u></u>	<u><u>\$ 22,730</u></u>	<u><u>\$ 93,344</u></u>	<u><u>\$ 1,054,556</u></u>
Liabilities				
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Unassigned	<u>938,482</u>	<u>22,730</u>	<u>93,344</u>	<u>1,054,556</u>
Total Fund Balance	<u>938,482</u>	<u>22,730</u>	<u>93,344</u>	<u>1,054,556</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 938,482</u></u>	<u><u>\$ 22,730</u></u>	<u><u>\$ 93,344</u></u>	<u><u>\$ 1,054,556</u></u>

See Accompanying Independent Auditor's Report.

Town of Paonia, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2023

	Street Fund	Conservation Trust Fund	Sidewalk Fund	Total
Revenues				
Taxes	\$ 97,330	\$ 3,039	\$ -	\$ 100,369
Licenses	2,600	-	30,126	32,726
Miscellaneous	-	10	-	10
Total Revenues	<u>99,930</u>	<u>3,049</u>	<u>30,126</u>	<u>133,105</u>
Expenditures				
Current				
Culture and Recreation	-	2,000	-	2,000
Total Expenditures	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Excess Revenues Over	99,930	1,049	30,126	131,105
Other Financing Sources (Uses)				
Transfers In	<u>538,000</u>	<u>-</u>	<u>-</u>	<u>538,000</u>
Net Change in Fund Balance	637,930	1,049	30,126	669,105
Fund Balance, Beginning of year	<u>300,552</u>	<u>21,681</u>	<u>63,218</u>	<u>385,451</u>
Fund Balance, End of year	<u>\$ 938,482</u>	<u>\$ 22,730</u>	<u>\$ 93,344</u>	<u>\$ 1,054,556</u>

See Accompanying Independent Auditor's Report.

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Sidewalk Fund
 For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Sidewalk revenue	\$ 31,068	\$ 30,126	\$ (942)
Total Revenues	<u>31,068</u>	<u>30,126</u>	<u>(942)</u>
Expenditures			
Sidewalk	13,750	-	13,750
Capital Outlay	<u>80,589</u>	<u>-</u>	<u>80,589</u>
Total Expenditures	<u>94,339</u>	<u>-</u>	<u>94,339</u>
Net Change in Fund Balance	<u>(63,271)</u>	<u>30,126</u>	<u>93,397</u>
Fund Balance, Beginning of year	<u>33,042</u>	<u>63,218</u>	<u>30,176</u>
Fund Balance, End of year	<u><u>\$ (30,229)</u></u>	<u><u>\$ 93,344</u></u>	<u><u>\$ 123,573</u></u>

See Accompanying Independent Auditor's Report.

Town of Paonia, Colorado
Budgetary Comparison Schedule
Water Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water charges	\$ 1,344,074	\$ 1,184,660	\$ (159,414)
Sales and service	2,000	725	(1,275)
Water tank	8,100	15,710	7,610
Standby tap fees	58,955	61,305	2,350
Penalties	4,525	7,125	2,600
Rents	1,000	-	(1,000)
Grants	1,119,233	-	(1,119,233)
Miscellaneous revenue	-	142	142
Total Revenue	2,537,887	1,269,667	(1,268,220)
Expenses			
Salaries and wages	284,782	284,118	664
Employee benefits	96,884	76,530	20,354
John Norris retirement	13,440	14,560	(1,120)
Supplies	44,641	36,378	8,263
Legal and engineering	31,000	93,389	(62,389)
Repairs and maintenance	241,753	104,860	136,893
Professional fees	13,000	10,431	2,569
Telephone	4,776	2,170	2,606
Postage	5,160	3,091	2,069
Travel and meetings	2,500	1,216	1,284
Insurance and bonds	28,612	29,789	(1,177)
Utilities	30,250	27,240	3,010
Vehicle expense	9,000	6,932	2,068
Dues and subscriptions	20,670	18,592	2,078
Shop expense	18,000	9,546	8,454
Miscellaneous	29,378	33,609	(4,231)
Fees and permits	10,635	8,312	2,323
Drinking water revolving funds	23,345	10,222	13,123
Capital projects	1,393,948	38,711	1,355,237
Total Expenses	2,301,774	809,696	1,492,078
Net Operating Income			
	236,113	459,971	223,858
Nonoperating Revenues (Expenses)			
Debt Service Principal	(192,500)	(153,210)	39,290
Interest Expense	495	(53,832)	(54,327)
Total Nonoperating Revenues (Expenses)	(192,005)	(207,042)	(15,037)
Change in Net Position, Budgetary Basis			
	\$ 44,108	252,929	\$ 208,821

(Continued)

See Accompanying Independent Auditor's Report.

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Water Fund
 For the Year Ended December 31, 2023
 (Continued)

	Original and Final Budget	Actual	Variance Positive (Negative)
Change in Net Position,			
<i>Budgetary Basis</i>	\$ <u>44,108</u>	\$ 252,929	\$ <u>208,821</u>
 Reconciliation to GAAP Basis			
Debt Service Principal		153,210	
Capital Outlay		38,711	
Depreciation		<u>(298,677)</u>	
 Change in Net Position, GAAP Basis		\$ <u>146,173</u>	

See Accompanying Independent Auditor's Report.

Town of Paonia, Colorado
Budgetary Comparison Schedule
Sewer Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sewer charges	\$ 769,660	\$ 756,038	\$ (13,622)
Grant Revenue	-	137,798	137,798
	<u>769,660</u>	<u>893,836</u>	<u>124,176</u>
Total Revenue			
	<u>769,660</u>	<u>893,836</u>	<u>124,176</u>
Expenses			
Salaries and wages	165,240	161,549	3,691
Employee benefits	59,418	39,052	20,366
Supplies	16,074	12,848	3,226
Legal and engineering	1,000	35,498	(34,498)
Repairs and maintenance	519,580	71,164	448,416
Professional fees	5,000	18,769	(13,769)
Telephone	1,968	1,775	193
Postage	2,700	1,670	1,030
Travel and meetings	2,500	965	1,535
Insurance and bonds	11,846	9,974	1,872
Utilities	39,725	42,672	(2,947)
Vehicle expense	10,840	6,181	4,659
Dues and subscriptions	572	5,913	(5,341)
Shop Expense	4,225	7,029	(2,804)
Fees and permits	6,495	5,281	1,214
Gauging station	4,100	4,517	(417)
Capital projects	100,000	125,738	(25,738)
Miscellaneous	129,311	1,201	128,110
Total Expenses	<u>1,080,594</u>	<u>551,796</u>	<u>528,798</u>
Net Operating Income	<u>(310,934)</u>	<u>342,040</u>	<u>652,974</u>
Nonoperating Revenues (Expenses)			
Debt Service Principal	76,425	50,000	(26,425)
Interest Expense	(32,200)	(32,200)	-
Interest Income	20,760	34,746	13,986
	<u>64,985</u>	<u>52,546</u>	<u>(12,439)</u>
Total Nonoperating Revenues (Expenses)			
	<u>64,985</u>	<u>52,546</u>	<u>(12,439)</u>
<i>Budgetary Basis</i>	<u>\$ (245,949)</u>	394,586	<u>\$ 640,535</u>
Reconciliation to GAAP Basis			
Debt Service Principal		(50,000)	
Capital Outlay		125,738	
Depreciation		<u>(124,652)</u>	
Change in Net Position, GAAP Basis		<u>\$ 345,672</u>	

See Accompanying Independent Auditor's Report.

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Trash Fund
 For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Garbage charges	\$ 332,835	\$ 325,403	\$ (7,432)
Total Revenue	<u>332,835</u>	<u>325,403</u>	<u>(7,432)</u>
Expenses			
Salaries and wages	176,250	159,949	16,301
Employee benefits	55,517	46,565	8,952
Supplies	2,226	2,308	(82)
Legal and engineering	-	2,095	(2,095)
Repairs and maintenance	375	731	(356)
Professional fees	4,000	2,857	1,143
Telephone	480	284	196
Postage	1,525	1,015	510
Insurance and bonds	7,481	6,755	726
Utilities	2,727	2,631	96
Vehicle expense	21,434	14,512	6,922
Shop Expense	1,874	2,250	(376)
Landfill fees	38,220	41,143	(2,923)
Miscellaneous	20,726	963	19,763
Total Expenses	<u>332,835</u>	<u>284,058</u>	<u>48,777</u>
Net Income (Loss) Before			
<i>Budgetary Basis</i>	\$ <u>-</u>	41,345	\$ <u>41,345</u>
Reconciliation to GAAP Basis			
Depreciation		<u>(18,207)</u>	
Change in Net Position, GAAP Basis		\$ <u>23,138</u>	

See Accompanying Independent Auditor's Report.

State Compliance

LOCAL HIGHWAY FINANCE REPORT	STATE: COLORADO YEAR ENDING (mm/yy): 12/23
This Information From The Records Of: The Town of Paonia	Prepared By: Stefen Wynn, Town Administrator/Treasurer

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	\$ -
3. Other local imposts (from page 2)	\$ 18,795.68
4. Miscellaneous local receipts (from page 2)	\$ -
5. Transfers from toll facilities	\$ -
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	\$ -
b. Bonds - Refunding Issues	\$ -
c. Notes	\$ -
d. Total (a. + b. + c.)	\$ -
7. Total (1 through 6)	\$ 18,795.68
B. Private Contributions	\$ -
C. Receipts from State government (from page 2)	\$ 52,746.44
D. Receipts from Federal Government (from page 2)	\$ -
E. Total receipts (A.7 + B + C + D)	\$ 71,542.12

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway expenditures:	
1. Capital outlay (from page 2)	\$ 59,154.47
2. Maintenance:	\$ 38,156.72
3. Road and street services:	
a. Traffic control operations	\$ 17,489.55
b. Snow and ice removal	\$ 12,734.57
c. Other	\$ -
d. Total (a. through c.)	\$ 30,224.12
4. General administration & miscellaneous	\$ 163,030.29
5. Highway law enforcement and safety	\$ -
6. Total (1 through 5)	\$ 290,565.60
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	\$ -
b. Redemption	\$ -
c. Total (a. + b.)	\$ -
2. Notes:	
a. Interest	\$ -
b. Redemption	\$ -
c. Total (a. + b.)	\$ -
3. Total (1.c + 2.c)	\$ -
C. Payments to State for highways	\$ -
D. Payments to toll facilities	\$ -
E. Total expenditures (A.6 + B.3 + C + D)	\$ 290,565.60

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	\$ 1,069,678.56	\$ 71,542.12	\$ 290,565.60	\$ 850,655.08	\$ -

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: COLORADO YEAR ENDING (mm/yy): 12/23	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assesments	\$ -	a. Interest on investments	\$ -
b. Other local imposts:		b. Traffic Fines & Penalties	\$ -
1. Sales Taxes	\$ 18,795.68	c. Parking Garage Fees	\$ -
2. Infrastructure & Impact Fees	\$ -	d. Parking Meter Fees	\$ -
3. Liens	\$ -	e. Sale of Surplus Property	\$ -
4. Licenses	\$ -	f. Charges for Services	\$ -
5. Specific Ownership &/or Other	\$ -	g. Other Misc. Receipts	\$ -
6. Total (1. through 5.)	\$ 18,795.68	h. Other	\$ -
c. Total (a. + b.)	\$ 18,795.68	i. Total (a. through h.)	\$ -
(Carry forward to page 1)		(Carry forward to page 1)	
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes (from Item I.C.5.)	\$ 52,746.44	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	\$ -
a. State bond proceeds		b. FEMA	\$ -
b. Project Match	\$ -	c. HUD	\$ -
c. Motor Vehicle Registrations	\$ -	d. Federal Transit Administration	\$ -
d. DOLA Grant	\$ -	e. U.S. Corps of Engineers	\$ -
e. Other	\$ -	f. Other Federal ARPA	\$ -
f. Total (a. through e.)	\$ -	g. Total (a. through f.)	\$ -
4. Total (1. + 2. + 3.f)	\$ 52,746.44	3. Total (1. + 2.g)	\$ -
(Carry forward to page 1)		(Carry forward to page 1)	
III. EXPENDITURES FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs	\$ -	\$ -	\$ -
b. Engineering Costs	\$ -	\$ 59,154.47	\$ 59,154.47
c. Construction:			
(1). New Facilities	\$ -	\$ -	\$ -
(2). Capacity Improvements	\$ -	\$ -	\$ -
(3). System Preservation	\$ -	\$ -	\$ -
(4). System Enhancement And Operation	\$ -	\$ -	\$ -
(5). Total Construction (1)+(2)+(3)+(4)	\$ -	\$ -	\$ -
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)	\$ -	\$ 59,154.47	\$ 59,154.47
(Carry forward to page 1)			
Notes and Comments:			