

Town of Paonia, Colorado
Financial Statements
with Independent Auditor's Report
December 31, 2024

Town of Paonia, Colorado

Table of Contents December 31, 2024 (Continued)

Independent Auditor's Report	1
Management's Discussion and Analysis	i
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	4
Statement of Activities	5
<i>Governmental Funds</i>	
Balance Sheet	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	7
Statement of Revenues, Expenditures and Changes in Fund Balance.....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
<i>Proprietary Fund</i>	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
<i>Notes to Financial Statements</i>	13
Required Supplementary Information	
<i>Budgetary Comparison Schedules</i>	
General Fund.....	37
Sales Tax Capital Improvement Fund	38
Conservation Trust Fund.....	39
Street Fund	40
<i>Notes to Required Supplementary Information.....</i>	41
<i>Nonmajor Governmental Funds</i>	
Balance Sheet	42
Statement of Revenues, Expenditures and Changes in Fund Balance.....	43
<i>Budgetary Comparison Schedules</i>	
Sidewalk Fund	44
Water Fund	45
Sewer Fund	47
Trash Fund	48
State Compliance	
Local Highway Finance Report	49

Financial Section



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the 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, 2024, 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, 2024, 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Other Matters

Required Supplementary Information

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

Other Information

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

Hick & Company, PC

Englewood, Colorado
July 28, 2025



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Paonia, Colorado, 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 the Fiscal Year ended December 31, 2024. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Readers are encouraged 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 \$18,173,060 (net position) for the fiscal year reported. The prior year net position was \$16,877,664 for the fiscal year 2023.
- Total net position is comprised of the following:
 - (1) **Net Investment in Capital Assets** totals **\$11,988,167** and represents the Town's investment in capital assets such as land, buildings, treatment plants, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and utility systems), across both Governmental and Business-Type Activities. This figure is reported net of accumulated depreciation and is reduced by any outstanding debt used to acquire or construct those assets.
 - (2) **Restricted Net Position** totals **\$849,973** and represents funds that are subject to external restrictions imposed by debt covenants, grant agreements, or legal and regulatory requirements. These restrictions include allocations for the Town's emergency reserve under TABOR, debt service obligations, and street improvements.
 - (3) **The Unrestricted, Unreserved Net Position** for both Governmental Activities and Business-Type Activities totals \$5,334,920 which is an increase of \$878,968 from the prior year's balance of \$4,455,952. This increase is primarily attributable to higher-than-expected revenues across several funds, including increased sales tax collections, conservative budget management, and lower-than-budgeted expenditures in operations and capital outlays. Additionally, certain one-time revenues and grant reimbursements contributed to the positive change. This net position represents the portion of financial resources available to meet the Town's ongoing obligations to residents and creditors.
- The Town's governmental funds, comprised of the General Fund, Sales Tax Capital Improvement Fund, and Non-Major Funds (Street Fund, Conservation Trust Fund, and Sidewalk Fund), reported total ending fund balance of \$3,092,406 for this fiscal year. This compares to the prior year ending fund balance of \$2,804,139 showing an increase of \$288,267 during the Fiscal Year ending December 31, 2024.
- As of the end of fiscal year 2024, the General Fund reported an unassigned fund balance of \$752,493, representing 45% of total General Fund expenditures and other financing uses.

- The Sales Tax Capital Improvement Fund ended the fiscal year with a total fund balance of \$847,008. Of this amount, \$378,961 was unassigned, \$60,192 was restricted for the North Fork Airport, and \$407,855 was restricted for capital acquisitions.
- The Non-Major Funds, comprising the Street Fund, Conservation Trust Fund, and Sidewalk Fund, reported restricted fund balances totaling \$1,194,688, designated for Streets (\$1,032,032), Sidewalks (\$123,623), and Parks (\$39,033).

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

Overview of the Financial Statements

Management’s discussion and analysis introduces the Town’s basic financial statements. The basic financial statements are comprised of: (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 and schedules to supplement the basic financial statements. Comparative data is presented where available.

Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the Town’s finances using accounting methods similar to a private-sector business.

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 utilities, and solid waste.

Both the *Statement of Net Position* and the *Statement of Activities* distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*). The

Governmental Activities of the Town include general government, community development, highways and streets, parks and recreation, and public safety.

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 non-major 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 on 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 non-major governmental funds is found in combining statements in the supplementary section of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing this, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental fund accounting method to the government-wide statements.

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 12 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 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 included in 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 non-major funds can be found in the supplementary section of the Financial Statements included with this report beginning on page 42 and ending on page 44.

Government-wide Financial Analysis

As previously noted, net position is a key indicator of a government's overall financial health. As of fiscal year-end 2024, the Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows by \$18,173,060 which is an increase of \$1,295,396, or 7.67%, compared to the fiscal year-end 2022 net position of \$16,877,664. The following table on the next page summarizes the Town's net position.

Statement of Net Position

Net position serves as a useful indicator of a government's financial position. The Town has continued to see assets exceeding liabilities. At the close of fiscal year 2024, assets and deferred outflows of resources exceeds liabilities and deferred inflows of resources by \$18,173,060.

By far the largest portion of the Town's net position, 66%, reflects its investment in capital assets, including infrastructure, less any related debt used to acquire those assets that are still outstanding. The Town of Paonia uses these capital assets to provide services to Residents; consequently, these assets are not available for future spending. Although the Town of Paonia's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to pay the annual debt service must be provided from other sources (service fees, utility rate increases, etc.), since the capital assets themselves cannot be used to pay the debt.

As of December 31, 2024, the Town reported positive balances in all three categories of net position. Within Governmental Activities, 2% of net position is classified as restricted, meaning these resources are subject to external limitations and are not available to fund the Town's general operations. These restrictions apply to areas such as the emergency/TABOR reserve, debt service, street improvements, and capital projects. The remaining 49% of Governmental Activities' net position is unrestricted and may be used to support future expenditures. The Town of Paonia's total net position stood at \$18,173,060,

reflecting an overall increase of \$1,295,396 (or 7.67%) from the prior year. This increase indicates an improvement in the Town's financial position and its ability to meet long-term obligations.

The table below presents the combined net position of the Town's Governmental and Business-Type Activities for December 31, 2024, and 2023.

Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets:						
Current and other assets	\$ 3,720,357	\$ 3,356,167	\$ 3,210,359	\$ 2,693,549	\$ 6,930,716	\$ 6,049,716
Capital assets	3,098,781	3,029,174	12,170,340	12,163,997	15,269,121	15,193,171
Total assets	6,819,138	6,385,341	15,380,699	14,857,546	22,199,837	21,242,887
Deferred Outflows of Resources						
Related to Pensions	215,024	73,573	-	-	215,024	73,573
Total Deferred Outflows of Resources	215,024	73,573	-	-	215,024	73,573
Liabilities:						
Other Liabilities	468,644	410,266	227,349	261,898	695,993	672,164
Long-term Liabilities	14,796	7,982	3,280,954	3,518,703	3,295,750	3,526,685
Total Liabilities	483,440	418,248	3,508,303	3,780,601	3,991,743	4,198,849
Deferred inflows of resources						
Property taxes	159,307	159,967	-	-	159,307	159,967
Deferred inflows of resources	-	-	-	-	-	-
Related to pensions deferred inflows	90,751	79,980	-	-	90,751	79,980
Total deferred inflows of resources	250,058	239,947	-	-	250,058	239,947
Net Position:						
Net investments						
in capital assets	3,098,781	2,979,802	8,889,386	8,645,294	11,988,167	11,625,096
Restricted	129,692	113,420	720,281	683,196	849,973	796,616
Unresetricted	3,072,191	2,707,497	2,262,729	1,748,455	5,334,920	4,455,952
Total net position	\$ 6,300,664	\$ 5,800,719	\$11,872,396	\$11,076,945	\$18,173,060	\$16,877,664

Assets and Deferred Outflows

Total assets increased by \$956,950, from \$21,242,887 in 2023 to \$22,199,837 in 2024.

- Current and other assets grew by \$881,000 (14.6%), largely due to higher cash, receivables, and short-term resources in both governmental and business-type funds.
- Capital assets remained relatively stable, increasing by \$75,950, reflecting routine additions and depreciation.

Deferred outflows of resources related to pensions in Governmental Activities increased from \$73,573 to \$215,024, a 192% increase, suggesting changes in actuarial valuations or pension-related funding adjustments. Pension-related funding was understated in previous fiscal years.

Liabilities and Deferred Inflows

Total liabilities decreased by \$207,106, from \$4,198,849 in 2023 to \$3,991,743 in 2024.

- Other liabilities increased slightly in Governmental Activities but declined in Business-Type Activities, reflecting operational efficiencies and improved payables management.
- Long-term liabilities decreased by \$230,935, due to scheduled debt service payments and reductions in net pension liabilities.

Deferred inflows of resources rose slightly to \$250,058 (from \$239,947), mostly related to pension assumptions and unearned property taxes.

Net Position

The Town continues to demonstrate a healthy balance of invested, restricted, and unrestricted resources:

Net investment in capital assets increased by \$363,071, reaching \$11,988,167, and represents 66% of total net position—highlighting the Town’s continued reinvestment in long-lived infrastructure.

Restricted net position grew to \$849,973 (up from \$796,616), representing funds set aside for specific purposes such as capital improvements, parks, and the TABOR reserve.

Unrestricted net position increased by \$878,968 (a 19.7% gain), reaching \$5,334,920. This component is available to meet the Town’s ongoing operational and emergency needs, reflecting strong fiscal flexibility.

The Town of Paonia's financial position improved in 2024 through a combination of responsible debt management, growth in short-term resources, and sustained investment in capital infrastructure. The increases in unrestricted and restricted net position enhance the Town's ability to respond to future challenges, while the consistent asset base and declining liabilities point to continued financial stability.

Summary of Changes in Net Position

For the fiscal year ending December 31, 2024, the Town of Paonia’s total net position increased by \$1,295,396, or 7.67%, from \$16,877,664 in 2023 to \$18,173,060 in 2024. This growth reflects continued operational efficiency, strong revenue performance, and effective cost management across both governmental and business-type activities.

Summary of Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program:						
Charges for services	\$ 211,875	\$ 229,726	\$ 2,363,022	\$ 2,350,966	\$ 2,574,897	\$ 2,580,692
Operating Grants	14,119	19,285	198,710	137,798	212,829	157,083
Capital Grants	-	-	261,664	-	261,664	-
General:						
Taxes	1,687,218	1,639,806	-	-	1,687,218	1,639,806
Other	273,902	246,084	64,307	34,888	338,209	280,972
Total revenues	<u>2,187,114</u>	<u>2,134,901</u>	<u>2,887,703</u>	<u>2,523,652</u>	<u>5,074,817</u>	<u>4,658,553</u>
Program Expenses:						
General Government	321,996	606,514	-	-	321,996	606,514
Public Safety	754,431	861,951	-	-	754,431	861,951
Public Works	396,753	492,596	-	-	396,753	492,596
Culture and Recreation	213,989	154,487	-	-	213,989	154,487
Water Operations	-	-	1,103,243	1,123,494	1,103,243	1,123,494
Sewer Operations	-	-	740,636	582,910	740,636	582,910
Trash	-	-	248,373	302,265	248,373	302,265
Total Expenses	<u>1,687,169</u>	<u>2,115,548</u>	<u>2,092,252</u>	<u>2,008,669</u>	<u>3,779,421</u>	<u>4,124,217</u>
Excess	499,945	19,353	795,451	514,983	1,295,396	534,336
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,997</u>	<u>-</u>	<u>35,997</u>
Change in Net Position	499,945	19,353	795,451	514,983	1,295,396	570,333
Beginning Net Position	<u>5,800,719</u>	<u>5,781,366</u>	<u>11,076,945</u>	<u>10,561,962</u>	<u>16,877,664</u>	<u>16,343,328</u>
Ending Net Position	<u><u>6,300,664</u></u>	<u><u>5,800,719</u></u>	<u><u>11,872,396</u></u>	<u><u>11,076,945</u></u>	<u><u>18,173,060</u></u>	<u><u>16,877,664</u></u>

Governmental Activities

Governmental Activities saw a net increase of \$499,945 in 2024, a significant improvement over the \$19,353 increase reported in 2023. Key factors include:

Total revenues increased slightly to \$2,187,114, up from \$2,134,901 in 2023, due primarily to:

- A \$47,412 increase in tax revenue, which remains the largest revenue source.
- Growth in other general revenues (e.g., fees, interest, and miscellaneous revenues).
- There was a slight decline in charges for services and operating grants.

Total expenses decreased substantially by \$428,379, from \$2,115,548 in 2023 to \$1,687,169 in 2024.

- Most of the reductions occurred in General Government and Public Safety, which decreased by a combined \$392,038.
- Public Works and Culture & Recreation expenditures also decreased modestly.

These results reflect improved cost containment and a rebalancing of service delivery in governmental programs.

Business-Type Activities

Business-Type Activities, which include the Town's Water, Sewer, and Trash utilities, reported a net increase of \$795,451, compared to \$514,983 in 2023. Contributing factors include:

Total revenues increased by \$364,051, from \$2,523,652 in 2023 to \$2,887,703 in 2024.

This growth was primarily due to:

- Receipt of \$261,664 in capital grant funding, where no such revenue was reported in 2023.
- An increase in operating grants totaling \$198,710, up from \$137,798 in 2023.
- Charges for services remained stable at approximately \$2.36 million.

Total expenses rose slightly to \$2,092,252, up \$83,583 from 2023.

- The increase is primarily attributable to higher costs in Sewer Operations, which grew by \$157,726.
- This was partially offset by lower Trash operation costs.

Despite the modest rise in expenses, the increase in external funding and consistent utility revenues led to a strong overall financial performance.

Overall Change in Net Position

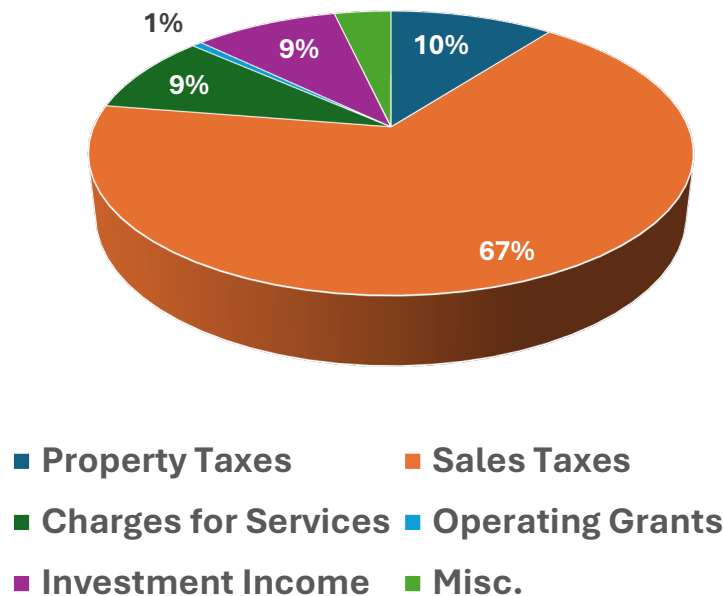
Combined net position increased from \$16,877,664 to \$18,173,060, supported by:

- Stable and diversified revenue streams.
- Significant reductions in governmental expenditures.
- Strategic use of grant funding in utility operations.

No transfers occurred in 2024, compared to a \$35,997 transfer in the prior year. The Town's financial activities in 2024 reflect a commitment to fiscal responsibility and strategic investment. Both governmental and business-type activities contributed meaningfully to the increase in net position. The Town remains well-positioned to continue delivering high-quality services while maintaining long-term financial sustainability.

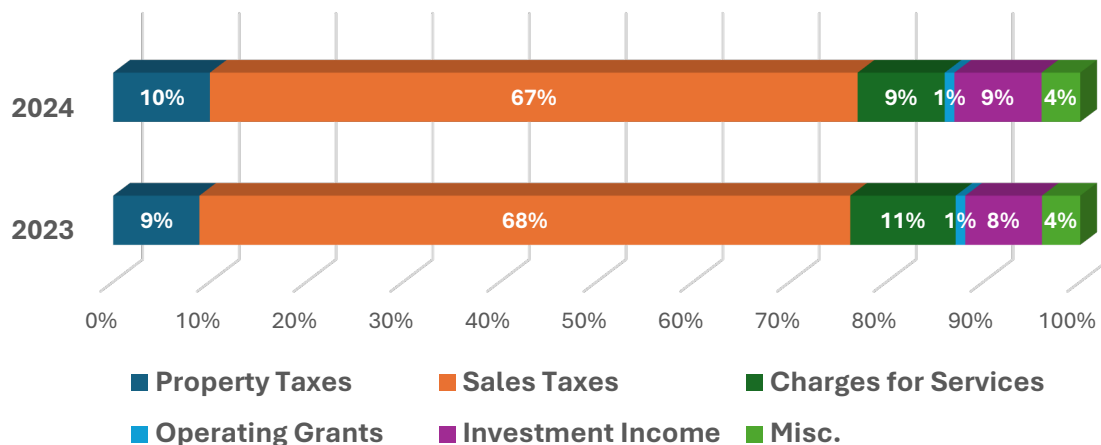
The following pie chart illustrates the composition of total revenues for the Town’s governmental activities during the fiscal year. These revenues include both program revenues (such as charges for services and grants) and general revenues (including sales, property, and franchise taxes, investment income, and other miscellaneous sources). Sales taxes remain the Town’s primary revenue source, accounting for approximately 66% of total governmental revenues. Property taxes and charges for services each contribute 10%, while investment income represents 9%. The remaining 5% consists of operating grants (1%) and miscellaneous revenues (4%).

Revenues by Source - Governmental Activities



The table below presents the percentage breakdown of the Town’s governmental revenues by source for fiscal years 2023 and 2024:

% of Total Revenue Comparison - Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

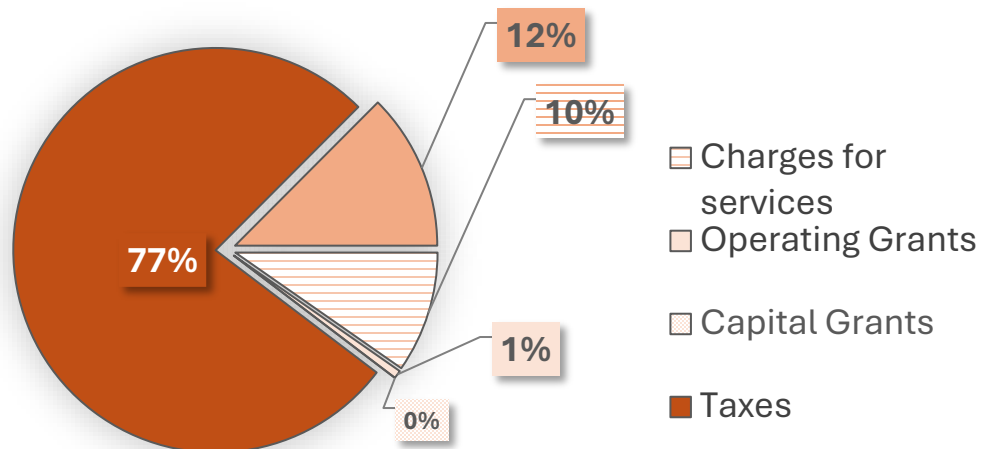
Governmental Revenues

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 remained steady over fiscal year 2023 and suggests that this may be a stabilization of revenue collected from sales taxes after the availability of federal and state economic recovery funds from previous fiscal years have concluded.

In fiscal year 2024, the Town saw tourism remain the same as 2023. However, because of the Town's healthy financial position, management has been able to earn \$201,756 in interest earnings to support governmental activities related to the Federal Reserve raising interest rates in 2023. This is an increase of 22% over the interest income for governmental activities in fiscal year 2024, which was \$165,337. Prior practices had placed funds in multiple bank accounts, some of which weren't earning any interest. That process stopped in 2024 and most of the Treasury was moved into an interest earning Money Market, Pooled Cash account, or invested with COLOTRUST. Management for the Town also invested and earned interest in its business-type activities and earned \$37,173 at fiscal year-end 2024, which is an increase of 7% over year end for fiscal year 2023, which was \$34,746.

The total interest earnings between governmental activities and business-type activities of \$238,929 is an increase of \$38,835 from the interest earnings of fiscal year 2023, which was \$200,094. Program revenues covered 10% of governmental operating expenses in 2024, which is a slight decrease in charges for services (program revenues) from 2023, which was 11%. This means that the Town relied more heavily on taxes and other revenues to cover the expenses of providing primary government services in both fiscal year 2024 and fiscal year 2023. 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 2024 covered 1.6% more governmental operating expenses than that of fiscal year 2023.

Governmental Revenues by Source



Governmental Functional Expenses

Public safety comprises 44.7% of the Town's total expenses, which is an increase from 2023. The increase in Public Safety spending is due to the department being fully staffed for the entire fiscal year and increases in salaries and benefits. Culture (Parks) and Recreation make up 12.7% of the Town's total governmental activities expenses. General Government, comprised of Administration, Clerk, Building, Finance and Community Development functions, made up 19.1% of the Town's total governmental activities expenses, which is a 9.6% reduction from Fiscal Year 2023, which was 28.7%. The reduction in General Government expenses is attributed to the expiration of a contract for unbudgeted interim Town Administrator services. Public Works make up 23.5% of the Town's total governmental activities expenses, which is heavily reliant on Business-Type activities for most of the services performed by Public Works. While most expense categories were similar to fiscal year 2023, General Government activity changed significantly, due to the expiration of a consultant's contract in 2023.

Fiscal Year 2024 recognized an overall 20% decrease in expenses over the prior fiscal year. This was due in part to changes in fixed allocations for salaries and expenses to Business-Type Activities, that more accurately represent work being accomplished for other funds outside of the General Fund (Governmental Activities).

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 5 of the financial statements describes the Town's Statement of Activities for fiscal year 2024, and should be read to understand this section.

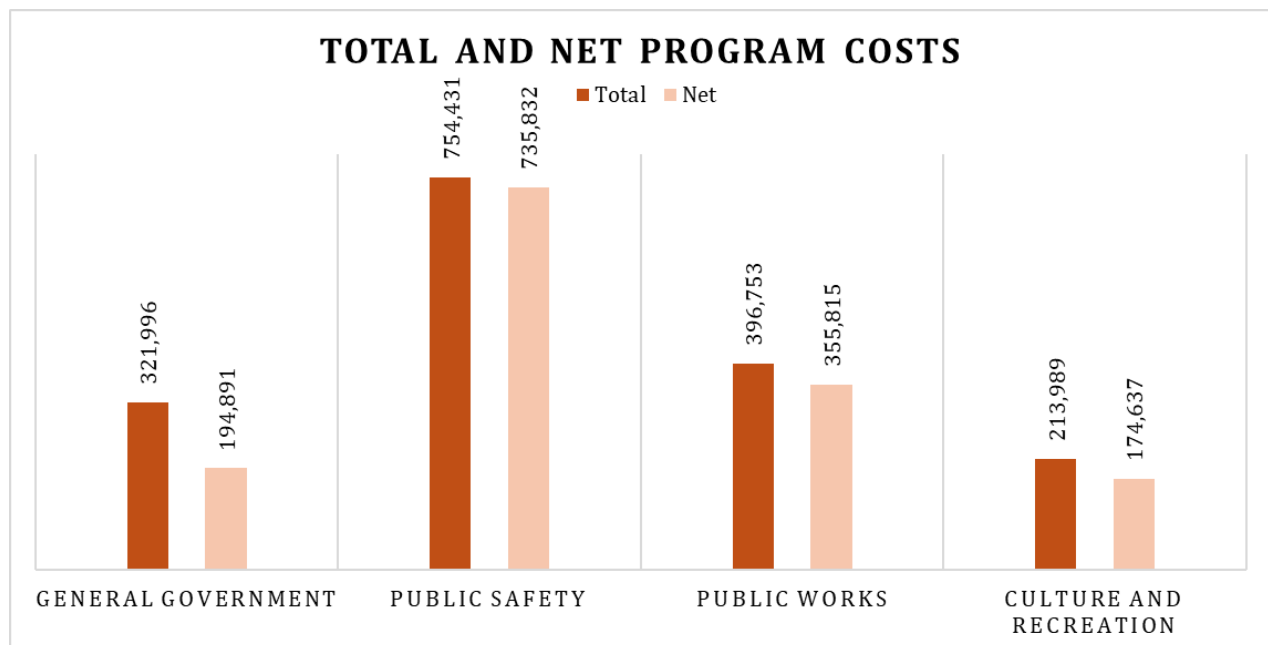
Governmental Activities

	<u>Total Cost of Services</u>	<u>Percentage of Total</u>	<u>Net Cost of Services</u>	<u>Percentage of Total</u>
General Government	\$ 321,996	19.1%	\$ 194,891	13.3%
Public Safety	754,431	44.7%	735,832	50.4%
Public Works	396,753	23.5%	355,815	24.4%
Culture and Recreation	213,989	12.7%	174,637	12.0%
Total	<u>\$ 1,687,169</u>	<u>100.0%</u>	<u>\$ 1,461,175</u>	<u>100.0%</u>

The General Government function achieved the highest cost recovery rate at 39.5%, primarily due to the adoption of Resolution 2023-21, which increased fees for individualized administrative services as well as planning, zoning, and land use services. The Culture and Recreation function has the second-best cost recovery at 18.4% 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 renting or leasing space in the park for special events. The Town received operating grants to help reduce the cost of providing services for both Public Works and Public Safety in fiscal year 2024. 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

	<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Net Cost of Services</u>	<u>Percent Recovered</u>
General Government	\$ (321,996)	\$ 127,105	\$ (194,891)	39.5%
Public Safety	\$ (754,431)	18,599	(735,832)	2.5%
Public Works	\$ (396,753)	40,938	(355,815)	10.3%
Culture and Recreation	\$ (213,989)	39,352	(174,637)	18.4%
Total	<u><u>\$(1,687,169)</u></u>	<u><u>\$ 225,994</u></u>	<u><u>\$(1,461,175)</u></u>	<u><u>13.4%</u></u>



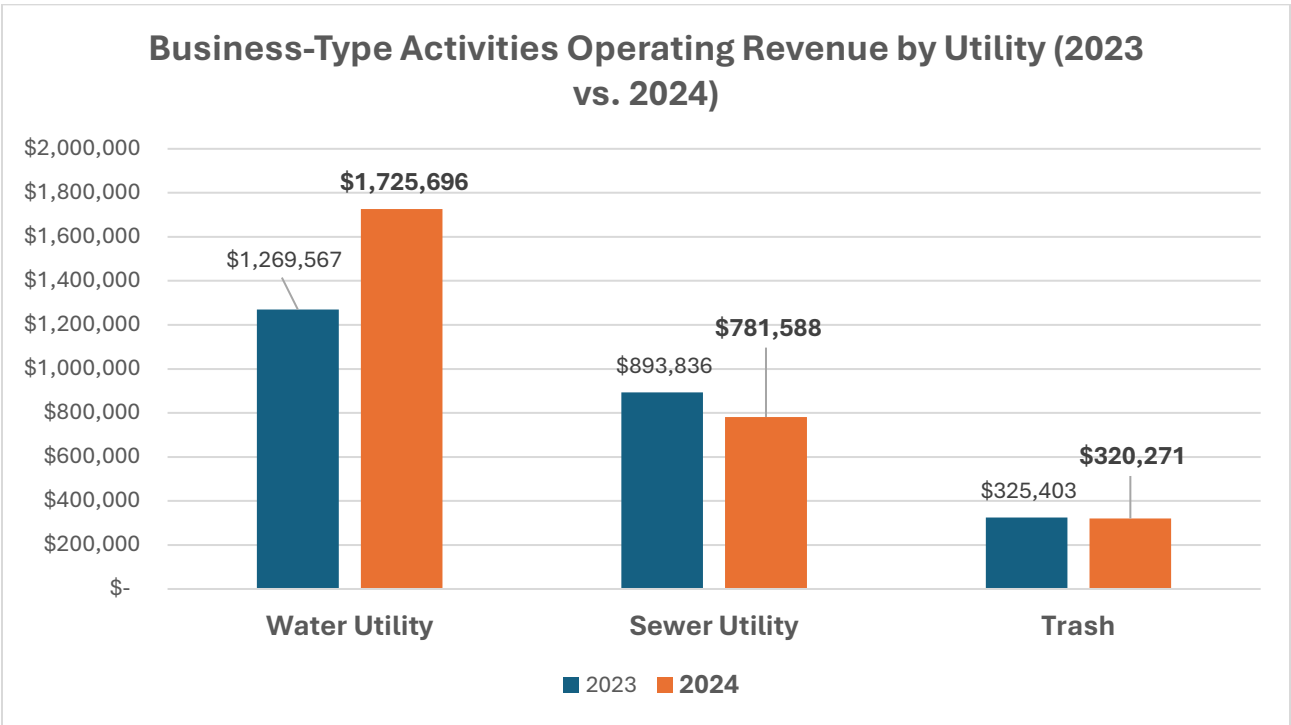
FINANCIAL ANALYSIS OF BUSINESS-TYPE ACTIVITIES

Proprietary (Business-Type) Fund Revenue

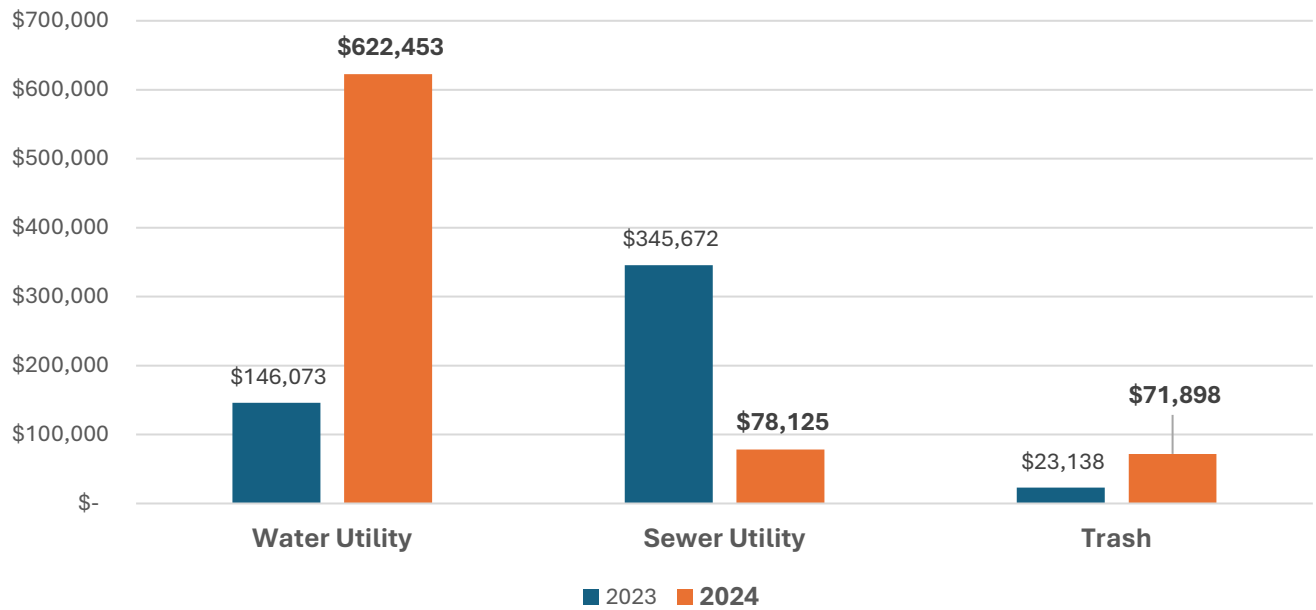
In governmental accounting, proprietary funds are used to account for activities that operate similarly to private businesses, where fees and charges are the primary source of revenue. These funds are appropriate when a government provides goods or services either to the public or internally on a cost-reimbursement basis. There are two main types of proprietary funds: enterprise funds and internal service funds. The Town of Paonia maintains three enterprise funds: the Water Utility, Sewer Utility, and Solid Waste (Garbage) Collection. The Town does not utilize any internal service funds.

For the year ending December 31, 2024, the Town reported all enterprise funds as major funds. Business-type activities increased the Town’s total net position by \$795,451, which is an increase of \$280,468 over the previous fiscal year which was \$514,983. Key elements of business-type (enterprise) activities net position are as follows:

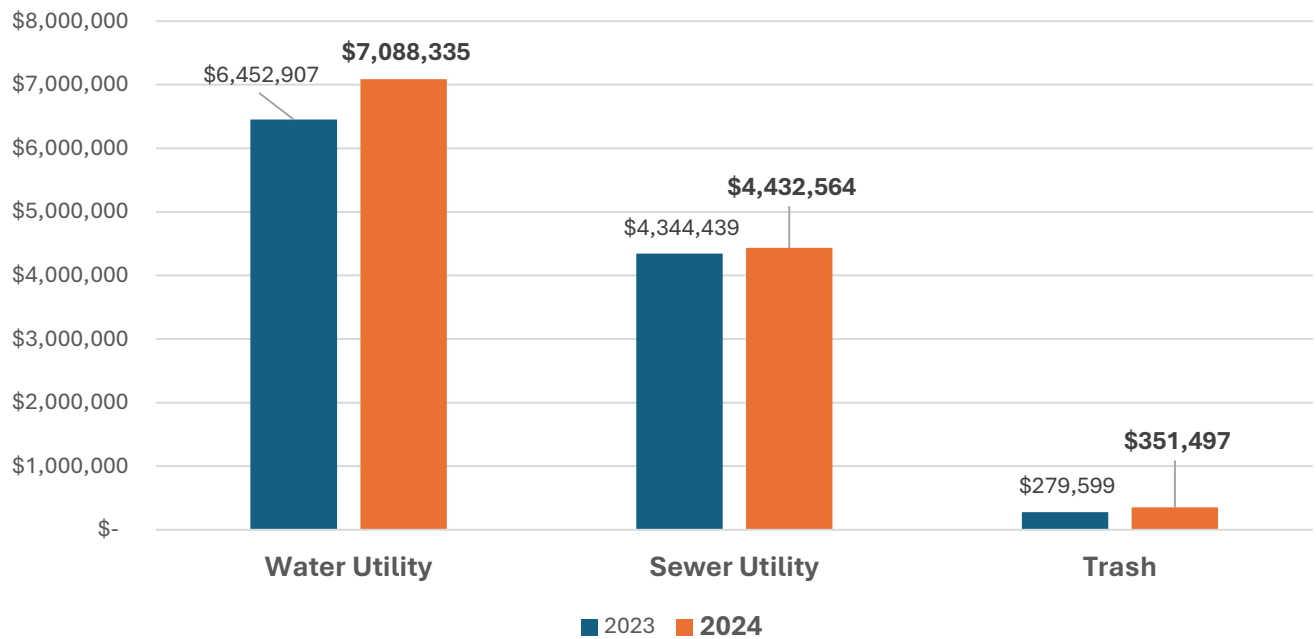
The operating revenues for all the enterprise funds were 14% greater than fiscal year 2023, due to Resolution 2023-21 raising water rates, Resolution 2022-14 raising garbage rates, and Ordinance 2023-07 raising Wastewater Rates. Operating expenses for all enterprise funds were 5.4% more than in fiscal year 2023. Within the total business-type activities of the Town, these activities reported an operating income of \$772,476, which is an increase of \$257,593 compared to an operating income of \$514,883 for the prior year. Capital contributions for 2024 were \$22,975. Capital contributions include tap fees, developer contributions of capital assets, and capital grants.



Business-Type Activities Operating Income (Loss) by Utility (2023 vs. 2024)

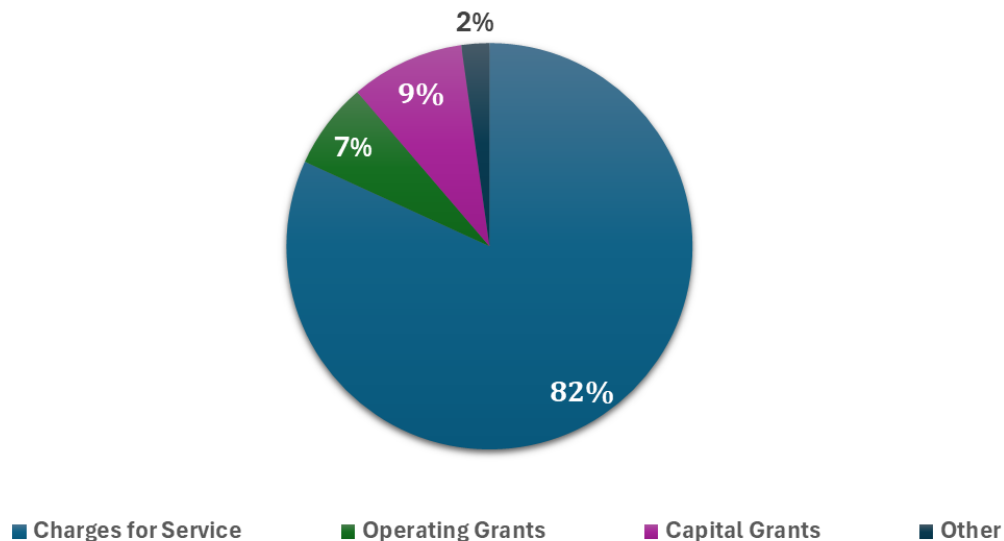


Business-Type Activities Ending Net Position by Utility (2023 vs. 2024)



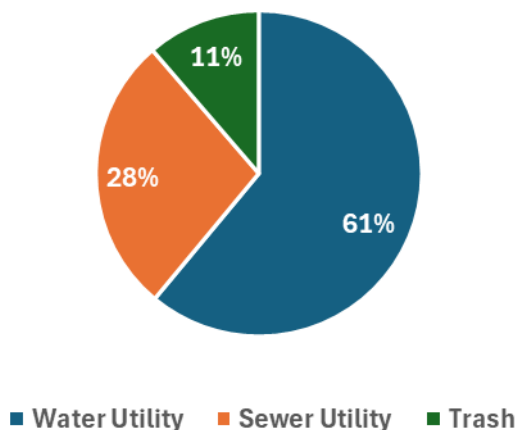
The graph below shows that the business-type activities rely on fees to pay operating costs. This is stark in contrast to the governmental activities.

Business-Type Revenue by Source



The Water Utility Fund continues to be the Town's largest enterprise operation, accounting for approximately 61% of total operating revenues and 81% of total operating expenses among all business-type activities. In 2024, the water utility reported a net increase in net position of \$635,428, supported by operating income of \$146,073 and capital contributions totaling \$12,975. Operating revenues increased by 36% compared to the prior year, while operating expenses rose by only 1%. This revenue growth is primarily due to higher charges for services, implemented in anticipation of securing debt financing for the first phase of the Town's Water Capital Improvement Plan.

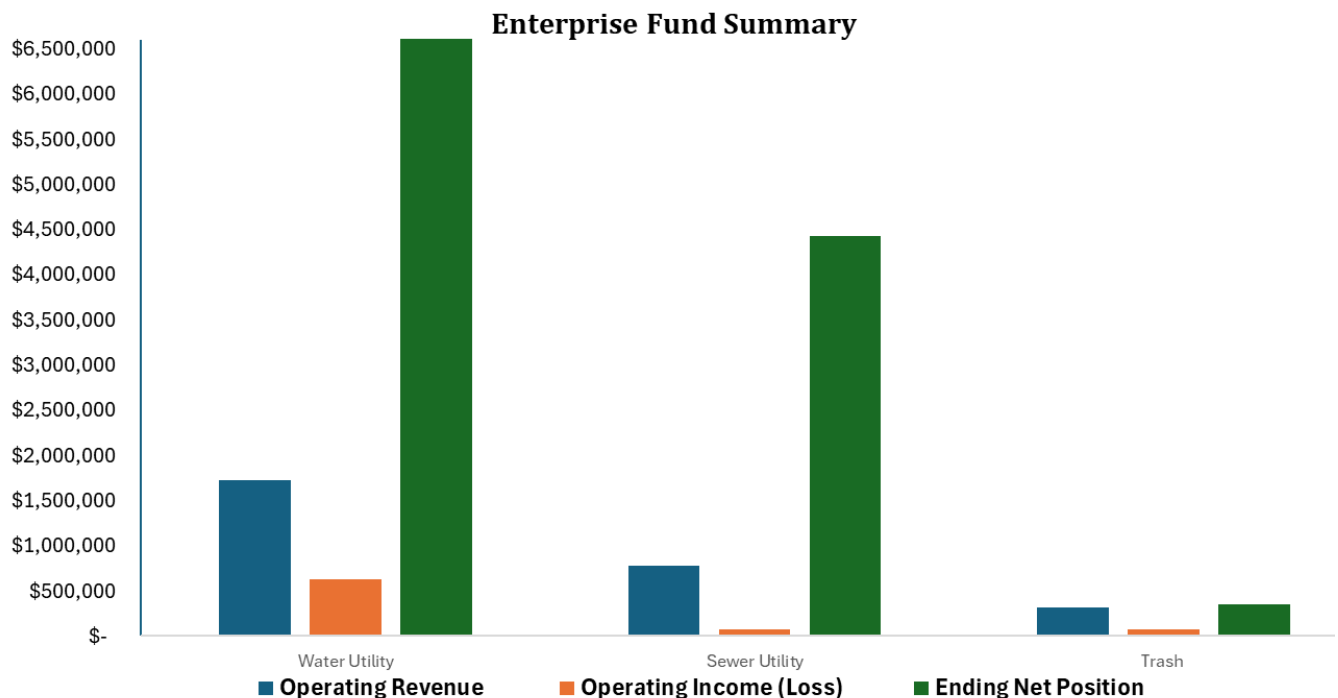
Business-Type Operating Revenues by Enterprise



For the Sewer Utility Fund, operating expenses totaled \$695,501 in 2024, representing a 26% increase from \$550,710 in 2023. This increase was primarily driven by more accurate allocation of personnel-related costs and higher expenditures for both professional services and supplies. Operating revenues for 2024 were \$781,588, a 12.6% decrease compared to \$893,836 in 2023. The decline was not due to reduced Charges for Services, but rather the absence of one-time grant funding received in the prior year. In 2023, the Town recorded \$137,798 in grant revenue from the Energy/Mineral Impact Assistance Fund (EIAF) to support the Dorris Avenue emergency sewer repair project. As a result, net operating income for 2024 was \$86,087, down from \$343,126 in 2023, reflecting both the increase in operating costs and the non-recurring nature of prior year grant revenues.

The Trash Enterprise Fund accounted for approximately 11% of total operating revenues and 12% of total operating expenses across all enterprise funds in 2024. The fund reported net operating income of \$71,898, reflecting continued improvement from \$21,138 in 2023. This marks the second consecutive year of positive operating results following prior losses, with fiscal year 2022 being the most recent year of negative operating income at (\$29,334). The ending net position increased to \$351,497, a 26% increase over the prior year's balance of \$279,599. This growth indicates sustained financial recovery and forward momentum that began in 2023, moving the fund closer to its pre-2021 net position levels.

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 previously discussed, governmental funds are presented in the fund financial statements with a focus on the short-term availability and use of spendable resources. This perspective is particularly helpful in evaluating the Town's fiscal capacity at year-end relative to upcoming financial obligations.

For the fiscal year ending December 31, 2024, the Town's governmental funds reported a combined ending fund balance of \$3,092,406, which includes both major funds (General Fund and Sales Tax Capital Improvement Fund) and non-major funds (Streets Fund, Conservation Trust Fund, and Sidewalk Fund). This represents a 10% increase over Fiscal Year 2023's ending fund balance of \$2,804,139.

Of the total Fiscal Year 2024 year-end fund balance, approximately \$1,960,592 is classified as restricted, committed, or assigned, reflecting amounts set aside for specific purposes such as street and sidewalk improvements, parks, and capital acquisitions. For reference, the prior year's reported balance of \$749,992 in these categories was understated, as it excluded amounts committed for Streets and Sidewalks, Parks, and Capital Acquisition.

The total ending fund balances of governmental funds show an increase of \$288,267 over the prior year. This increase is primarily the result of planned capital expenditures in 2024 that were postponed until 2025, resulting in more revenue to expenditures at the end of the fiscal year.

Major Governmental Funds

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 Fiscal Year 2024 fund balance decreased by \$140,742 which is a further decrease from Fiscal Year 2023, which was \$252,800. The decrease in the General Fund's fund balance is primarily due to accurately reporting restricted funds in Non-Major Funds as opposed to prior practices of reporting them within the General Fund.

FEDERAL OPEN MARKET (FOMC) MEETING DATE	FEDERAL FUNDS RATE	
12/12/2024	4.25% to 4.50%	Total revenues for fiscal year 2024 were \$1,758,103, reflecting a 3% increase over the 2023 total of \$1,709,015. Most categories of tax revenue experienced growth during the year, with the exception of franchise taxes, which declined by 47% compared to 2023. The Town also benefited from a notable increase in investment income, driven by its strong financial position and the higher interest rate environment maintained by the Federal Reserve throughout much of 2024. Other revenue sources remained relatively consistent with the prior year.
11/7/2024	4.50% to 4.75%	
9/18/2024	4.75% to 5.00%	
7/26/2023	5.25% to 5.50%	
5/3/2023	5.00% to 5.25%	
3/22/2023	4.75% to 5.00%	
2/1/2023	4.50% to 4.75%	

Total expenditures for fiscal year 2024 were \$1,898,845, representing a 7% increase over the 2023 total of \$1,769,815. This increase is primarily attributable to the Town's efforts to recruit key personnel in administration, fully staff municipal departments, and the addition of a new expenditure category for Capital Outlay, reflecting investments in long-term infrastructure and asset improvements.

General government expenditures totaled \$443,549 in 2024, reflecting a 30% decrease from the prior year's total of \$629,224. This reduction is primarily due to the conclusion of contracts for third-party

interim management consultants and improved allocation of personnel costs, resulting in more accurate distribution of expenses across all funds.

Total public safety actual expenditures saw a 14% 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 31% as compared to fiscal year 2023, and Culture and Recreation (Community Service) expenditures increased 13% over 2023. These increases in expenditures are largely due to hiring efforts and investing in tools, equipment, and vehicles necessary for Public Works to perform their functions.

Sales Tax Capital Improvement Fund

Established on April 24, 2018, through Ordinance 2018-02, after a successful referendum election on April 3, 2018, to raise sales tax from 2% to 3%, the Sales Tax Capital Improvement Fund is a major governmental fund established to account for revenues generated from a dedicated 1% local sales tax. This 1% is part of the Town's total 3% sales tax and is legally restricted to be used solely for capital improvements within the Town, such as infrastructure, facilities, and long-term asset investments.

This fund is separate from the General Fund, which receives the remaining 2% of the local sales tax and is used to support day-to-day governmental operations and services. The separation ensures transparency and accountability in how tax revenues are allocated, distinguishing routine operational costs from long-term capital investment needs.

Because of the fund's legal restrictions, consistent revenue stream, and financial significance, the Sales Tax Capital Improvement Fund is classified as a major fund within the Town's governmental activities. Its size and purpose warrant individual reporting and analysis to allow the public and elected officials to evaluate how sales tax revenues are being reinvested in the Town's physical and economic infrastructure.

In fiscal year 2024, total revenues for the fund were 1.3% lower than the previous year, primarily due to a slight decrease in local sales tax collections. No expenditures were recorded in 2024, compared to \$30,194 in 2023. The absence of expenditures reflects capital projects that were planned but not initiated during the year.

Non-Major (Special Revenue) Governmental Funds

Non-major Special Revenue Funds are used to account for the Town's specific-purpose activities that are legally or administratively restricted to particular uses. In the Town of Paonia, these include the Street Fund, Conservation Trust Fund, and Sidewalk Fund. Each fund is dedicated to a distinct purpose, and the revenues they receive may not be used for any purpose outside of their defined scope.

Although these funds are smaller in scale compared to major funds, they play an important role in the Town's financial management. They help ensure that dedicated revenues are used appropriately and that spending aligns with voter, grantor, or regulatory requirements. These funds also enhance transparency by clearly demonstrating how the Town manages and tracks restricted resources.

In accordance with Governmental Accounting Standards Board (GASB) requirements, non-major funds are reported in aggregate within a separate column on the governmental funds financial statements, distinct from the General Fund and other major funds.

Street Fund

Revenue for the Street Fund is received from the State of Colorado through the Highway Users Tax Fund (HUTF), which serves as the primary source of state funding for transportation infrastructure. HUTF revenues are generated from motor fuel taxes, vehicle registration fees, and other transportation-related sources. A portion of these funds is distributed to the Town of Paonia based on a statutory allocation formula. The funds are restricted in use and may only be applied to eligible transportation-related expenditures within the Town. This includes road and bridge maintenance and construction, as well as related personnel costs such as labor directly associated with those activities.

Total revenues for the Street Fund in Fiscal Year 2024 were \$93,550, representing a 6% decrease from the prior year's revenues of \$99,930. This reduction was primarily due to a decline in Highway Users Tax Fund (HUTF) distributions and the absence of license revenue in 2024, which had been received in 2023.

No expenditures were recorded in the Street Fund for either Fiscal Year 2024 or 2023.

It is important to note that the fund balance experienced a significant correction in 2023, increasing 212% due to the correction of previously understated balances identified in past audits. In 2024, the fund balance continued to grow, increasing by an additional 10% over the prior year.

Conservation Trust Fund

The Conservation Trust Fund (CTF) is a state-administered program that allocates a portion of Colorado Lottery proceeds to eligible local governments. These funds are distributed and overseen by the Colorado Department of Local Affairs (DOLA) and are constitutionally mandated for specific public purposes. CTF revenues must be used exclusively for the acquisition, development, and maintenance of parks, open spaces, and recreational facilities. Eligible uses include creating new conservation sites and making capital improvements or maintaining existing recreational assets located on public land.

Total revenues for the Conservation Trust Fund in Fiscal Year 2024 were \$16,303, representing a 435% increase compared to Fiscal Year 2023 revenues of \$3,049. This significant increase is likely the result of prior year revenue being understated, a pattern observed in previous reporting periods.

No expenditures were recorded in Fiscal Year 2024, compared to \$2,000 in expenditures reported in Fiscal Year 2023.

The fund balance grew by 72% in Fiscal Year 2024, largely due to improved accuracy in financial reporting. The ending fund balance for 2024 was \$39,033, up from \$22,730 in 2023.

Sidewalk Fund

The Sidewalk Fund was established following a successful ballot initiative passed during the November 5, 2013, election and enacted through Ordinance 2014-09, effective January 1, 2014. The fund was reauthorized by voters during the November 5, 2024, election. The extension runs through December 31, 2035.

This dedicated fund accounts for revenues and expenditures related to the acquisition, construction, and maintenance of sidewalk infrastructure in the Town of Paonia. Revenues are generated exclusively from a \$3.00 monthly fee charged to residential utility accounts. Use of these funds is legally restricted to the repair of existing sidewalks and the installation of new sidewalk facilities.

Total revenues for the Sidewalk Fund in Fiscal Year 2024 were \$30,279, consistent with the prior year's revenue of \$30,126. No expenditures were recorded in either Fiscal Year 2024 or 2023. As a result, the fund balance increased by 32% in FY 2024. This growth reflects the accumulation of unspent revenues from planned sidewalk projects that were not implemented during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets are long-term tangible or intangible assets used in daily operations, with a useful life extending beyond one year. These include land, buildings, infrastructure, and equipment, representing significant investments for the Town. Capital assets are a key component of the government's financial position and are subject to audit to ensure their existence, proper valuation, and accurate reporting. Management is responsible for implementing policies to inventory, track, safeguard, and maintain these assets to ensure their continued service and accountability.

Long-Term Debt refers to obligations that are not expected to be repaid within one year of the balance sheet date. Effective debt administration is essential to maintaining transparency and accountability in public finance. During audits, this involves verifying that all public debt is properly recorded, managed in accordance with established policies, and supported by strong internal controls. Auditors assess the government's ability to meet its debt obligations, the sustainability of current debt levels, and the effectiveness of debt management strategies. Accurate financial reporting and compliance with applicable regulations are critical to ensuring public trust and long-term fiscal health.

Capital Assets

As of December 31, 2024, the Town's net investment in capital assets for Governmental Activities totaled \$3,098,781, representing a 4% increase from the prior year's balance of \$2,979,802. For Business-Type Activities, net investment in capital assets increased by 3%, reaching \$8,889,386 compared to \$8,645,294 in Fiscal Year 2023.

Within Governmental Activities, the total value of depreciable capital assets increased by 5% during Fiscal Year 2024. However, accumulated depreciation also rose by 7.5%, resulting in a modest 1% increase in the overall percentage of assets depreciated.

In Business-Type Activities, total depreciable assets grew by less than 1%, while accumulated depreciation increased by 6%. This led to a 2% increase in the overall percentage of depreciation applied to capital assets within this category.

These changes reflect continued investment in long-term infrastructure, balanced by the natural aging and depreciation of existing assets.

It is important to note a trend that is beginning to emerge in capital assets, where the overall percentage depreciation continues to increase year over year. An increasing overall percentage of depreciation indicates that the Town's capital assets are aging faster than they are being replaced or upgraded. This trend suggests deferred investment in infrastructure, which may lead to higher future maintenance costs and potential service disruptions. It reflects a need for strategic planning to align capital reinvestment with asset lifecycles. Without increased investment, the Town risks underfunding essential infrastructure and diminishing long-term service capacity.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Non-Depreciable Assets:						
Land and Water Rights	\$ 246,481	\$ 246,481	\$ 840,074	\$ 834,157	\$ 1,086,555	\$ 1,080,638
Improvements/CIP	-	-	426,293	81,787	426,293	81,787
Total Non-Depreciable	246,481	246,481	1,266,367	915,944	1,512,848	1,162,425
Depreciable Assets:						
Buildings	703,646	703,646	-	-	703,646	703,646
Improvements (not buildings)	596,707	585,541	-	-	596,707	585,541
Infrastructure	3,318,055	3,152,517	-	-	3,318,055	3,152,517
Equipment	1,138,677	1,042,874	-	-	1,138,677	1,042,874
Distribution Systems	-	-	4,187,566	4,187,566	4,187,566	4,187,566
Collection Systems	-	-	1,679,685	1,679,685	1,679,685	1,679,685
Vehicles and Equipment	-	-	668,243	535,816	668,243	535,816
Treatment Plant	-	-	12,175,799	12,175,799	12,175,799	12,175,799
Software	-	-	(22,514)	22,514	(22,514)	22,514
Total Depreciable Assets	5,757,085	5,484,578	18,688,779	18,601,380	24,445,864	24,085,958
Less accumulated depreciation	(2,904,785)	(2,701,885)	(7,807,320)	(7,353,327)	(10,712,105)	(10,055,212)
Percentage Depreciated	50%	49%	42%	40%	44%	42% *
Total Capital Assets, Net	\$ 3,098,781	\$ 3,029,174	\$ 12,147,826	\$ 12,163,997	\$ 15,246,607	\$ 15,193,171

* Rounding Error in FY-2023 MD&A, was presented as 41% but should have been 42%

As of December 31, 2024, the overall percentage of depreciation continued to increase, signaling that capital assets, particularly within governmental activities are aging faster than they are being replaced or improved. In 2023, 49% of governmental capital assets were depreciated, up 9% from the prior year, largely due to lack of investment in key facilities like Town Hall and the Public Works Annex. This upward trend persisted in 2024, reinforcing the need for proactive capital planning to avoid compounding infrastructure deficiencies. While business-type activities showed stronger reinvestment in 2023, much of it stemmed from emergency repairs rather than long-term planning, highlighting the importance of transitioning from reactive to strategic asset management.

Long-Term Debt

At the end of fiscal year 2024, the Town only had long-term debt transactions for the governmental activities related to compensated absences. Compensated absences made up \$20,7420 of the Town's total long-term debt between both Governmental Activities and Business-Type Activities. Compensated absences are listed as long-term debt since they are recorded only when payment is due, and they were accrued in 2024, 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.

As of December 31, 2024, compensated absences for both Governmental and Business-Type Activities continued to decline, reflecting a 21% decrease over the prior year. This reduction is primarily due to the payout of accrued sick leave balances for long-term employees under a now-discontinued policy. The Town has since transitioned to a unified Paid Time Off (PTO) system, replacing the outdated separate vacation and sick leave accruals. This change simplifies leave management, reduces long-term liability, and aligns with more modern and sustainable personnel practices.

Business-Type Activities continue to represent the majority of the Town's long-term debt, including borrowings for critical infrastructure such as the Sewer Plant, the One-Million Gallon (Clock) Water Plant, the Two-Million Gallon (Lamborn) Water Plant, and water distribution system improvements. In Fiscal Year 2024, the Town's total outstanding borrowings decreased by 7% from the prior year, reflecting scheduled debt service payments. This ongoing reduction aligns with the Town's commitment to responsible debt management and maintaining the financial health of its enterprise operations.

Additional details can be found in Note 5: Long-Term Debt on page 26 of the Basic Financial Statements.

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

	Outstanding Borrowings						% Change
	Governmental Activities		Business-Type Activities		Total		
	2024	2023	2024	2023	2024	2023	
CWRPDA Loan	\$ -	\$ -	\$ 105,046	\$ 128,389	\$ 105,046	\$ 128,389	-18%
WPA Loan	-	-	1,758,492	1,903,310	1,758,492	1,903,310	-8%
2020 Revenue Refunding Bonds	-	-	1,970,600	2,058,600	1,970,600	2,058,600	-4%
Lease Financing Equipment	-	-	-	22,514	-	22,514	-100%
Compensated Absences	14,796	17,967	5,624	7,769	20,420	25,736	-21%
Total	14,796	17,967	3,839,762	4,120,582	3,854,558	4,138,549	-7%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Trustees adopted the Fiscal Year 2025 budget on December 10, 2024, appropriating \$2,073,825 in General Fund expenditures. This represents a 35% decrease from the prior year's adopted General Fund budget, largely due to improved categorization of anticipated expenses across fiscal years. Personnel services remain the largest expenditure category at 55%, followed by Operating at 24% and Capital Outlay at 21%. The 2025 budget was adopted as a balanced budget, ensuring total appropriations do not exceed the sum of anticipated revenues and beginning fund balances. This approach reflects the Town's fiscally responsible objective of maintaining a strong working capital reserve, using restricted funds for capital projects, and aligning expenditures with realistic revenue forecasts. Strong fund balances continue to support this goal, aided by higher-than-expected investment income and conservative spending in prior years.

Capital expenditures in 2025 are expected to mirror 2024's actual outlay in terms of spending dollars. Major spending is expected on road improvements, water and sewer infrastructure, hardware & software upgrades, as well as street maintenance. The majority of these projects are partially funded through various state and federal grant programs that will help to offset the cost associated with their completion.

In 2025, a part-time position was upgraded to a full-time position in the administration department bringing the full-time equivalents (FTE) to 23.

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.

Important Digital Resources

The Town of Paonia is pleased to offer a variety of online resources to help keep the community informed on information relative to Town. Please use these tools to find information you need whenever you desire.

Town of Paonia Website

The Town of Paonia website (www.townofpaonia.gov) offers access to more information on the Town's finances including monthly financial statements (budget to actuals), budget information, and annual comprehensive financial reports (audits). The website also offers access to important planning documents such as the Comprehensive Plan (1996) and the current work in progress to update the plan, the Housing Needs Assessment and Housing Action Plan, as well as the Town's municipal code among other valuable information.

Stay Updated with Other Digital Resources

- [Town Administrator's Reports](#) – Monthly updates on all activities of the Town Staff.
- [Departmental Scorecards](#) – Monthly accounting on all projects in action by department.

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Basic Financial Statements

Town of Paonia, Colorado
Statement of Net Position
December 31, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,735,186	\$ 1,969,752	\$ 4,704,938
Cash and cash equivalents - restricted	665,282	720,281	1,385,563
Property Taxes Receivable	159,307	-	159,307
Accounts Receivable, net	112,717	430,023	542,740
Due from other governments	47,865	-	47,865
Inventories	-	90,303	90,303
Capital Assets, <i>not being depreciated</i>	246,481	1,266,367	1,512,848
Capital Assets, <i>net of accumulated depreciation</i>	<u>2,852,300</u>	<u>10,903,973</u>	<u>13,756,273</u>
Total Assets	<u>6,819,138</u>	<u>15,380,699</u>	<u>22,199,837</u>
Deferred Outflows of Resources			
Deferred Outflows Due to Pensions	<u>215,024</u>	<u>-</u>	<u>215,024</u>
Liabilities			
Accounts Payable	112,464	166,634	279,098
Accrued Payroll Liabilities	36,180	30,055	66,235
Accrued interest payable	-	30,660	30,660
Unearned Revenue	320,000	-	320,000
Net Pension Liability	-	-	-
Noncurrent Liabilities			
Due Within One Year	1,480	212,264	213,744
Due in More Than One Year	<u>13,316</u>	<u>3,068,690</u>	<u>3,082,006</u>
Total Liabilities	<u>483,440</u>	<u>3,508,303</u>	<u>3,991,743</u>
Deferred Inflows of Resources			
Deferred Inflows Due to Pensions	90,751	-	90,751
Unavailable Revenue - Property Taxes	<u>159,307</u>	<u>-</u>	<u>159,307</u>
Total Deferred inflows of resources	<u>250,058</u>	<u>-</u>	<u>250,058</u>
Net Position			
Net Investment in Capital Assets	3,098,781	8,889,386	11,988,167
Restricted for:			
Emergencies (TABOR)	69,500	-	69,500
Debt Service	-	720,281	720,281
Streets Improvements	60,192	-	60,192
Unrestricted, unreserved	<u>3,072,191</u>	<u>2,262,729</u>	<u>5,334,920</u>
Total Net Position	<u>\$ 6,300,664</u>	<u>\$ 11,872,396</u>	<u>\$ 18,173,060</u>

See Notes to the Financial Statements.

Town of Paonia, Colorado
Statement of Activities
For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position Primary Government		Total
		Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General Government	\$ 321,996	\$ 127,105	\$ -	\$ -	\$ (194,891)	\$ -	\$ (194,891)
Public Safety	754,431	11,198	7,401	-	(735,832)	-	(735,832)
Public Works	396,753	34,220	6,718	-	(355,815)	-	(355,815)
Culture and Recreation	213,989	39,352	-	-	(174,637)	-	(174,637)
Total Governmental Activities	1,687,169	211,875	14,119	-	(1,461,175)	-	(1,461,175)
Business-Type Activities							
Water Operations	1,103,243	1,262,756	197,117	261,664	-	618,294	618,294
Sewer Operations	740,636	779,995	1,593	-	-	40,952	40,952
Trash Water	248,373	320,271	-	-	-	71,898	71,898
Total Business-Type Activities	2,092,252	2,363,022	198,710	261,664	-	731,144	731,144
Total Primary Government	\$ 3,779,421	\$ 2,574,897	\$ 212,829	\$ 261,664	(1,461,175)	731,144	(730,031)
General Revenues							
Taxes							
Property					220,465	-	220,465
Specific ownership					24,848	-	24,848
General sales					1,288,378	-	1,288,378
Franchise					58,285	-	58,285
Occupancy					93,550	-	93,550
Other					1,692	-	1,692
Investment Income					201,775	37,173	238,948
Capital Contributions - Tap Fees					-	22,975	22,975
Proceeds from the Sale of Assets					-	4,159	4,159
Misc.					72,127	-	72,127
Total General Revenues and Transfers					1,961,120	64,307	2,025,427
Change in Net Position					499,945	795,451	1,295,396
Net Position, Beginning of year					5,800,719	11,076,945	16,877,664
Net Position, End of year					\$ 6,300,664	\$ 11,872,396	\$ 18,173,060

Town of Paonia, Colorado

Balance Sheet Governmental Funds December 31, 2024

	General Fund	Sales Tax Capital Improvement Fund	Street Fund	Non-Major Funds	Total
Assets					
Cash and cash equivalents					
Unrestricted	\$ 743,813	\$ 799,143	\$ 1,032,032	\$ 160,198	\$ 2,735,186
Restricted	665,282	-	0	-	665,282
Accounts receivable	110,259	-	0	-	110,259
Taxes receivable	-	-	-	2,458	2,458
Property taxes receivable	159,307	-	0	-	159,307
Due from other governments	-	47,865	-	-	47,865
	<u>-</u>	<u>47,865</u>	<u>-</u>	<u>-</u>	<u>47,865</u>
Total Assets	\$ <u>1,678,661</u>	\$ <u>847,008</u>	\$ <u>1,032,032</u>	\$ <u>162,656</u>	\$ <u>3,720,357</u>
Liabilities					
Accounts Payable	\$ 112,464	\$ -	\$ -	\$ -	\$ 112,464
Accrued payroll	36,180	-	-	-	36,180
Unearned Revenue	320,000	-	-	-	320,000
	<u>468,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,644</u>
Total Liabilities	<u>468,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,644</u>
Deferred Inflows of Resources					
Property Taxes	159,307	-	-	-	159,307
	<u>159,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,307</u>
Fund Balance					
Restricted for:					
Emergencies (TABOR)	69,500	-	-	-	69,500
Airport Capital Improvements	-	60,192	-	-	60,192
Streets and Sidewalks	-	-	-	1,155,655	1,155,655
Parks	-	-	-	39,033	39,033
Committed					
Bridge reserve	228,717	-	-	-	228,717
Capital Acquisition	-	407,855	-	-	407,855
Unassigned	752,493	378,961	1,032,032	(1,032,032)	1,131,454
	<u>1,050,710</u>	<u>847,008</u>	<u>1,032,032</u>	<u>162,656</u>	<u>3,092,406</u>
Total Fund Balance	<u>1,050,710</u>	<u>847,008</u>	<u>1,032,032</u>	<u>162,656</u>	<u>3,092,406</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>1,678,661</u>	\$ <u>847,008</u>	\$ <u>1,032,032</u>	\$ <u>162,656</u>	\$ <u>3,720,357</u>

Town of Paonia, Colorado
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2024

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

Total Fund Balance of Governmental Funds	\$ 3,092,406
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds.	3,098,781
Pension assets and deferred outflows are not current, therefore, are not reported in governmental funds:	
Net Pension Asset (Liability)	-
Deferred Outflows, Pensions	215,024
Deferred Inflows, Pensions	(90,751)
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>(14,796)</u>
Total Net Position of Governmental Activities	<u>\$ 6,300,664</u>

Town of Paonia, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2024

	General Fund	Sales Tax Capital Improvement Fund	Street Fund	Non-Major Funds	Total
Revenues					
Taxes	\$ 1,296,156	\$ 281,227	\$ 93,550	\$ 16,285	\$ 1,687,218
Licenses and Permits	58,023	-	-	30,279	88,302
Intergovernmental	120,282	-	-	-	120,282
Investment Income	201,756	-	-	-	201,756
Fines and Forfeitures	17,409	-	-	-	17,409
Miscellaneous	64,477	7,650	-	18	72,145
Total Revenues	<u>1,758,103</u>	<u>288,877</u>	<u>93,550</u>	<u>46,582</u>	<u>2,187,112</u>
Expenditures					
Current					
General Government	255,907	-	-	-	255,907
Public Safety	787,596	-	-	-	787,596
Public Works	392,696	-	-	-	392,696
Culture and Recreation	190,139	-	-	-	190,139
Capital Outlay	272,507	-	-	-	272,507
Total Expenditures	<u>1,898,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,898,845</u>
Net Change in Fund Balance	(140,742)	288,877	93,550	46,582	288,267
Fund Balance, Beginning of year	<u>1,191,452</u>	<u>558,131</u>	<u>938,482</u>	<u>116,074</u>	<u>2,804,139</u>
Fund Balance, End of year	<u>\$ 1,050,710</u>	<u>\$ 847,008</u>	<u>\$ 1,032,032</u>	<u>\$ 162,656</u>	<u>\$ 3,092,406</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, 2024

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

Net Change in Fund Balance of Governmental Funds	\$ 288,267
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	272,507
Depreciation expense	(202,900)
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	(6,814)
Net Pension Asset (Liability)	18,205
Deferred Outflows, Pensions	141,451
Deferred Inflows, Pensions	<u>(10,771)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 499,945</u></u>

Town of Paonia, Colorado
Statement of Net Position
Proprietary Fund
December 31, 2024

	Water	Sewer	Trash	Total
Current Assets				
Cash and Investments	\$ 1,291,151	\$ 435,222	\$ 243,379	\$ 1,969,752
Restricted Cash and investments	-	720,281	-	720,281
Accounts Receivable	335,983	66,801	27,239	430,023
Leased Asset - Software	-	-	-	-
Inventory	80,377	9,926	-	90,303
Total Current Assets	<u>1,707,511</u>	<u>1,232,230</u>	<u>270,618</u>	<u>3,210,359</u>
Noncurrent Assets				
Capital Assets, <i>Not being depreciated</i>	701,987	564,380	-	1,266,367
Capital Assets, <i>Net of accumulated depreciation</i>	<u>6,589,546</u>	<u>4,221,145</u>	<u>93,282</u>	<u>10,903,973</u>
Total Noncurrent Assets	<u>7,291,533</u>	<u>4,785,525</u>	<u>93,282</u>	<u>12,170,340</u>
Total Assets	<u>8,999,044</u>	<u>6,017,755</u>	<u>363,900</u>	<u>15,380,699</u>
Liabilities				
Current Liabilities				
Accounts Payable	86,402	73,969	6,263	166,634
Accrued interest payable	16,910	13,750	-	30,660
Accrued Liabilities	12,975	11,420	5,660	30,055
Unearned grant revenues	-	-	-	-
Lease Liability	-	-	-	-
Current Portion of Noncurrent Liabilities	<u>156,959</u>	<u>55,257</u>	<u>48</u>	<u>212,264</u>
Total Current Liabilities	<u>273,246</u>	<u>154,396</u>	<u>11,971</u>	<u>439,613</u>
Noncurrent Liabilities				
Notes and bonds payable	<u>1,637,463</u>	<u>1,430,795</u>	<u>432</u>	<u>3,068,690</u>
Total Noncurrent Liabilities	<u>1,637,463</u>	<u>1,430,795</u>	<u>432</u>	<u>3,068,690</u>
Total Liabilities	<u>1,910,709</u>	<u>1,585,191</u>	<u>12,403</u>	<u>3,508,303</u>
Net Position				
Net Investment in Capital Assets	5,497,111	3,299,473	92,802	8,889,386
Restricted for Debt Service	-	120,794	-	120,794
Restricted for Maintenance	-	599,487	-	599,487
Unrestricted	<u>1,591,224</u>	<u>412,810</u>	<u>258,695</u>	<u>2,262,729</u>
Total Net Position	<u>\$ 7,088,335</u>	<u>\$ 4,432,564</u>	<u>\$ 351,497</u>	<u>\$ 11,872,396</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, 2024

	Water	Sewer	Trash	Total
Operating Revenues				
Charges for Services	\$ 1,262,756	\$ 779,995	\$ 320,271	\$ 2,363,022
Grant Revenue	458,781	1,593	-	460,374
Miscellaneous	4,159	-	-	4,159
	<u>1,725,696</u>	<u>781,588</u>	<u>320,271</u>	<u>2,827,555</u>
Total Operating Revenues				
Operating Expenses				
Personnel expenses	322,476	319,198	92,048	733,722
Contractual service	12,054	-	34,706	46,760
Professional fees	116,416	82,779	32,679	231,874
Utilities	24,115	40,736	2,016	66,867
Repairs and maintenance	147,425	42,360	4,119	193,904
Other supplies and expense	146,992	62,599	54,425	264,016
Insurance claims and expense	16,828	9,165	9,202	35,195
Depreciation	296,151	138,664	19,178	453,993
	<u>1,082,457</u>	<u>695,501</u>	<u>248,373</u>	<u>2,026,331</u>
Total Operating Expenses				
Net Operating Income	<u>643,239</u>	<u>86,087</u>	<u>71,898</u>	<u>801,224</u>
Non-Operating Revenues (Expenses)				
Interest Income	-	37,173	-	37,173
Interest Expense	(20,786)	(45,135)	-	(65,921)
	<u>622,453</u>	<u>78,125</u>	<u>71,898</u>	<u>772,476</u>
Net Income (Loss) Before Contributed Capital				
Contributed Capital and Transfers				
System Development Fees	12,975	10,000	-	22,975
	<u>12,975</u>	<u>10,000</u>	<u>-</u>	<u>22,975</u>
Total Capital Contributions and Transfers				
Change in Net Position	635,428	88,125	71,898	795,451
Net Position, Beginning of year	<u>6,452,907</u>	<u>4,344,439</u>	<u>279,599</u>	<u>11,076,945</u>
Net Position, End of year	<u>\$ 7,088,335</u>	<u>\$ 4,432,564</u>	<u>\$ 351,497</u>	<u>\$ 11,872,396</u>

Town of Paonia, Colorado
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2024

	Water	Sewer	Trash	Total
Cash Flows From Operating Activities				
Cash Received from Customers	\$ 1,325,021	\$ 920,138	\$ 322,480	\$ 2,567,639
Cash Received from Others	4,159	1,593	-	5,752
Cash Paid to Suppliers	(443,290)	(285,898)	(159,423)	(888,611)
Cash Paid to Employees	(200,892)	(199,860)	(64,144)	(464,896)
Net Cash Provided by Operating Activities	684,998	435,973	98,913	1,219,884
Cash Flows From Capital and Related Financing Activities				
System Development Fees	12,975	10,000	-	22,975
Acquisition and Construction of Capital Assets	(396,932)	(80,187)	(5,731)	(482,850)
Debt Principal Payments	(201,193)	(56,925)	-	(258,118)
Debt Interest Payments	(21,240)	(42,635)	-	(63,875)
Net Cash Used by Capital and Related Financing Activities	(606,390)	(169,747)	(5,731)	(781,868)
Cash Flows From Investing Activities				
Interest received	-	37,173	-	37,173
Net Cash Used by Capital and Related Financing Activities	-	37,173	-	37,173
Net Change in Cash and Cash Equivalents	78,608	303,399	93,182	475,189
Cash and Cash Equivalents, Beginning of year	1,212,543	852,104	150,197	2,214,844
Cash and Cash Equivalents, End of year	<u>\$ 1,291,151</u>	<u>\$ 1,155,503</u>	<u>\$ 243,379</u>	<u>\$ 2,690,033</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:				
Net Operating Income	\$ 643,239	\$ 86,087	\$ 71,898	\$ 801,224
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	296,151	138,664	19,178	453,993
Disposition of Software Costs	45,028	-	-	45,028
Changes in Assets and Liabilities Related to Operations				
Accounts Receivable	(211,900)	140,143	2,209	(69,548)
Inventory	26,936	991	-	27,927
Accounts Payable	67,644	69,142	2,800	139,586
Accrued Expenses	(181,128)	1,918	3,029	(176,181)
Accrued Compensated Absences	(972)	(972)	(201)	(2,145)
Net Cash Provided by Operating Activities	<u>\$ 684,998</u>	<u>\$ 435,973</u>	<u>\$ 98,913</u>	<u>\$ 1,219,884</u>

See Notes to the Financial Statements.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 1: Summary of Significant Accounting Policies

The Town of Paonia, Colorado (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, 2024

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, 2024

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.

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.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

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.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance Classification (Continued)

Restricted fund balance - amounts constrained to specific purposes stipulated by external resource providers (such as grantors, 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.

Subsequent Events

The Town has evaluated subsequent events through July 28, 2025, the date the financial statements were available to be issued.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

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.

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		74,476
Bank Deposits		3,529,798
COLOTRUST		2,486,002
Total	\$	<u>6,090,501</u>

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 3: Cash Deposits and Investments (Continued)

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

Cash and Investments	\$ 4,704,938
Restricted Cash and Investments	1,385,563
Total	<u>\$ 6,090,501</u>

Deposits

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, 2024, the Town had deposits of \$3,533,577. 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, 2024.

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

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

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 3: Cash Deposits and Investments (Continued)

Investments (Continued)

- Guaranteed investment contracts

Local Government Investment Pool - At December 31, 2024, 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.

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

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

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

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2024

Note 4: Capital Assets

Capital assets activity for the year ended December 31, 2024 is summarized below:

Governmental Activities	Balance 12/31/23	Additions	Deletions	Balance 12/31/24
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	585,541	11,166	-	596,707
Infrastructure	3,152,517	165,538	-	3,318,055
Equipment	1,042,874	95,803	-	1,138,677
Total Capital Assets Being Depreciated	<u>5,484,578</u>	<u>272,507</u>	<u>-</u>	<u>5,757,085</u>
Less Accumulated Depreciation for				
Buildings	(444,307)	(20,169)	-	(464,476)
Improvements other than Buildings	(343,477)	(20,197)	-	(363,674)
Infrastructure	(1,078,433)	(99,371)	-	(1,177,804)
Equipment	(835,668)	(63,163)	-	(898,831)
Total Accumulated Depreciation	<u>(2,701,885)</u>	<u>(202,900)</u>	<u>-</u>	<u>(2,904,785)</u>
Total Capital Assets Being Depreciated, Net	<u>2,782,693</u>	<u>69,607</u>	<u>-</u>	<u>2,852,300</u>
Government Type Activities, Capital Assets, Net	<u>\$ 3,029,174</u>	<u>\$ 69,607</u>	<u>\$ -</u>	<u>\$ 3,098,781</u>

Capital assets Business-Type activity for the year ended December 31, 2024 is summarized below:

Business-Type Activities	Balance 12/31/23	Additions	Deletions	Balance 12/31/24
Capital Assets Not Being Depreciated				
Land & Water Rights	\$ 834,157	\$ 5,917	\$ -	\$ 840,074
CIP	81,787	344,506	-	426,293
Total Capital Assets Not Depreciated	<u>915,944</u>	<u>350,423</u>	<u>-</u>	<u>1,266,367</u>
Capital Assets Being Depreciated				
Distribution Systems	4,187,566	-	-	4,187,566
Collection System	1,679,685	-	-	1,679,685
Vehicles and Equipment	535,816	132,427	-	668,243
Treatment Plant	12,175,799	-	-	12,175,799
Software	22,514	-	(22,514)	-
Less Accumulated Depreciation	<u>(7,353,327)</u>	<u>(453,993)</u>	<u>-</u>	<u>(7,807,320)</u>
Total Capital Assets Being Depreciated	<u>11,248,053</u>	<u>(321,566)</u>	<u>(22,514)</u>	<u>10,903,973</u>
Total Capital Assets Being Depreciated, Net	<u>11,248,053</u>	<u>(321,566)</u>	<u>(22,514)</u>	<u>10,903,973</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 12,163,997</u>	<u>\$ 28,857</u>	<u>\$ (22,514)</u>	<u>\$ 12,170,340</u>

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2024

Note 4: Capital Assets (Continued)

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

Governmental Activities	
General Government	\$ 20,517
Public Safety	27,635
Public Works	130,898
Culture and Recreation	<u>23,850</u>
Total	\$ <u>202,900</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, 2024.

	Balance 12/31/23	Additions	Deletions	Balance 12/31/24	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 7,982	\$ 7,612	\$ (798)	\$ 14,796	\$ 1,480
Total	\$ <u>7,982</u>	\$ <u>7,612</u>	\$ <u>(798)</u>	\$ <u>14,796</u>	\$ <u>1,480</u>

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2024.

	Balance 12/31/23	Additions	Deletions	Balance 12/31/24	Due Within One Year
Business-Type Activities					
Revenue - Refunding Bonds	\$ 1,500,000	\$ -	\$ (55,000)	\$ 1,445,000	\$ 55,000
Premium - Refunding Bonds	40,405	-	(1,925)	38,480	-
Loan-WPA	1,812,393	-	(133,651)	1,678,742	135,025
Premium-WPA	13,725	-	(1,211)	12,514	-
Loan CWRPDA	121,897	-	(21,303)	100,594	21,677
Lease Financing Agreement	22,514	-	(22,514)	-	-
Compensated Absences	<u>7,769</u>	<u>-</u>	<u>(2,145)</u>	<u>5,624</u>	<u>562</u>
Total Business-Type Activities	\$ <u>3,518,703</u>	\$ <u>-</u>	\$ <u>(237,749)</u>	\$ <u>3,280,954</u>	\$ <u>212,264</u>

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 5: Long-Term Debt (Continued)

Business-Type Activities (Continued)

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 2024 were \$543,031. 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, 2024, 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, 2024 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 100,594</u>	<u>\$ 4,452</u>	<u>\$ 105,046</u>

WPA Loan

The Town has a Water Power Authority (WPA) loan agreement with CWRPDA for \$2,996,494 at 2.08% interest annually, with twice yearly payments ranging from about \$83,000 to \$91,000. The purpose of the loan is for improvements and the expansion of the existing water treatment facilities and distribution system. The Town pledged its net revenue from the operation of the water and sewer utility for repayment of the loan in the amount of approximately \$3,728,185 through 2035. Pledge revenues received during 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.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 5: Long-Term Debt (Continued)

Business-Type Activities (Continued)

WPA Loan (Continued)

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 \$12,514 as of December 31, 2024. At no time should the budget reserve be greater than \$1,250,000. Principal and interest payments for the years following December 31, 2024 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 135,025	\$ 12,800	\$ 147,825
2026	137,088	11,750	148,838
2027	138,806	10,700	149,506
2028	140,870	9,650	150,520
2029	150,386	8,600	158,986
2030-2034	800,744	24,950	825,694
2035	<u>175,823</u>	<u>1,300</u>	<u>177,123</u>
	<u>\$ 1,678,742</u>	<u>\$ 79,750</u>	<u>\$ 1,758,492</u>

2020 Revenue Refunding Bonds

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

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

Town of Paonia, Colorado
Notes to Financial Statements
December 31, 2024

Note 5: Long-Term Debt (Continued)

Business-Type Activities (Continued)

2020 Revenue Refunding Bonds (Continued)

The Bonds were issued with a premium of \$46,180 which is amortized on a straight-line basis through the life of the bonds (24 years) and recognized as interest expense. Annual amortization is \$1,925. Principal and interest payments for the years following December 31, 2024 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	60,000	36,450	96,450
2030-2034	340,000	159,600	499,600
2035-2039	230,000	108,450	338,450
2040-2044	585,000	57,750	642,750
	<u>\$ 1,445,000</u>	<u>\$ 525,600</u>	<u>\$ 1,970,600</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 2025. As of December 31, 2024, 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.

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 6: Employee Retirement Plans (Continued)

Deferred Compensation Plan (Continued)

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

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

FPPA Statewide Defined Benefit Plan

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

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

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

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

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

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 6: Employee Retirement Plans (Continued)

FPPA Statewide Defined Benefit Plan (Continued)

Members of the SWDB plan and their employers are contributing at the rate of 8 percent of base salary for a total contribution rate of 16 percent through 2014. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2024.

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 2024 for a total combined member and employer contribution rate of 24 percent in 2024.

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 2024 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 2024.

The Town's contributions to the SWDB Plan for the year ended December 31, 2024, were \$37,371, 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, 2024, the Town reported a net pension liability (asset) of \$0 representing its proportionate share of the net pension asset of the SWDB.

The net pension liability was measured on December 31, 2023, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at January 1, 2024. 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, 2024, relative to the projected contributions of all participating employers.

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

Note 6: Employee Retirement Plans (Continued)

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

At December 31, 2023, the Town's proportion of the SWDB Plan was 0.0314811512%, which was an increase of 0.0205104309% from its proportion measured on December 31, 2023.

For the year ended December 31, 2024, the Town recognized pension expense (Benefit) for the SWDB plan of \$(8,221).

At December 31, 2024, 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	\$ 82,527	\$ 4,563
Net difference between projected and actual earnings on plan investments	38,881	-
Changes in assumptions and other inputs	54,758	-
Changes in proportion	1,487	86,188
Contributions subsequent to the measurement date	37,371	-
Total	\$ 215,024	\$ 90,751

Town contributions to the SWDB plan subsequent to the measurement date were \$37,371 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.

<u>Year Ended December 31,</u>	<u>Amount</u>
2024	\$ 17,519
2025	32,283
2026	(2,332)
2027	11,436
2028	11,396
Thereafter	16,600
Total	\$ 86,902

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

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, 2024, 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*	7.0%
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, 2024

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%	8.33%
Equity Long/Short	6%	7.27%
Private Markets	34%	10.31%
Fixed Income Rates	10%	5.35%
Fixed Income Credit	5%	5.89%
Absolute Return	9%	6.39%
Cash	1%	4.32%
	100%	

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the SWDB net pension (asset) liability	\$ 176,527	\$ -	\$ -

Town of Paonia, Colorado

Notes to Financial Statements

December 31, 2024

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 with 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, 2024. 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, 2024

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 2024, 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, 2024

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 \$69,500, which is the approximate required reserve at December 31, 2024.

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, 2024

	Original and Final Budget	Actual	Variance <i>Positive</i> (<i>Negative</i>)
Revenues			
Taxes			
General property taxes	\$ 247,000	\$ 204,180	\$ (42,820)
Specific ownership taxes	21,000	24,848	3,848
Sales tax - town	523,333	562,539	39,206
Sales tax - county	260,000	444,612	184,612
Franchise taxes	45,000	58,285	13,285
Cigarette taxes	1,500	1,294	(206)
Delinquent taxes	200	398	198
Licenses and Permits	45,450	58,023	12,573
Intergovernmental	1,132,092	120,282	(1,011,810)
Investment Income	115,000	201,756	86,756
Fines and Forfeitures	5,300	17,409	12,109
Miscellaneous	9,900	64,477	54,577
	<u>2,405,775</u>	<u>1,758,103</u>	<u>(647,672)</u>
Total Revenues			
	<u>2,405,775</u>	<u>1,758,103</u>	<u>(647,672)</u>
Expenditures			
Current			
General Government	425,982	443,549	(17,567)
Public Safety	825,130	771,796	53,334
Public Works	1,633,580	387,258	1,246,322
Community Service	262,234	190,139	72,095
Capital Outlay	-	106,103	(106,103)
	<u>-</u>	<u>106,103</u>	<u>(106,103)</u>
Total Expenditures			
	<u>3,146,926</u>	<u>1,898,845</u>	<u>1,248,081</u>
Excess Revenues Over (Under) Expenditures	<u>(741,151)</u>	<u>(140,742)</u>	<u>600,409</u>
Other Financing Sources (Uses)			
Transfers In	386,826	-	(386,826)
Other Financing Sources (Uses)	386,826	-	(386,826)
	<u>386,826</u>	<u>-</u>	<u>(386,826)</u>
Net Change in Fund Balance	(354,325)	(140,742)	213,583
Fund Balance, Beginning of year	<u>1,191,452</u>	<u>1,191,452</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 837,127</u>	<u>\$ 1,050,710</u>	<u>\$ 213,583</u>

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Sales Tax Capital Improvement Fund
 For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes	\$ 261,667	\$ 281,227	\$ 19,560
Miscellaneous	3,100	7,650	4,550
Capital Outlay	(78,592)	-	78,592
Total Revenues	<u>264,767</u>	<u>288,877</u>	<u>24,110</u>
Expenditures			
Capital Outlay	(78,592)	-	(78,592)
Total Expenditures	<u>(78,592)</u>	<u>-</u>	<u>(78,592)</u>
Excess Revenues Over (Under) Expenditures	343,359	288,877	(54,482)
Other Financing Uses			
Transfers (In)	<u>75,492</u>	<u>-</u>	<u>(75,492)</u>
Net Change in Fund Balance	418,851	288,877	(129,974)
Fund Balance, Beginning of year	<u>558,131</u>	<u>558,131</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 976,982</u>	<u>\$ 847,008</u>	<u>\$ (129,974)</u>

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Conservation Trust Fund
 For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Taxes	\$ 9,250	\$ 16,285	\$ 7,035
Interest income	-	19	19
Total Revenues	9,250	16,304	7,054
Expenditures			
Parks	-	-	-
Total Expenditures	-	-	-
Excess Revenues Over Net Change in Fund Balance	9,250	16,304	7,054
Fund Balance, Beginning of year	22,739	22,729	(10)
Fund Balance, End of year	\$ <u>31,989</u>	\$ <u>39,033</u>	\$ <u>7,044</u>

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Street Fund
 For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Highway users tax	\$ 132,000	\$ 93,550	\$ (38,450)
Fees	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>132,000</u>	<u>93,550</u>	<u>(38,450)</u>
Expenditures			
Streets	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues Over			
Net Change in Fund Balance	132,000	93,550	(38,450)
Fund Balance, Beginning of year	<u>938,482</u>	<u>938,482</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 1,070,482</u>	<u>\$ 1,032,032</u>	<u>\$ (38,450)</u>

Town of Paonia, Colorado
Notes to Required Supplementary Information
December 31, 2024

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, 2024

	Conservation Trust Fund	Sidewalk Fund	Total
Assets			
Cash and cash equivalents			
Unrestricted	\$ 39,033	\$ 121,165	\$ 160,198
Taxes receivable	<u>-</u>	<u>2,458</u>	<u>2,458</u>
Total Assets	<u><u>\$ 39,033</u></u>	<u><u>\$ 123,623</u></u>	<u><u>\$ 162,656</u></u>
Liabilities			
Accounts Payable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance			
Restricted	<u>39,033</u>	<u>123,623</u>	<u>162,656</u>
Total Fund Balance	<u>39,033</u>	<u>123,623</u>	<u>162,656</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 39,033</u></u>	<u><u>\$ 123,623</u></u>	<u><u>\$ 162,656</u></u>

Town of Paonia, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2024

	Conservation Trust Fund	Sidewalk Fund	Total
Revenues			
Taxes	\$ 16,285	\$ -	\$ 16,285
Licenses	-	30,279	30,279
Miscellaneous	18	-	18
Total Revenues	<u>16,303</u>	<u>30,279</u>	<u>46,582</u>
Expenditures			
Current			
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	16,303	30,279	46,582
Fund Balance, Beginning of year	<u>22,730</u>	<u>93,344</u>	<u>116,074</u>
Fund Balance, End of year	<u>\$ 39,033</u>	<u>\$ 123,623</u>	<u>\$ 162,656</u>

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Sidewalk Fund
 For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Sidewalk revenue	\$ 30,000	\$ 30,279	\$ 279
Total Revenues	30,000	30,279	279
Expenditures			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Net Change in Fund Balance	30,000	30,279	279
Fund Balance, Beginning of year	93,344	93,344	-
Fund Balance, End of year	\$ 123,344	\$ 123,623	\$ 279

Town of Paonia, Colorado
Budgetary Comparison Schedule
Water Fund
For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water charges	\$ 1,596,500	\$ 1,186,833	\$ (409,667)
Sales and service	500	(3,703)	(4,203)
Water tank	2,500	14,272	11,772
Standby tap fees	62,000	58,739	(3,261)
Penalties	6,500	5,615	(885)
Rents	-	1,000	1,000
Grants	1,137,973	458,781	(679,192)
Miscellaneous revenue	-	17,134	17,134
	<u>2,805,973</u>	<u>1,738,671</u>	<u>(1,067,302)</u>
Total Revenue			
	<u>2,805,973</u>	<u>1,738,671</u>	<u>(1,067,302)</u>
Expenses			
Salaries and wages	294,750	241,744	53,006
Employee benefits	101,500	74,124	27,376
John Norris retirement	13,500	6,608	6,892
Supplies	30,000	50,147	(20,147)
Legal and engineering	532,700	110,014	422,686
Repairs and maintenance	7,874,500	147,425	7,727,075
Professional fees	10,500	6,402	4,098
Telephone	1,850	7,365	(5,515)
Postage	4,000	3,013	987
Travel and meetings	3,500	2,459	1,041
Insurance and bonds	17,000	16,828	172
Utilities	27,500	24,115	3,385
Vehicle expense	6,000	4,697	1,303
Dues and subscriptions	27,700	47,417	(19,717)
Shop expense	9,800	7,183	2,617
Miscellaneous	34,500	12,245	22,255
Fees and permits	9,750	4,111	5,639
Drinking water revolving funds	49,046	20,409	28,637
Capital projects	-	396,932	(396,932)
	<u>9,048,096</u>	<u>1,183,238</u>	<u>7,864,858</u>
Total Expenses			
	<u>9,048,096</u>	<u>1,183,238</u>	<u>7,864,858</u>
Net Operating Income	<u>(6,242,123)</u>	<u>555,433</u>	<u>6,797,556</u>
Nonoperating Revenues (Expenses)			
System Development Fees	7,200,000	-	(7,200,000)
Proceeds from Issuance of Debt	352,500	-	(352,500)
Debt Service Principal	(154,954)	(154,954)	-
Interest Expense	(15,500)	(20,786)	(5,286)
	<u>7,382,046</u>	<u>(175,740)</u>	<u>(7,557,786)</u>
Total Nonoperating Revenues (Expenses)			
	<u>7,382,046</u>	<u>(175,740)</u>	<u>(7,557,786)</u>
Change in Net Position, Budgetary Basis	<u>\$ 1,139,923</u>	379,693	<u>\$ (760,230)</u>

(Continued)

Town of Paonia, Colorado
 Budgetary Comparison Schedule
 Water Fund
 For the Year Ended December 31, 2024
 (Continued)

	Original and Final Budget	Actual	Variance Positive (Negative)
Change in Net Position,			
<i>Budgetary Basis</i>	\$ 1,139,923	\$ 379,693	\$ (760,230)
 Reconciliation to GAAP Basis			
Debt Service Principal		154,954	
Capital Outlay		396,932	
Depreciation		(296,151)	
 Change in Net Position, GAAP Basis		\$ 635,428	

Town of Paonia, Colorado
Budgetary Comparison Schedule
Sewer Fund
For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sewer charges	\$ 884,000	\$ 779,995	\$ (104,005)
Grant Revenue	-	1,593	1,593
Total Revenue	884,000	781,588	(102,412)
Expenses			
Salaries and wages	293,750	241,692	52,058
Employee benefits	97,700	71,794	25,906
John Norris Retirement	-	5,712	(5,712)
Supplies	9,500	14,090	(4,590)
Legal and engineering	22,950	63,817	(40,867)
Repairs and maintenance	75,000	42,360	32,640
Professional fees	17,500	18,962	(1,462)
Telephone	1,350	3,756	(2,406)
Postage	4,000	2,505	1,495
Travel and meetings	1,000	1,695	(695)
Insurance and bonds	6,750	9,165	(2,415)
Utilities	40,000	40,736	(736)
Vehicle expense	6,500	4,551	1,949
Dues and subscriptions	4,450	24,998	(20,548)
Publishing and Ads	500	191	309
Shop Expense	14,000	3,379	10,621
Fees and permits	7,700	1,839	5,861
Gauging station	5,000	4,853	147
Capital projects	202,000	80,187	121,813
Miscellaneous	-	742	(742)
Total Expenses	809,650	637,024	172,626
Net Operating Income	74,350	144,564	70,214
Nonoperating Revenues (Expenses)			
Debt Service Principal	(24,000)	(55,000)	(31,000)
System Development Fees	-	10,000	10,000
Interest Expense	(73,250)	(45,135)	28,115
Interest Income	23,000	37,173	14,173
Total Nonoperating Revenues (Expenses)	(74,250)	(52,962)	21,288
Change in Net Position, Budgetary Basis	\$ 100	91,602	\$ 91,502
Reconciliation to GAAP Basis			
Debt Service Principal		55,000	
Capital Outlay		80,187	
Depreciation		(138,664)	
Change in Net Position, GAAP Basis		\$ 88,125	

Town of Paonia, Colorado
Budgetary Comparison Schedule
Trash Fund
For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Garbage charges	\$ 321,500	\$ 320,271	\$ (1,229)
Total Revenue	<u>321,500</u>	<u>320,271</u>	<u>(1,229)</u>
Expenses			
Salaries and wages	97,750	65,957	31,793
Employee benefits	42,750	26,091	16,659
Supplies	3,500	1,966	1,534
Legal and engineering	13,200	27,836	(14,636)
Repairs and maintenance	2,500	4,119	(1,619)
Professional fees	6,000	4,843	1,157
Telephone	1,400	1,650	(250)
Postage	2,500	2,395	105
Insurance and bonds	6,800	9,202	(2,402)
Utilities	3,000	2,016	984
Vehicle expense	15,000	14,750	250
Shop Expense	8,500	4,375	4,125
Landfill fees	38,100	34,706	3,394
Capital Projects	-	5,731	(5,731)
Miscellaneous	22,700	29,289	(6,589)
Total Expenses	<u>263,700</u>	<u>234,926</u>	<u>28,774</u>
Net Income (Loss) Before			
<i>Budgetary Basis</i>	\$ <u>57,800</u>	85,345	\$ <u>27,545</u>
Reconciliation to GAAP Basis			
Capital Outlay		5,731	
Depreciation		<u>(19,178)</u>	
Change in Net Position, GAAP Basis		\$ <u>71,898</u>	

Compliance Section

LOCAL HIGHWAY FINANCE REPORT

STATE:

COLORADO

YEAR ENDING (mm/yy):

12/24

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)	\$ 18,475.34
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)	\$ 18,475.34
B. Private Contributions	\$ -
C. Receipts from State government (from page 2)	\$ 60,864.54
D. Receipts from Federal Government (from page 2)	\$ -
E. Total receipts (A.7 + B + C + D)	\$ 79,339.88

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway expenditures:	
1. Capital outlay (from page 2)	\$ 216,510.30
2. Maintenance:	\$ 26,082.91
3. Road and street services:	
a. Traffic control operations	\$ -
b. Snow and ice removal	\$ 3,541.68
c. Other	\$ -
d. Total (a. through c.)	\$ 3,541.68
4. General administration & miscellaneous	\$ 185,405.12
5. Highway law enforcement and safety	\$ -
6. Total (1 through 5)	\$ 431,540.01
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)	\$ 431,540.01

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	\$ 79,339.88	\$ 431,540.01	\$ 717,478.43	\$ -

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: COLORADO	
		YEAR ENDING (mm/yy): 12/24	

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 Assessments	\$ -	a. Interest on investments	\$ -
b. Other local imposts:		b. Traffic Fines & Penalties	\$ -
1. Sales Taxes	\$ 18,475.34	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.)	\$ 18,475.34	h. Other	\$ -
c. Total (a. + b.)	\$ 18,475.34	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.)	\$ 55,693.59	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	\$ 5,170.95	d. Federal Transit Administration	\$ -
d. DOLA Grant	\$ -	e. U.S. Corps of Engineers	\$ -
e. Other	\$ -	f. Other Federal ARPA	\$ -
f. Total (a. through e.)	\$ 5,170.95	g. Total (a. through f.)	\$ -
4. Total (1. + 2. + 3.f)	\$ 60,864.54	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	\$ -	\$ 94,833.81	\$ 94,833.81
c. Construction:			
(1). New Facilities	\$ -	\$ -	\$ -
(2). Capacity Improvements	\$ -	\$ -	\$ -
(3). System Preservation	\$ -	\$ 70,704.64	\$ 70,704.64
(4). System Enhancement And Operation	\$ -	\$ 50,971.85	\$ 50,971.85
(5). Total Construction (1)+(2)+(3)+(4)	\$ -	\$ 121,676.49	\$ 121,676.49
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)	\$ -	\$ 216,510.30	\$ 216,510.30
(Carry forward to page 1)			
Notes and Comments:			