PAONIA
C·O·L·O·R·A·D·O

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

## For the year ending December 31, 2025








TownofPaonia.Colorado.gov

# Town of Paonia, Colorado

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

**December 31, 2025**

**Prepared by:**

**Finance Department**

**TOWN OF PAONIA, COLORADO**
**ANNUAL COMPREHENSIVE FINANCIAL STATEMENT AUDIT**
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024**

TABLE OF CONTENTS


| | |
|---|---|
| INTRODUCTORY SECTION | *PAGE* |
| Letter of Transmittal | 5 |
| List of Elected and Appointed Officials | 13 |
| Organizational Chart | 15 |
| FINANCIAL SECTION | 16 |
| Independent Auditor's Report | 17 |
| Management's Discussion and Analysis | 20 |
| **Basic Financial Statements** | **49** |
| Statement of Net Position | 51 |
| Statement of Activities | 52 |
| Balance Sheet – Governmental Funds | 53 |
| Statement of Revenues, Expenditures, and Changes in Governmental Funds | 55 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities | 56 |
| Statement of Net Position – Proprietary Funds | 57 |
| Statement of Revenues, Expenditures, and Charges in Proprietary Funds | 58 |
| Statement of Cash Flows Proprietary Funds | 59 |
| Notes to the Financial Statements | 60 |
| Debt Service Requirements: | |
| Business-type Activities – WPA Loan | 73 |
| Business-type Activities – CWRPDA Loan | 73 |
| Business-type Activities – Revenue – Refunding Bonds | 74 |
| Business-type Activities – 2025 CWRPDA Loan | 75 |
| Business-type Activities – 2025 DWRF Loan | 76 |
| **Required Supplementary Information** | **85** |
| Schedule of Proportionate Share of the Net Pension Liability and Contributions – Police Officers Statewide Defined Benefit Pension Plan (FPPA) | 86 |
| Budgetary Comparison Schedule – General Fund | 88 |
| Budgetary Comparison Schedule – Sales Tax Capital Improvement Fund | 89 |
| Budgetary Comparison Schedule – Street Fund | 90 |
| Notes to the Required Supplementary Information | 91 |

**Supplementary Information** **92**
Combining and Individual Fund Statements and Schedules – Governmental Funds
Combining Balance Sheet – Nonmajor Governmental Funds 93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 94

Budgetary Comparison Schedules
Conservation Trust Fund 95
Sidewalk Fund 96
Water Fund 97
Sewer Fund 99
Trash Fund 100

**Other Financial Schedules - Compliance** **101**
Local Highway Finance Report 102

STATISTICAL SECTION 104
**Financial Trends**
Net Position by Component 105
Changes in Net Position 108
Fund Balances of Governmental Funds 110
Changes in Fund Balances of Governmental Funds 111

**Revenue Capacity Information**
Governmental Tax Revenue by Source 116
Sales Tax Collections by Category
Direct and Overlapping Sales Tax Rates 118
Assessed and Estimated Actual value of Taxable Property 119
Property Tax Rates – Direct and Overlapping Governments 120
Property Tax Levies and Collections 122
Principal Property Taxpayers 124

**Debt Capacity Information** **125**
Ratios of Outstanding Debt by Type 126
Legal Debt Margin Information 127
Debt Policy # 1 128

**Demographic, Economic and Operating Information** **129**
Building Permits and Value of Construction 129
Demographic and Economic Statistics 130
Principal Employers 132

# INTRODUCTORY SECTION

Letter of Transmittal

List of Elected and Appointed Officials

Town Organizational Chart

# LETTER OF TRANSMITTAL

7/12/2026

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

We are pleased to present the Annual Comprehensive Financial Report for the fiscal year ended December 31, 2025. Town staff have worked diligently to prepare this report, and we remain committed to promoting financial transparency, accountability, responsible management, and compliance with applicable accounting standards. The Town's Annual Comprehensive Financial Report (Financial Report) was prepared by the Town Administrator and Treasurer with assistance from the Town's Finance Department and third-party accountants (Professional Management Solutions), all three combined represent 'Management' and will be referenced as such throughout this document. The Financial Report represents the culmination of the Town's budgeting, accounting, and financial reporting activities for the year and includes all Town funds and financial transactions.

Responsibility for the accuracy, completeness, and fairness of the presentation, including all disclosures, rests with the Town. This is based on a comprehensive framework of internal controls that have been established for this very purpose. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and changes in financial position for the Town, on both Government-wide and Fund basis. It is management's belief that all necessary disclosures have been made that enable the reader to gain an understanding of the Town's financial activities.

The Town has established a comprehensive internal controls framework designed to protect the Town's assets from loss, theft, or misuse and compile sufficient reliable information to prepare the Town's financial statements. Generally Accepted Accounting Principles (GAAP) emphasizes the importance of effective internal controls for ensuring the accuracy and reliability of financial reporting. However, a key aspect of internal control implementation under GAAP is that the cost of these controls should not outweigh their benefits. The Town's internal control framework is designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Again, it is our (management) belief that the enclosed information is complete and reliable in all material respects.

Colorado law requires local governments to publish the results of their annual audit and financial statements prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America and the accounting and financial reporting standards established by the Governmental Accounting Standards Board (GASB). The Town's financial statements are audited by an independent firm of licensed certified public accountants. Hinkle & Company, P.C. audited the Town's governmental activities, business-type activities, and each major fund for the year ended December 31, 2025. The independent

auditor concluded that the financial statements present fairly, in all material respects, the Town's respective financial position, changes in financial position, and cash flows, where applicable, in accordance with generally accepted accounting principles. The auditor's opinion was 'unmodified' which simply means a 'clean' audit and is the most favorable audit result that the Town could receive.

This Financial Report includes the governmental and business-type activities for which the Town is financially accountable. The governmental funds include the General Fund, Sales Tax Capital Improvement Fund, Street Fund, Conservation Trust Fund, and Sidewalk Fund. The Town also reports three major enterprise funds: the Water Fund, Sewer Fund, and Trash Fund. Based on the financial-accountability criteria established by GASB, the Town does not include any additional organizations as component units in its reporting entity.

Pursuant to these requirements, we hereby issue the annual comprehensive financial report of the Town of Paonia, Colorado for the fiscal year ended December 31, 2025.

## PROFILE OF THE TOWN OF PAONIA, COLORADO

### *Introduction – History, Location and Demographics*

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

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

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

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

### *Services Provided*

The Town provides a full range of public services, including a Police Department, Municipal Utilities (water, wastewater, and trash), Infrastructure (drainage, streets, public buildings, airport, and sidewalks), and Cultural and Recreational programs (parks and recreation activities). The Town oversees land-use, infrastructure, and permitting for development, facility maintenance, and provides a forum for community discussion through bi-monthly Board meetings that are open to the general public.

Other governmental services are provided through various agencies and special districts that includes fire protection through the Paonia Volunteer Fire Department (Delta County FPD#2); North Fork EMS; the

North Fork Pool, Parks, and Recreation District; the Paonia Public Library, a branch office of the Delta County Library District; and two Cemetery Districts.

### *Website*

For additional information on the Town's services, the community should visit the website at: https://townofpaonia.colorado.gov/ where extensive information about Paonia is available. Visitors to the site can access information on council meetings, development activity, budgets, financial statements, sales tax information, procurement solicitations, job postings, and more.

### *Budgeting*

**General Budgetary Principles:** The annual budget is the primary financial planning tool for the Town. It sets forth management's estimate of available resources and describes the way in which those resources will be expended. Like any plan, the budget is carefully monitored throughout the year to identify and address material variances. Since no plan can accurately predict all future events, management must have sufficient flexibility to adjust during the year without altering the general intent of the Mayor and Board of Trustees as reflected in the adopted budget.

This budget has been structured and prepared using the guidelines of the Government Finance Officers Association (GFOA). Two sources, Governmental Accounting, Auditing and Financial Reporting (GAAFR) and the Governmental Accounting Standards Board (GASB) guide the financial reporting and annual budget process. The budget must be balanced or show a revenue surplus, meaning that deficit spending isn't allowed. Deficit spending would occur if the Town adopted a budget in which planned expenditures exceeded the total resources legally available to support them, including anticipated revenues and available beginning fund balance. The Town does not budget in that manner. Each fund must be balanced so that appropriated expenditures do not exceed the revenues and available fund balance identified for that fund.

**What is a 'Balanced Budget'?:** *Balanced Budget* means, "a balance between total estimated expenditures and total anticipated revenues, including surpluses." This means that appropriated expenditures cannot exceed the sum of the revenues and beginning fund balance. The beginning fund balance is essentially the 'surplus' from previous years' budgets and is the amount of unspent funds from previous fiscal years that are carried forward.

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

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

Budget-to-actual comparisons are provided for each fund for which the Town adopted an annual budget. The General Fund, Sales Tax Capital Improvement Fund, and Street Fund budgetary comparison schedules

are included in the Required Supplementary Information section on pages 88 through 90 of the accompanying financial statements. Budgetary comparison schedules for the Conservation Trust, Sidewalk, Water, Sewer, and Trash Funds are included in the Supplementary Information section beginning on page 92.

### *Reporting Entity*

The accompanying financial statements include all funds that make up the Town's primary government. Management evaluated potential component units under the financial-accountability criteria established by GAAP and GASB and determined that no additional organizations meet the criteria for inclusion in the Town's reporting entity.

### *Factors Affecting Financial Condition*

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

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

Throughout much of Paonia's history, the Town relied on Coal Mining as the major economic driver for the Town, and as the source of employment for many of its Residents. In 2013, the Elk Creek Mine in Somerset closed and 257 people were left unemployed. In 2016, another coal mine, the Bowie #2 mine shutdown, and an additional 102 jobs were lost. In 2023, it is the West Elk Mine (operated by Arch Coal), is the only fully operational mine left in the Paonia-area, and it has a finite supply of coal left to extract.

After the significant loss of jobs, families emigrating from Paonia, and the loss of billions of dollars of revenue from the closure of coal mines, the state of Colorado designated Paonia as a Disadvantaged Community (DAC). To qualify as a DAC, Paonia needs to meet certain criteria from the state, such as a population less than 10,000, and at least two economic factors. Paonia's current (2023) Median Household Income (MHI) is $53,646 and is lower than the state's average of $64,147. The current (2023) Median Home Value (MHV) is $217,400 and is lower than the state's average of $397,500.

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

In 2019, the Town experienced a catastrophic water loss that began on February 14, 2019. The Town could not service any of its Residents or out-of-town customers. As a result, a referendum vote was passed on January 7, 2020, that instituted a water moratorium on the sale of new water taps into the system (Water Moratorium). The water loss exposed neglected infrastructure in most of the Town's utility services, most of which is well over its useful life. The Town began heavily investing in its infrastructure in FY-2023 and continued those investments in FY-2024, for which this Financial Report covers, and will continue to do so over the next decade.

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

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

During FY-2025, the Town continued to benefit from major cultural events and regular access along Highway 133. Governmental tax revenues increased overall, including a modest increase in capital improvement sales tax revenue. Marijuana occupational tax revenue continued to decline, however, reflecting an ongoing shift in a revenue source that had previously supported Town operations and capital needs.

### *Long-Term Financial Planning*

Paonia utilizes a five-year projection model annually that forecasts revenue and expenditures and available fund balance to ensure the financial resiliency of the Town. Departments project personnel, operating, and capital expenditures. Finance staff projects available revenue and fund balance over the same five-year timeframe. The five-year model serves as a financial management plan which ensures long-term financial stability, planning for future replacement and maintenance of capital assets, maintaining current levels of services provided to Paonia Residents and addresses increasing service levels for the Board of Trustees consideration.

To continue the Town's historic investment in capital assets, the Town recognized that the cost of doing business has also increased. The Board of Trustees adopted Resolution 2022-14 increasing the basic rate of the Trash Utility. At the close of 2023, The Town passed Resolution 2023-20, increasing the water rates and charges for all users for the next five years, and increased its fees for services through Resolution 2023-21. The Board of Trustees also increased wastewater/sewer rates through Ordinance 2023-07 in anticipation of future discharge limitations and to begin building reserves for planned collections and treatment systems improvements. The Town will continue to evaluate the cost of improvements to its enterprise activities and will review rates annually to ensure that capital needs are financed.

### *Financial Information*

Total governmental fund balances increased by $499,232 during 2025, from $3,092,406 to $3,591,638. The General Fund balance increased by $116,574 to $1,167,284; the Sales Tax Capital Improvement Fund increased by $300,530 to $1,147,538; the Street Fund increased by $73,135 to $1,105,167; and the combined nonmajor governmental funds increased by $8,993 to $171,649. Governmental activities increased net position by $402,481. Business-type activities increased net position by $3,819,426, including a $3,000,000 gain from forgiveness of water-related debt. Overall, the Town's net position increased by $4,221,907, from $18,173,060 to $22,394,967.

**Internal Control:** The Town's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management. In conducting the financial statement audit, the independent auditor obtained an understanding of the Town's internal control relevant to financial reporting in order to assess risk and design audit procedures appropriate to the circumstances. The audit was not designed to express an opinion on the effectiveness of the Town's internal control, and no such opinion was expressed.

Auditors are required to report significant deficiencies or material weaknesses identified during the audit. The independent auditor's report did not identify or report a material weakness in the Town's internal control over financial reporting.

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

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

**Debt Management**: The ratio of net general bonded debt to assess valuation and the amount of general bonded debt per capita are useful indicators of the Town's debt position to municipal management, Residents, and investors. The Town had no general obligation debt outstanding as of December 31, 2025. The Town's long-term financing obligations are concentrated in the Water and Sewer enterprise funds and are secured by pledged utility revenues rather than the Town's general taxing authority. Business-type long-term liabilities totaled $9,678,411 at year-end, including current maturities of $485,293. During 2025, the Town entered into new Drinking Water Revolving Fund financing for major water-system capital improvements and recognized $3,000,000 in principal forgiveness on the 2025 CWRPDA loan. The Town is required to maintain rates, reserves, and debt-service coverage in accordance with the applicable loan and bond agreements**.**

### *Major Initiatives*

The Town continued working toward long-term financial sustainability during 2025. Infrastructure maintenance, improvement, and replacement remained a central priority, while maintaining and strengthening fund balance continued to guide financial decisions. The Town also continued investing in employees, customer service, resident engagement, strategic planning, and the systems needed to support accountable and effective municipal operations.

**Comprehensive (Master) Plan:** In 2025, the Town completed and adopted a comprehensive update to its 1996 Comprehensive Plan. Supported in part by a grant from the Colorado Department of Local Affairs (DOLA) and developed in partnership with Phoenix Rising Resources, the updated plan provides a modern framework for future land use, community development, infrastructure investment, and strategic growth.

Its adoption marked the completion of a major multi-year planning initiative and established a foundation for future code, capital, and policy decisions. The quality of this work received national recognition from the American Planning Association's Small Town and Rural Planning Division through its STaR Awards Program, which honored the Town of Paonia's Comprehensive Plan under the Vernon Deines Award for an Outstanding Small Town or Rural Plan in the small-jurisdiction category. This recognition reflects the strength of the planning process, the depth of community participation, and the Town's commitment to thoughtful, long-range decision-making.

**Strategic Plan 2025–2030:** The Town completed its first formal strategic planning process and adopted a mission statement, vision, organizational values, and community-wide goals. The Strategic Plan established a common framework for aligning departmental work plans, performance scorecards, annual budgeting, and capital improvement planning. This process brought together the Board of Trustees, Town departments, and the public to create a shared direction for municipal services and long-term investment.

**Comprehensive Code Rewrite:** During 2025, the Town continued its comprehensive review and modernization of the Paonia Municipal Code. The project, supported in part by a DOLA grant and conducted with Sustainable Futures, LLC, is intended to improve internal consistency, statutory compliance, usability, and alignment with modern municipal practices. The work remained underway at year-end and is expected to continue into Fiscal Year 2026.

**Phase I Design Water Capital Improvement Plan:** In Fiscal Year 2025, the Town advanced the financing, design, and preconstruction phases of its Water Capital Improvement Plan. Phase I includes replacement of the aging Western Loop waterline, interior relining of the two-million-gallon Lamborn water tank, and raw-water monitoring improvements at key collection sites. Business-type construction in progress increased by $1,724,348 during the year, reaching $2,150,641 at December 31, 2025. The Town also entered into new Drinking Water Revolving Fund financing and recognized $3,000,000 in principal forgiveness associated with the 2025 CWRPDA loan. These investments are intended to improve system reliability, regulatory compliance, public health protection, and the Town's ability to address the conditions underlying the water moratorium.

**5th and Grand Realignment (Safe Pathways for Paonia) Design:** During FY-2025, the Town continued design, grant coordination, and preconstruction planning for the 5th and Grand Realignment Project. The project integrates intersection realignment, pedestrian improvements, stormwater infrastructure, waterline replacement, sidewalks, curb and gutter, and service-line upgrades through a coordinated "Dig Once" approach. The Town continued working with the Colorado Department of Transportation and its funding partners to meet state and federal requirements and position the project for construction.

***Other Information***

**Independent Audit:** The Town's governmental activities, business-type activities, and each major fund are audited annually by an independent certified public accounting firm selected by the Board of Trustees. Hinkle & Company, P.C. conducted the audit for the year ended December 31, 2025, in accordance with generally accepted auditing standards and Government Auditing Standards. The independent auditor's report is included with the basic financial statements and expresses an unmodified opinion that the financial statements present fairly, in all material respects, the Town's financial position and results of operations in accordance with generally accepted accounting principles.

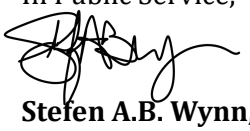
**Awards and Acknowledgements:** The Town of Paonia's 2025 Annual Comprehensive Financial Report was prepared in accordance with the guidelines established by the Government Finance Officers Association (GFOA). These guidelines promote excellence in financial reporting by encouraging reports that are clearly organized, readily understandable, and compliant with GAAP and GASB requirements. The GFOA awards the Certificate of Achievement for Excellence in Financial Reporting to municipalities whose reports meet

these standards and demonstrate a commitment to transparency, accountability, and sound financial management. Each certificate is valid for one year, and the Town believes this report conforms to the program requirements and is submitting it to GFOA for consideration.

The preparation of this report represents a collaborative effort, and it would not have been possible without the dedication and professionalism of the employees in Town Hall. I extend my sincere appreciation to each member of the Administration Department, as well as our external bookkeeping consultant, Professional Management Solutions, for their valuable contributions.

Gratitude is also due to Hinkle and Company, P.C., the Town's external auditing firm, for their professional guidance and independent review. I would further like to thank the Board of Trustees and the Board of Trustees Finance Committee for their commitment to ensuring strong internal controls and responsible fiscal oversight. Finally, I thank the residents of the Town of Paonia for their ongoing support and engagement in the stewardship of public resources. This report is a reflection of our shared commitment to responsible governance and continuous improvement.

In Public Service,



**Stefen A.B. Wynn**, *M.P.A.*
*ICMA-CM*
***Paonia Town Administrator/Treasurer***

# TOWN OF PAONIA, COLORADO
# LIST OF ELECTED AND APPOINTED OFFICIALS
# AS OF DECEMBER 31, 2025

## Board of Trustees

| Elected Officials | Term Expires |
|---|---|
| Paige Smith, *Mayor* | April 2028 |
| Rick Stelter, *Mayor Pro Tempore* | April 2026 |
| Walter Czech, *Trustee* | April 2028 |
| Karen Tarnow, *Trustee* | April 2026 |
| Hector Mejorado, Jr., *Trustee* | April 2026 |
| Lucy Hunter, *Trustee* | April 2026 |
| Mike Heck, *Trustee* | April 2026 |

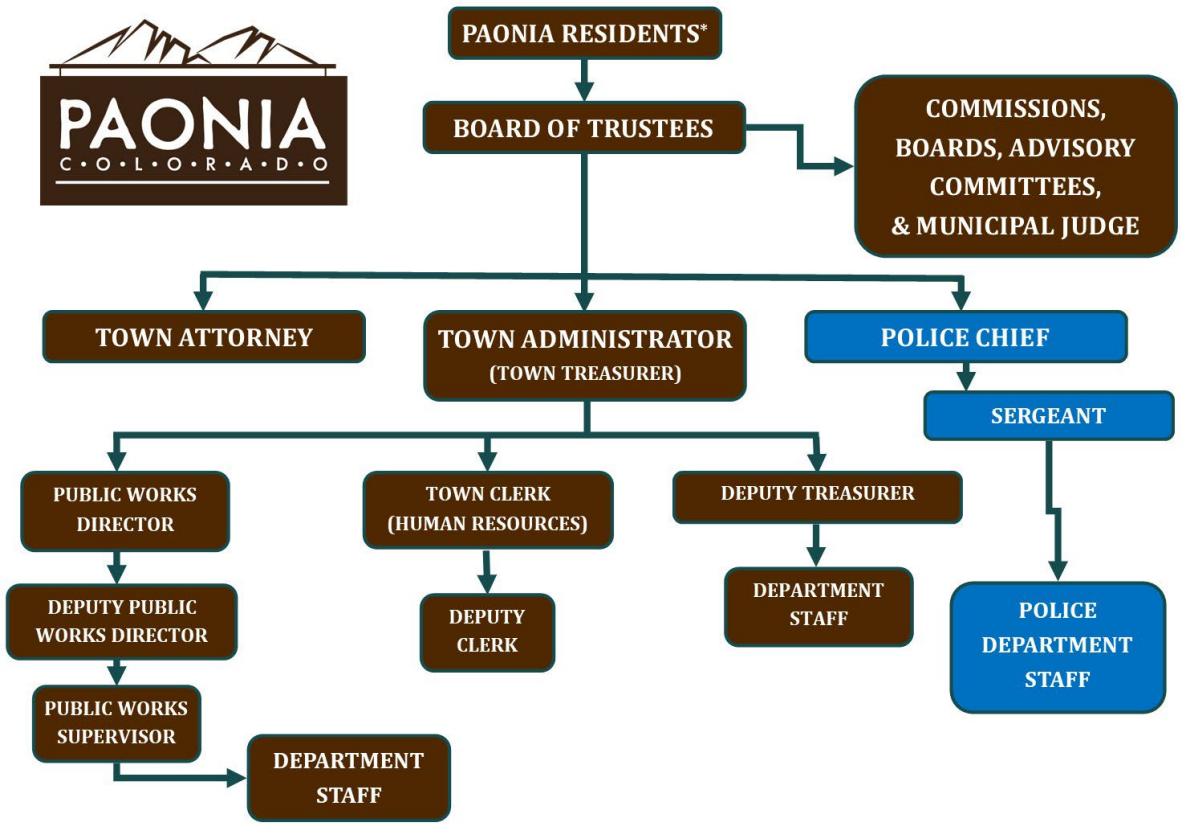
## Board Appointed Officials

| | |
|---|---|
| Stefen Wynn | Town Administrator & Treasurer |
| Clayton Buchner (*Contracted)* | Town Attorney |
| Julie Huffman (*Contracted)* | Municipal Court Judge |
| Samira Vetter | Town Clerk |

## Department Directors & Deputy Directors

| | |
|---|---|
| Matt Laiminger | Police Chief |
| Nicole Poulos | Public Works Director |
| Ruben Santiago | Deputy Town Clerk |

# Town of Paonia Organizational Chart




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

# Financial Section

Independent Auditor's Report

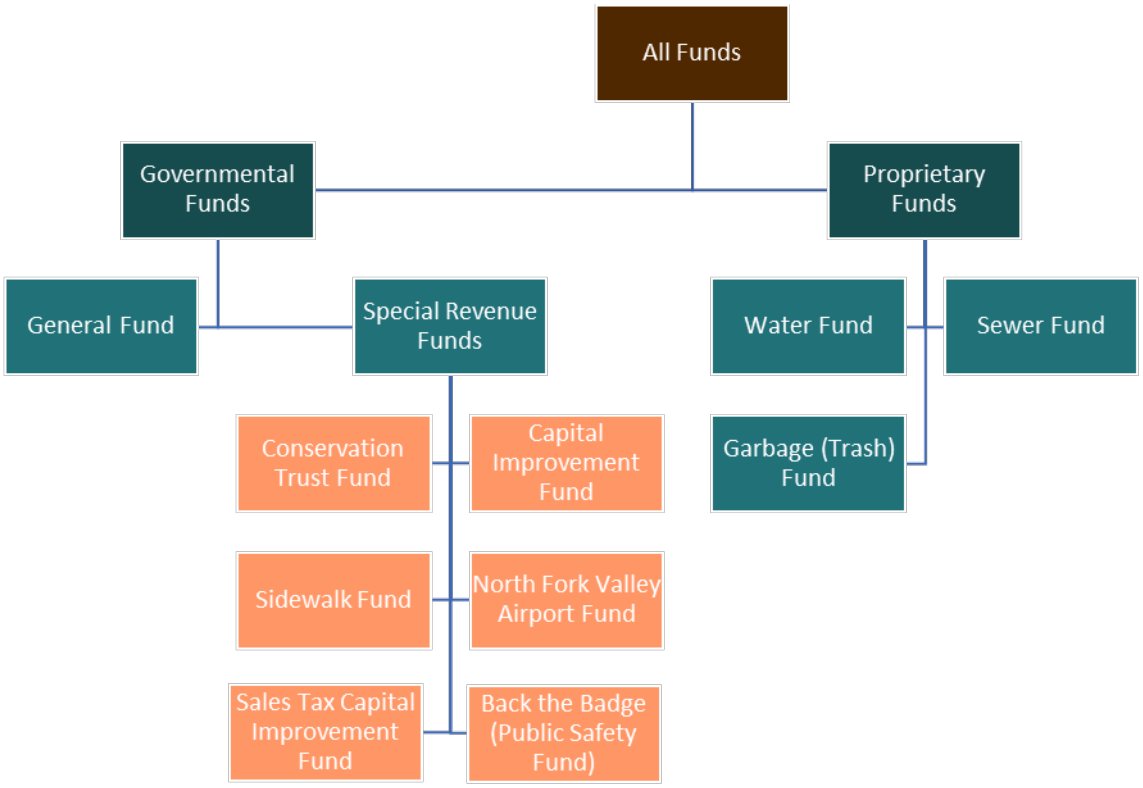
Management's Discussion and Analysis

Basic Financial Statements

Required Supplemental Information

Other Supplementary Information

Other Financial Schedules



HINKLE & COMPANY PC
Strategic 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, 2025, 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, 2025, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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

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

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

*Office Locations:*
Colorado Springs, CO
Denver, CO
Frisco, CO
Tulsa, OK

*Denver Office:*
750 W. Hampden Avenue,
Suite 250
Englewood,
Colorado 80110
TEL: 303.796.1000
FAX: 303.796.1001
www.HinkleCPAs.com

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Other Matters***

*Required Supplementary Information*

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

***Other Information***

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

Hinkle & Company, P.C.

Englewood, Colorado
July 23, 2026

# 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, 2025. 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 $22,394,967 at December 31, 2025. Total net position increased by $4,221,907, or 23.2%, from $18,173,060 at December 31, 2024.

- Total net position is comprised of the following:

  (1) **Net Investment in Capital Assets** totals **$6,870,216** 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.

  a. Net investment in capital assets decreased by $5,117,951 from the prior-year balance of $11,988,167. The decrease was not caused by a reduction in the Town's capital assets. In fact, net capital assets increased by approximately $1.28 million during 2025. The decline primarily reflects the issuance of new debt for the Town's water capital improvement program. Business-type long-term obligations increased by approximately $6.40 million, from $3.28 million at the end of 2024 to $9.68 million at the end of 2025, largely due to the 2025 CWRPDA and Drinking Water Revolving Fund financing. Because this new debt is deducted in calculating net investment in capital assets, the Town's reported net investment decreased even as construction in progress and other utility capital assets increased.

  (2) **Restricted Net Position** totals **$881,766** 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 $14,642,985 which is an increase of $9,308,065 from the prior year'. This significant increase primarily reflects the $3,000,000 forgiveness of water-system debt, proceeds and cash held for the Water Capital Improvement Plan, continued accumulation of governmental fund balances, and positive operating results in the enterprise funds. Unrestricted net position is not the same as immediately spendable cash because it includes the effects of accrual accounting and resources committed to ongoing operations and capital obligations.

- The Town's governmental funds, consisting of the General Fund, Sales Tax Capital Improvement Fund, Street Fund, Conservation Trust Fund, and Sidewalk Fund, reported a combined ending fund

balance of $3,591,638. This represents an increase of $499,232, or 16.1%, from the prior year ending fund balance of $3,092,406.

- As of the end of fiscal year 2025, the General Fund reported a total fund balance of $1,167,284. Of this amount, $869,067 was unassigned, representing approximately 52.8% of General Fund expenditures, $228,717 was committed as a bridge reserve, and $69,500 was restricted for the TABOR emergency reserve.

- The Sales Tax Capital Improvement Fund ended the year with a total fund balance of $1,147,538. This included $679,491 reported as unassigned, $407,855 committed for capital acquisition, and $60,192 restricted for airport capital improvements.

- The Street Fund ended the year with a fund balance of $1,105,167. The nonmajor governmental funds reported a combined restricted fund balance of $171,649, consisting of $17,636 in the Conservation Trust Fund for parks and recreation purposes and $154,013 in the Sidewalk Fund for sidewalk improvements.

The above financial highlights are explained in greater detail in the financial analysis sections that follow.

**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 52 through 53 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 54 through 57 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 58 through 60 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 61 of the Financial Statements included with this report.

## Required Supplementary Information

In addition to the basic financial statements, this report includes information required by the Governmental Accounting Standards Board to provide important context for evaluating the Town's financial position and budgetary compliance. This section includes the schedule of the Town's proportionate share of the net pension liability or asset for the Fire and Police Pension Association (FPPA) of Colorado Statewide Defined Benefit Plan, along with budgetary comparison schedules for the General Fund, Sales Tax Capital Improvement Fund, and Street Fund. The pension schedule provides historical information regarding the Town's share of the statewide pension plan, while the budgetary schedules compare the Town's original and final amended budgets with actual financial results. The required supplementary information begins on page 86.

### *Supplementary Information*

The supplementary information section provides additional financial detail that supports and expands upon the basic financial statements but is not required to be presented as part of them. This section includes combining financial statements for the Town's nonmajor governmental funds and budgetary comparison schedules for the Conservation Trust, Sidewalk, Water, Sewer, and Trash funds. These schedules allow readers to review the financial position, operating results, and budgetary performance of individual funds that are either combined or summarized elsewhere in the report. The supplementary information begins on page 93. The Local Highway Finance Report is presented separately in the state compliance section on page 102.

## Government-wide Financial Analysis

As previously noted, net position is one indicator of a government's overall financial condition. At December 31, 2025, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows by $22,394,967. This represents an increase of $4,221,907, or 23.2%, from the prior-year net position of $18,173,060.

### *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 2025, the Town reported total assets of $32,719,578 and deferred outflows of resources of $235,257, compared with total liabilities of $10,295,182 and deferred inflows of resources of $264,686. The resulting net position was $22,394,967.

Approximately 30.7% of the Town's net position reflects its net investment in capital assets. These assets are used to provide services to residents and are not available for future spending. Although capital assets are reported net of related debt, annual debt service must be paid from utility revenues and other available resources because the assets themselves cannot be used to satisfy those obligations.

At December 31, 2025, the Town reported positive balances in all three categories of net position. Restricted net position represented approximately 3.9% of total net position, while unrestricted net

position represented approximately 65.4%. The comparatively high unrestricted balance is influenced by the accounting treatment of financing proceeds and debt forgiveness associated with the Water Capital Improvement Plan and should not be interpreted as an equivalent amount of unrestricted operating cash.

The schedule that follows presents the combined net position of the Town's governmental and business-type activities for December 31, 2025 and 2024.

The table below presents the combined net position of the Town's Governmental and Business-Type Activities for December 31, 2025, and 2024.

**Statement of Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Assets: | | | | | | |
| Current and other assets | $ 4,193,867 | $ 3,720,357 | $11,977,084 | $ 3,210,359 | $16,170,951 | $ 6,930,716 |
| Capital assets | 2,957,549 | 3,098,781 | 13,591,078 | 12,170,340 | 16,548,627 | 15,269,121 |
| Total assets | 7,151,416 | 6,819,138 | 25,568,162 | 15,380,699 | 32,719,578 | 22,199,837 |
| Deferred Outflows of Resources | | | | | | |
| Related to Pensions | 235,257 | 215,024 | - | - | 235,257 | 215,024 |
| Total Deferred Outflows of Resources | 235,257 | 215,024 | - | - | 235,257 | 215,024 |
| Liabilities: | | | | | | |
| Other Liabilities | 407,225 | 468,644 | 197,929 | 227,349 | 605,154 | 695,993 |
| Long-term Liabilities | 11,617 | 14,796 | 9,678,411 | 3,280,954 | 9,690,028 | 3,295,750 |
| Total Liabilities | 418,842 | 483,440 | 9,876,340 | 3,508,303 | 10,295,182 | 3,991,743 |
| Deferred inflows of resources | | | | | | |
| Property taxes | 195,004 | 159,307 | - | - | 195,004 | 159,307 |
| Deferred inflows of resources | - | - | - | - | - | - |
| Related to pensions deferred inflows | 69,682 | 90,751 | - | - | 69,682 | 90,751 |
| Total deferred inflows of resources | 264,686 | 250,058 | - | - | 264,686 | 250,058 |
| Net Position: | | | | | | |
| Net investments in capital assets | 2,957,549 | 3,098,781 | 3,912,667 | 8,889,386 | 6,870,216 | 11,988,167 |
| Restricted | 129,692 | 129,692 | 752,074 | 720,281 | 881,766 | 849,973 |
| Unresetricted | 3,615,904 | 3,072,191 | 11,027,081 | 2,262,729 | 14,642,985 | 5,334,920 |
| Total net position | $ 6,703,145 | $ 6,300,664 | $15,691,822 | $11,872,396 | $22,394,967 | $18,173,060 |

## Assets and Deferred Outflows

Total assets increased by $10,519,741, from $22,199,837 in 2024 to $32,719,578 in 2025.

- Current and other assets increased substantially, primarily because the Water Fund held $9,089,063 with a fiscal agent for the Water Capital Improvement Plan and because of increases in restricted cash, receivables, and other resources.

- Net capital assets increased by $848,027, from $15,700,600 to $16,548,627. Business-type activities added $1,724,348 of construction in progress, primarily for water-system improvements, while governmental capital assets declined because depreciation and asset disposals exceeded current-year additions.

Deferred outflows of resources related to pensions increased from $215,024 to $235,257. The change reflects pension-related actuarial and contribution items that will be recognized in future periods.

**Liabilities and Deferred Inflows**

Total liabilities increased by $6,303,439, from $3,991,743 in 2024 to $10,295,182 in 2025.

- The increase was concentrated in business-type activities and reflects new financing for the Water Capital Improvement Plan. The Town also reported $320,000 of unearned revenue in governmental activities and $86,096 of accrued interest payable in business-type activities.
- Long-term liabilities increased because the Town entered into new Drinking Water Revolving Fund financing during 2025. This increase was partially offset by scheduled principal payments and $3,000,000 of principal forgiveness on the 2025 CWRPDA loan.

Deferred inflows of resources increased by $14,628, from $250,058 to $264,686, reflecting changes in unavailable property-tax revenue and pension-related deferred inflows.

**Net Position**

The Town reported positive net position in each classification at year-end:

Net investment in capital assets decreased by $5,117,951 to $6,870,216. The decrease is primarily attributable to new water-system debt associated with assets that remained under construction at year-end.

Restricted net position increased by $31,793 to $881,766. Restrictions included the TABOR emergency reserve, debt-service and maintenance reserves, and resources restricted for street improvements.

Unrestricted net position increased by $9,308,065 to $14,642,985. The increase was driven primarily by water-system financing and debt forgiveness, together with positive governmental and enterprise operating results.

Overall, the Town's financial position improved during 2025. However, a significant portion of the increase is associated with restricted financing proceeds, construction in progress, and a one-time gain from debt forgiveness rather than recurring operating revenue. Continued capital planning, rate evaluation, and careful management of debt proceeds will remain important as the Water Capital Improvement Plan advances.

***Summary of Changes in Net Position***

For the fiscal year ended December 31, 2025, the Town's total net position increased by $4,221,907, or 23.2%, from $18,173,060 to $22,394,967. Governmental activities increased net position by $402,481, while business-type activities increased net position by $3,819,426.

**Summary of Changes in Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Revenues: | | | | | | |
| Program: | | | | | | |
| Charges for services | $ 168,104 | $ 211,875 | $2,466,771 | $2,363,022 | $2,634,875 | $2,574,897 |
| Operating Grants | 14,196 | 14,119 | 458,385 | 198,710 | 472,581 | 212,829 |
| Capital Grants | - | - | 261,664 | 261,664 | 261,664 | 261,664 |
| General: | | | | | | |
| Taxes | 1,670,824 | 1,687,218 | - | - | 1,670,824 | 1,687,218 |
| Other | 319,503 | 273,902 | 3,044,457 | 64,307 | 3,363,960 | 338,209 |
| Total revenues | 2,172,627 | 2,187,114 | 6,231,277 | 2,887,703 | 8,403,904 | 5,074,817 |
| Program Expenses: | | | | | | |
| General Government | 267,515 | 321,996 | - | - | 267,515 | 321,996 |
| Public Safety | 828,103 | 754,431 | - | - | 828,103 | 754,431 |
| Public Works | 464,617 | 396,753 | - | - | 464,617 | 396,753 |
| Culture and Recreation | 209,911 | 213,989 | - | - | 209,911 | 213,989 |
| Water Operations | - | - | 1,239,334 | 1,103,243 | 1,239,334 | 1,103,243 |
| Sewer Operations | - | - | 783,623 | 740,636 | 783,623 | 740,636 |
| Trash | - | - | 388,894 | 248,373 | 388,894 | 248,373 |
| Total Expenses | 1,770,146 | 1,687,169 | 2,411,851 | 2,092,252 | 4,181,997 | 3,779,421 |
| Excess | 402,481 | 499,945 | 3,819,426 | 795,451 | 4,221,907 | 1,295,396 |
| Transfers | - | - | - | 35,997 | - | 35,997 |
| Change in Net Position | 402,481 | 499,945 | 3,819,426 | 795,451 | 4,221,907 | 1,331,393 |
| Beginning Net Position | 6,300,664 | 5,800,719 | 11,872,396 | 11,076,945 | 18,173,060 | 16,877,664 |
| Ending Net Position | 6,703,145 | 6,300,664 | 15,691,822 | 11,872,396 | 22,394,967 | 18,173,060 |

## Governmental Activities

Governmental activities increased net position by $402,481 in 2025, compared with an increase of $499,945 in 2024.

Total governmental revenues were $2,172,627, a decrease of $14,487 from the prior year.

- Tax revenues decreased by $16,394 to $1,670,824, while charges for services decreased by $43,771 to $168,104.
- Operating grants increased slightly to $14,196. Other general revenues increased by $45,601 to $319,503, primarily because of investment income, proceeds from the sale of assets, and miscellaneous revenue.
- Governmental activities did not report capital grants during either 2025 or 2024.

Total governmental expenses increased by $82,977, from $1,687,169 in 2024 to $1,770,146 in 2025.

- Public Safety expenses increased by $73,672 and Public Works expenses increased by $67,864. These increases were partially offset by a $54,481 decrease in General Government expenses and a modest decrease in Culture and Recreation expenses.

- Program revenues covered approximately 9.5% of governmental expenses, requiring taxes and other general revenues to finance the remaining net cost of governmental services.

These results reflect continued financial stability in the Town's governmental activities. Although revenues declined modestly and operating costs increased, revenues remained sufficient to support current services and produce a positive increase in net position for the year.

**Business-Type Activities**

Business-type activities, consisting of the Water, Sewer, and Trash utilities, increased net position by $3,819,426 in 2025, compared with an increase of $795,451 in 2024.

Total business-type revenues were $6,231,277, an increase of $3,343,574 from the prior year.

The increase was primarily attributable to:

- A $3,000,000 gain from forgiveness of water-system debt.
- Operating and capital grant revenues totaling $720,049 in the Water Fund, including $458,385 reported as operating grants and $261,664 reported as capital grants in the government-wide statements.
- Charges for services increased by $103,749 to $2,466,771, reflecting continued implementation of utility rate adjustments.

Total business-type expenses increased by $319,599, from $2,092,252 in 2024 to $2,411,851 in 2025.

- Water expenses increased by $136,091, Sewer expenses increased by $42,987, and Trash expenses increased by $140,521.
- The Water Fund reported a $3,826,348 increase in net position and the Sewer Fund reported a $35,392 increase, while the Trash Fund reported a $42,314 decrease.

The unusually large increase in business-type net position was primarily related to the one-time forgiveness of debt and grant-supported water capital activity rather than recurring utility operations alone. Taken together, the Water Fund's positive operating results, strong operating cash flow, continued rate implementation, and structured capital financing indicate that the utility is being managed on a financially sustainable basis under current conditions. Long-term sustainability will continue to depend on regular rate reviews, maintenance of required reserves and debt coverage, disciplined capital planning, and continued reliance on professional engineering, hydrologic, and financial analysis rather than assumptions unsupported by operating data.

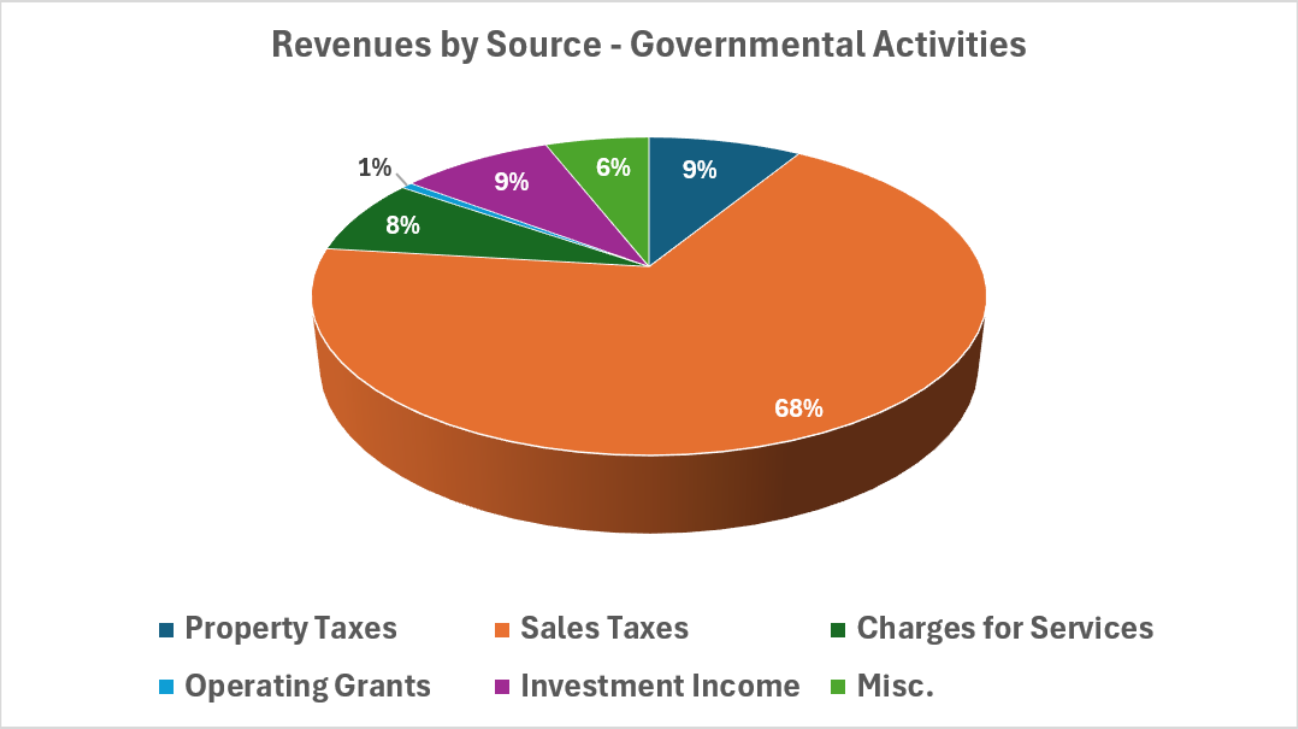
**Overall Change in Net Position**

Combined net position increased from $18,173,060 to $22,394,967. The principal factors were:

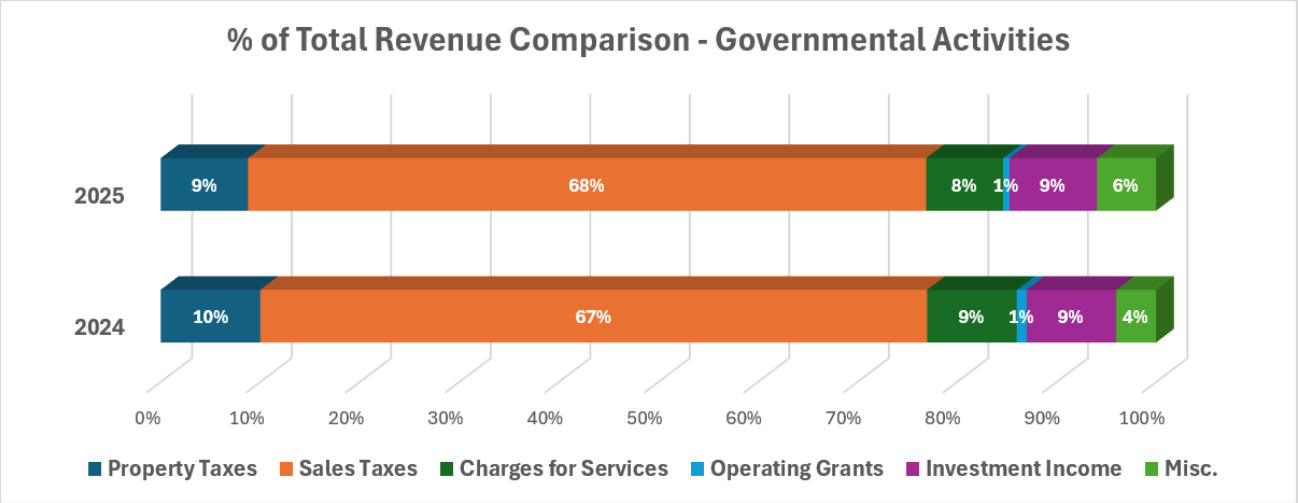
- Positive operating results in governmental activities and the Water and Sewer utilities.
- Continued grant-supported investment in the Water Capital Improvement Plan.
- A one-time $3,000,000 gain from forgiveness of water-system debt.

No interfund transfers were reported in 2025. The Town's combined results demonstrate continued financial capacity, while also showing the importance of distinguishing recurring operating performance from one-time financing and capital-related activity.

The following chart illustrates the composition of governmental revenues for fiscal year 2025. Taxes remained the primary source of governmental revenue, representing approximately 77% of total governmental revenues. Other general revenues represented approximately 15%, charges for services represented approximately 8%, and operating grants represented less than 1%.




The accompanying schedule presents the percentage breakdown of governmental revenues by source for fiscal years 2024 and 2025.



## 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. The Town remains heavily reliant on property, sales, use, occupancy, and other taxes to support governmental operations. In fiscal year 2025, tax revenues totaled $1,670,824 and represented approximately 77% of total governmental revenues. General sales taxes remained the largest individual revenue source at $1,342,398. This level of reliance means that the Town's ability to maintain governmental services is closely connected to local business activity, consumer spending, seasonal visitation, and broader economic conditions.

Tourism has historically contributed to Paonia's economy by increasing activity at local businesses and supporting sales tax collections. Community events, festivals, agricultural tourism, outdoor recreation, and cultural activities bring visitors into Town and help generate revenue for businesses and the municipal government. Because the Town does not impose broad-based user charges for many governmental services, the financial benefit of tourism is realized primarily through sales and occupancy taxes rather than through direct cost recovery. Maintaining a welcoming community, public spaces, events, and basic infrastructure therefore supports both the local economy and the Town's revenue base.

Governmental investment income totaled $190,484 in 2025. The Town continued to place available cash in interest-bearing accounts and pooled investments, including COLOTRUST, while maintaining sufficient liquidity and complying with its investment policy. These earnings provided an important supplemental revenue source, although investment income may fluctuate from year to year as interest rates and available cash balances change.

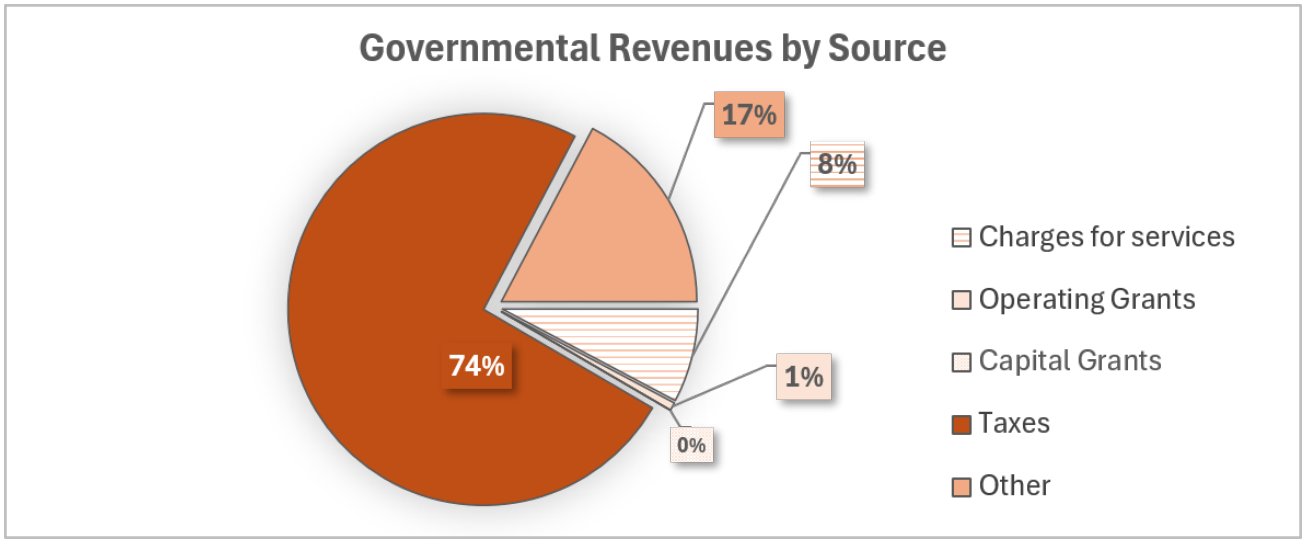
Program revenues, consisting primarily of charges for services and operating grants, totaled $182,300 and covered approximately 10.3% of governmental expenses in 2025. The remaining cost of general government, public safety, public works, and culture and recreation was financed primarily through taxes, investment income, and other general revenues. This indicates that many services that provide a direct or identifiable benefit to an individual applicant, property owner, organization, or private user continue to be subsidized by the Town's broader tax base.

To improve cost recovery and reduce the burden placed on general taxpayers, the Town should periodically review fees for services that provide a specific private benefit. Examples include variance applications, zoning amendments, subdivision or development review, appeals, and text amendments to the zoning code. Fees should be based on the reasonable administrative, legal, planning, engineering, publication, and review costs associated with providing each service. Establishing or updating these fees does not require full recovery of every cost, but it helps ensure that applicants who generate specialized review expenses bear an appropriate share of those costs rather than shifting them entirely to the public.

The Town should apply the same cost-recovery principle to private or exclusive use of municipal buildings, facilities, and public property. Historically, the Town paid the utilities and operating costs for the Ellen Hanson Smith Community (Teen) Center in Town Park without collecting rent or facility-use fees, while use of the building was administered through a volunteer board without a formal management agreement. The Town began correcting this arrangement in 2026. Going forward, the Town should establish transparent fees, written agreements, insurance requirements, and clear responsibilities for the use of the Teen Center and other municipal property. Fees may be adjusted or waived when the Board

determines that a use provides a substantial public benefit, but those decisions should be documented and applied consistently.

A more structured fee program would improve transparency, strengthen cost recovery, and help preserve limited tax revenues for services that benefit the community as a whole. It would also provide a defensible framework for evaluating private use of public assets and for determining when a subsidy serves an identified public purpose.




***Governmental Functional Expenses***

Public Safety comprised 46.8% of the Town's total governmental activities expenses in 2025, increasing from 44.7% in 2024. Public Safety expenses increased by $73,672, or 9.8%, from $754,431 in 2024 to $828,103 in 2025. The increase was primarily attributable to the department remaining fully staffed throughout the fiscal year, modest wage adjustments intended to maintain competitiveness with surrounding communities, and higher benefit participation as employees became eligible for and elected health insurance and the Town's 401(k) retirement plan in addition to participation in the Fire and Police Pension Association benefit.

Public Works represented 26.2% of governmental activities expenses in 2025, compared with 23.5% in 2024. Expenses increased by $67,864, or 17.1%, from $396,753 to $464,617. This increase reflects the Town's progress in filling longstanding vacancies and operating with a more complete workforce. Several Public Works employees also completed commercial driver's license training during the year, strengthening the department's operational capacity and the Town's ability to perform essential infrastructure, streets, and utility-related services with qualified in-house staff.

General Government, which includes the Administration, Clerk, Finance, Building, Community Development, and Board of Trustees functions, represented 15.1% of governmental activities expenses in 2025, compared with 19.1% in 2024. General Government expenses decreased by $54,481, or 16.9%, from $321,996 to $267,515. The decrease was primarily related to revisions to the Town's fixed allocation methodology for salaries and benefits. Positions and governing-body costs, including costs associated

with the Board of Trustees, were allocated among governmental and enterprise activities based on the services provided to each fund rather than being charged entirely to governmental activities. These adjustments provide a more accurate presentation of the full cost of administering the Town's governmental and utility operations.

Culture and Recreation represented 11.9% of governmental activities expenses in 2025, compared with 12.7% in 2024. Expenses decreased modestly by $4,078, or 1.9%, from $213,989 to $209,911. The decrease was attributable in part to changes in fixed personnel allocations and to the appropriate classification of qualifying capital expenditures in the Sales Tax Capital Improvement Fund rather than in governmental operating activities.

During 2025, the Town undertook a broader effort across all departments to improve the classification and funding of capital expenditures. Projects eligible to be financed from the Sales Tax Capital Improvement Fund were identified, budgeted, and charged to that fund rather than being absorbed within departmental operating expenses. This practice more closely aligns the source of funding with the purpose for which the capital sales tax was established, improves the comparability of operating expenses from year to year, and provides a clearer presentation of the Town's investment in capital assets.

Overall governmental activities expenses increased by $82,977, or 4.9%, from $1,687,169 in 2024 to $1,770,146 in 2025. The increase primarily reflects the cost of maintaining fully staffed Public Safety and Public Works departments, competitive compensation and benefits, and investments in employee qualifications and service capacity. These increases were partially offset by more accurate cost allocations and improved classification of capital expenditures.

The following table presents the cost of each of the Town's governmental programs, including the net cost after deducting charges for services and operating grants. The net cost reflects the portion of each program financed through taxes and other general revenues. The Statement of Activities on page 5 of the accompanying financial statements should be read together with this analysis.

**Governmental Activities**

| | Total Cost of Services | Percentage of Total | Net Cost of Services | Percentage of Total |
|---|---|---|---|---|
| General Government | $ 267,515 | 15.1% | $ 140,410 | 9.1% |
| Public Safety | 828,103 | 46.8% | 809,504 | 52.4% |
| Public Works | 464,617 | 26.2% | 423,679 | 27.4% |
| Culture and Recreation | 209,911 | 11.9% | 170,559 | 11.0% |
| Total | $1,770,146 | 100.0% | $1,544,152 | 100.0% |

The General Government function achieved the highest cost-recovery rate at approximately 46.3%, primarily through administrative, planning, zoning, permitting, and other service charges. This represents continued improvement in aligning fees with the individualized services provided to applicants and property owners. The Town should continue reviewing these fees periodically to ensure that specialized services, including variance requests, zoning amendments, development review, appeals,

and other land-use applications, recover a reasonable share of the staff, legal, publication, and professional costs they generate.

Culture and Recreation recovered approximately 5.8% of its cost in 2025, a significant decline from the prior year and well below the level necessary to offset the cost of operating and maintaining municipal parks and facilities. Many of these services provide broad public benefits and should not be expected to recover their full cost. However, private, exclusive, or organized use of Town-owned facilities should generate sufficient revenue to offset a reasonable portion of utilities, maintenance, staffing, scheduling, insurance administration, and capital replacement costs.

The Town should establish a consistent rental and facility-use fee schedule for municipal buildings, park facilities, athletic spaces, and other Town property. This should include structured fees and written agreements for use of the Ellen Hanson Smith Community Center, commonly known as the Teen Center. Historically, the Town paid the building's utilities and operating costs without receiving rent or direct facility-use revenue, while the space was administered through a volunteer board without a formal management agreement. A structured program should define eligible uses, rental rates, deposits, insurance requirements, cleaning responsibilities, utility obligations, fee waivers, and the standards under which a reduced rate may be granted for activities that provide a documented public benefit.

The Town should also evaluate management arrangements under which another governmental or recreational entity operates a Town-owned facility. Where the Town continues to pay a management fee, utilities, maintenance, or capital costs but receives no related program revenue, the arrangement should be reviewed to determine whether it remains financially and operationally beneficial. Any future agreement with the North Fork Pool, Park and Recreation District or another entity should clearly address management responsibilities, revenues, expenses, maintenance standards, reporting, and the allocation of rental or user-fee income. Transferring management responsibility should not result in the Town retaining substantially all costs while relinquishing the revenues associated with use of the property.

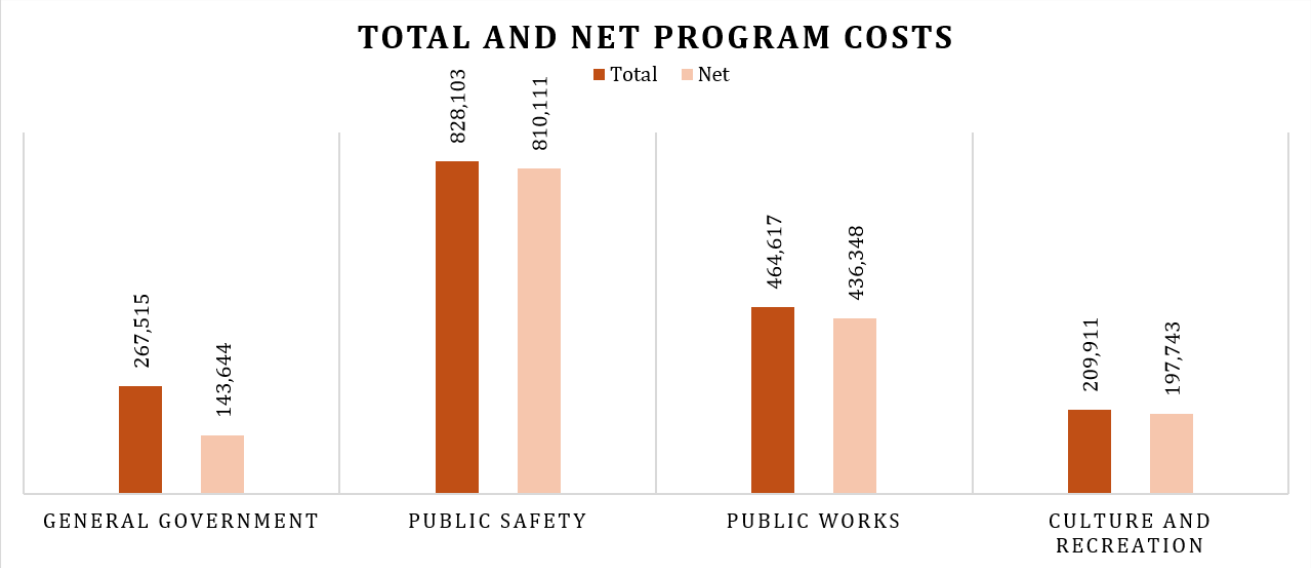
Public Works recovered approximately 4.4% of its cost, while Public Safety recovered approximately 1.4%. These functions are primarily supported by taxes because their services benefit the community broadly and are not generally appropriate for full fee-based recovery. Nevertheless, the Town should continue identifying services that provide a direct private benefit and should recover an appropriate portion of those costs where legally and operationally practical.

Program revenues vary from year to year based on service charges, grants, facility use, and the timing of related activities. For that reason, changes in recovery rates should be evaluated together with the nature of the underlying revenue. A more consistent fee structure and formalized facility-management agreements would improve transparency, strengthen cost recovery, and provide a clearer basis for determining when the Town is intentionally subsidizing a service for a public purpose.

## Governmental Activities Cost Recovery

| | Total Cost of Services | Program Revenues | Net Cost of Services | Percent Recovered |
|---|---|---|---|---|
| General Government | $ (267,515) | $ 123,871 | $ (143,644) | 46.3% |
| Public Safety | $ (828,103) | 11,516 | (816,587) | 1.4% |
| Public Works | $ (464,617) | 20,549 | (444,068) | 4.4% |
| Culture and Recreation | $ (209,911) | 12,168 | (197,743) | 5.8% |
| Total | $ (1,770,146) | $ 168,104 | $ (1,602,042) | 9.5% |

The Town recovered approximately 9.5% of governmental service costs through charges for services in 2025. General Government achieved the highest recovery rate at 46.3%, while Public Safety, Public Works, and Culture and Recreation remained primarily supported by taxes and other general revenues. The remaining net cost of approximately $1.60 million was financed through the Town's broader governmental revenue base.




This chart visualizes the difference between each governmental program's total cost and its net cost after program revenues are applied. General Government shows the largest reduction because it recovered a greater share of its costs through service charges, while Public Safety, Public Works, and Culture and Recreation remained primarily supported by taxes and other general revenues.

## 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.

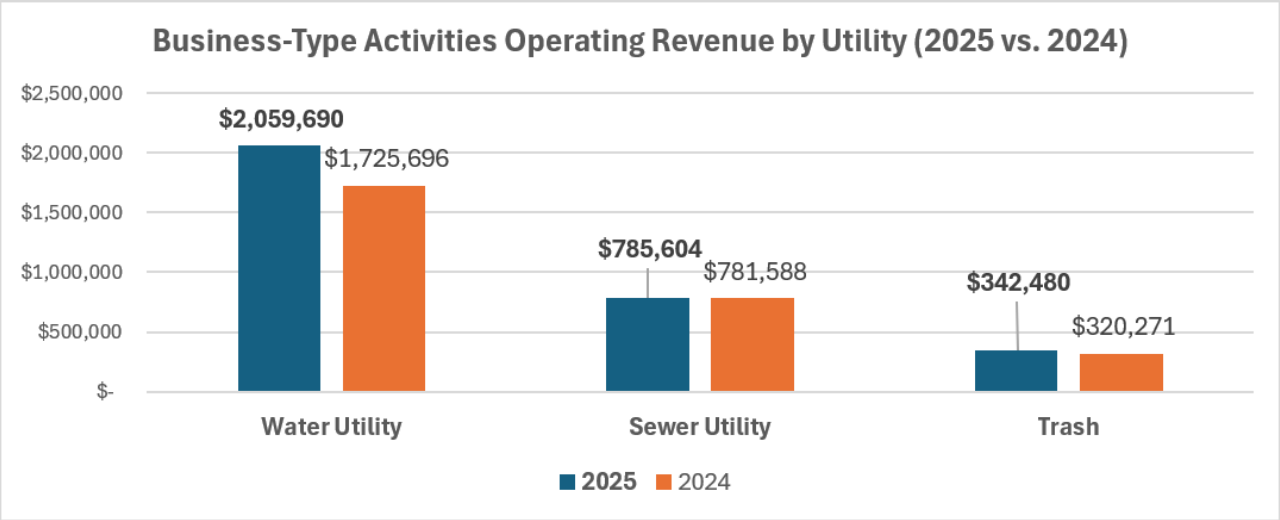
For the year ended December 31, 2025, all three enterprise funds were reported as major funds. Business-type activities increased the Town's net position by $3,819,426, compared with an increase of $795,451 in the prior year. The unusually large increase in 2025 was primarily attributable to a $3,000,000 gain from the forgiveness of water-system debt, together with grant-supported water capital activity and continued utility rate implementation.

Operating revenues for all enterprise funds totaled $3,187,774, an increase of $300,071, or 10.4%, from 2024. This growth was driven by charges for services of $2,466,771 and Water Fund grant revenue of $720,049. Charges for services increased by $103,749, or approximately 4.4%, reflecting the continued implementation of previously adopted water, sewer, and solid waste rate adjustments. Water grant revenue also increased as the Town received reimbursements associated with ongoing water-system improvements.

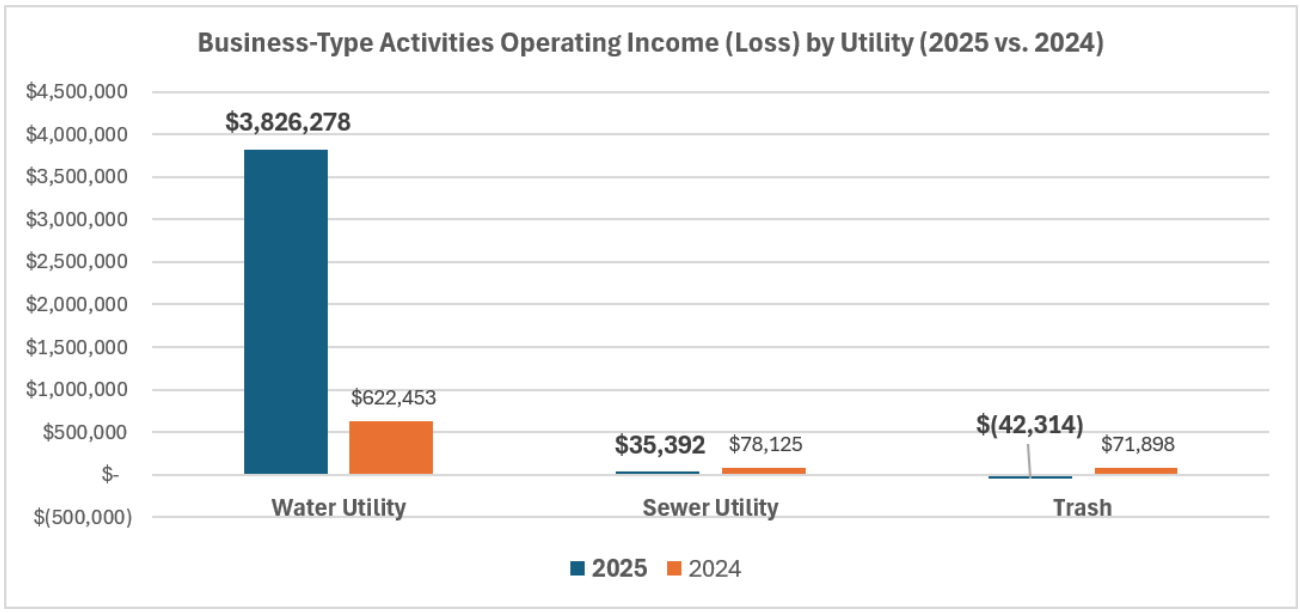
Operating expenses totaled $2,249,850, an increase of $157,598, or 7.5%, from the prior year. Despite the increase in operating costs, the enterprise funds generated combined operating income of $937,924, which was $165,448 higher than the 2024 operating income of $772,476. The Water Fund produced most of the operating income, while the Sewer Fund reported positive operating results and the Trash Fund reported an operating loss for the year.

Nonoperating activity also had a significant effect on the 2025 results. The Water Fund recognized the $3,000,000 gain from principal loan forgiveness, while the enterprise funds also reported investment income, gains from the sale of assets, and interest expense. In the graphics that follow, the revenue category labeled "Other" includes the $3,000,000 principal loan forgiveness and should not be interpreted as recurring operating revenue. Excluding that one-time item provides a more representative view of the ongoing financial performance of the Town's enterprise operations.

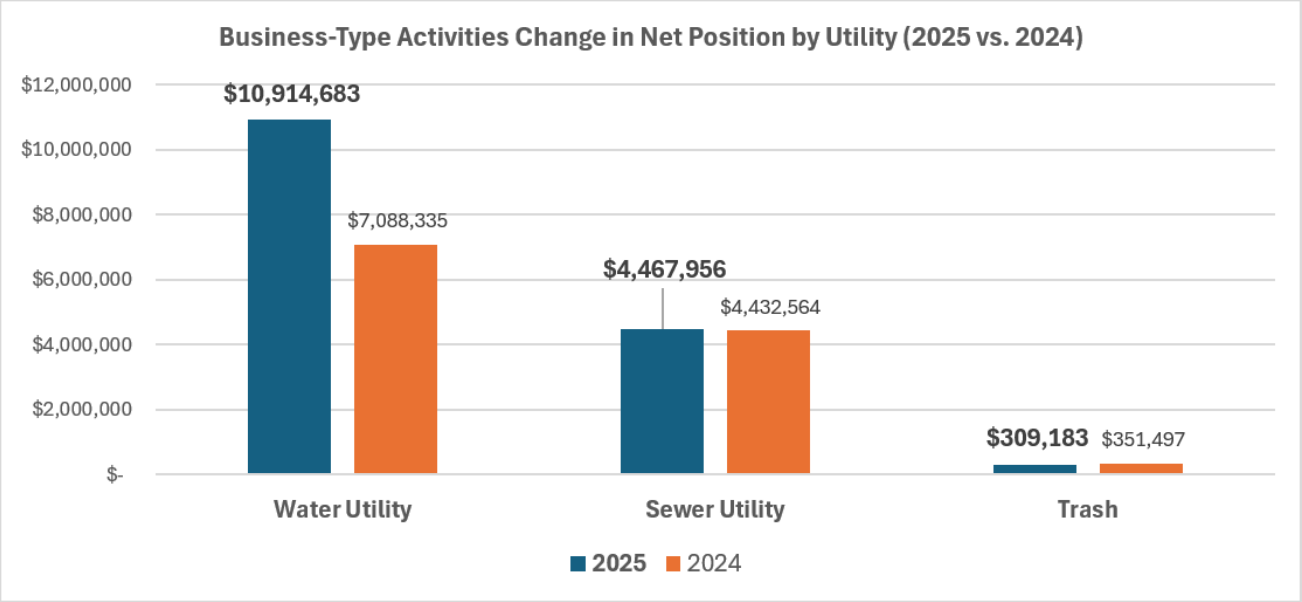
The following charts compare each enterprise fund's operating revenue, change in net position, and ending net position for fiscal years 2025 and 2024. The $3,000,000 principal loan forgiveness recognized by the Water Fund is not operating revenue; it is reported as a nonoperating gain from forgiveness of debt and is therefore excluded from the operating-revenue chart, although it is included in the Water Fund's change in net position and ending net position. Together, the charts distinguish recurring utility operations from the broader financial effects of grants, financing activity, and other nonoperating items.




The chart above compares operating revenue by utility between fiscal years 2024 and 2025. Water Utility revenue increased by **$333,994, or 19.4%**, primarily reflecting grant reimbursements and continued implementation of water-rate adjustments, while Sewer Utility revenue remained relatively stable and Trash revenue increased by **$22,209, or 6.9%**.



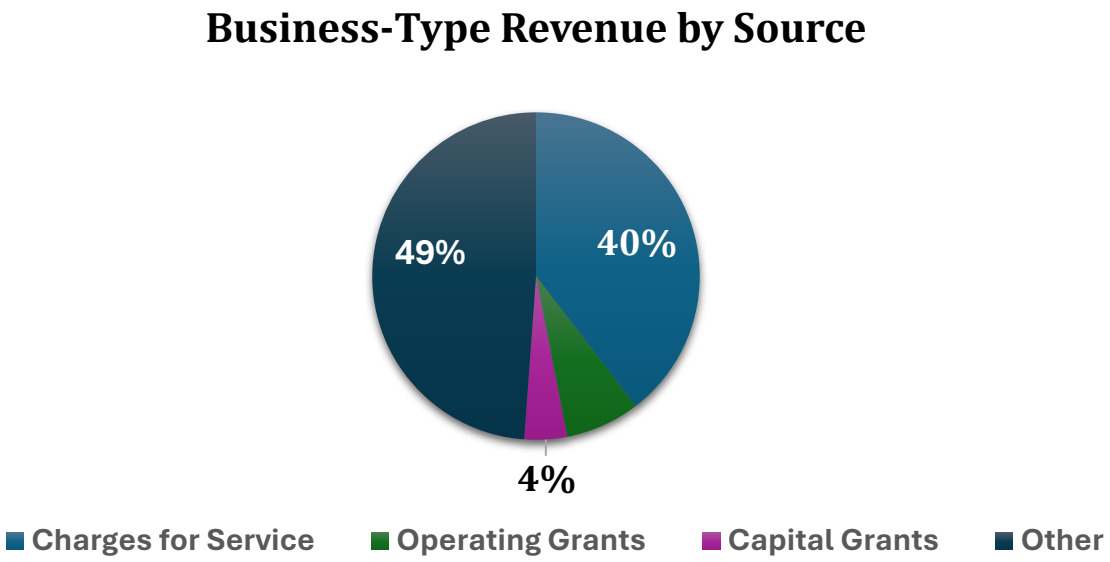

The chart above compares the change in net position for each enterprise fund in 2025 and 2024. The Water Utility's 2025 increase was driven primarily by the one-time $3 million debt-forgiveness gain, while the Sewer Utility remained positive and the Trash Fund reported a decrease in net position.

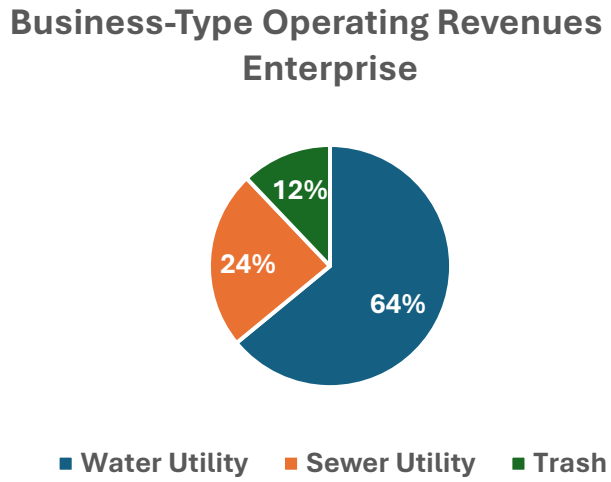



This chart compares the ending net position of each enterprise fund for fiscal years 2025 and 2024. The Water Utility reported the largest increase, rising to **$10.9 million**, while the Sewer Utility remained relatively stable and the Trash Fund declined modestly to **$309,183**.

The chart title should read **"Business-Type Activities Ending Net Position by Utility (2025 vs. 2024)"** because the values shown are ending balances, not the annual change in net position.

The accompanying graph shows that the Town's enterprise activities are financed primarily through charges for services, which accounted for approximately 40% of business-type revenues in 2025. The Water Fund also received substantial operating and capital grant support, while the "Other" category, representing 49%, includes the one-time $3 million gain from principal loan forgiveness and therefore should not be viewed as recurring operating revenue. This revenue structure differs significantly from governmental activities, which rely primarily on taxes and other general revenues rather than direct user charges.





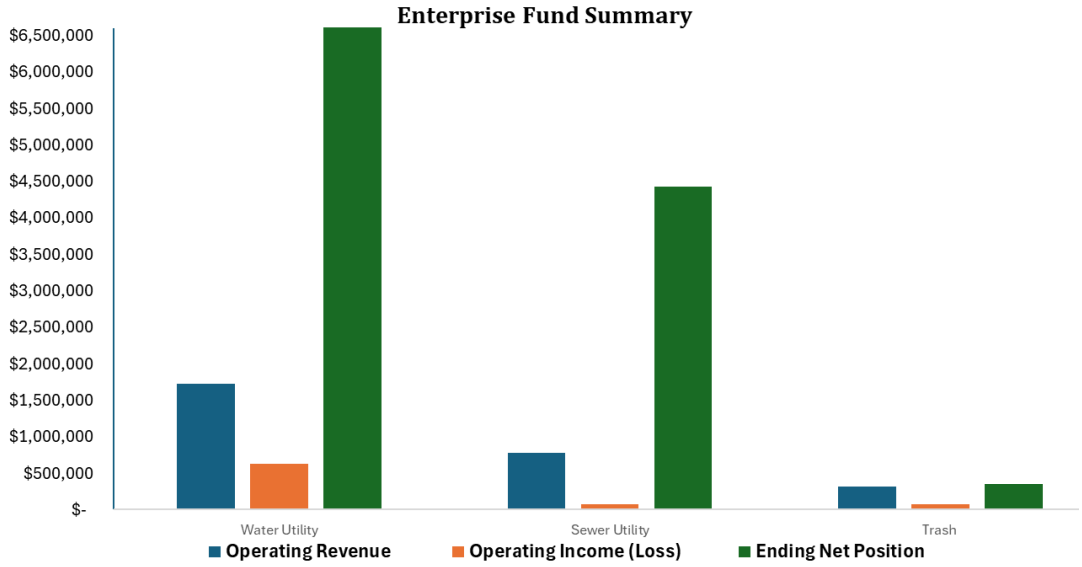

The graph above illustrates the relative share of total enterprise operating revenues generated by each utility in 2025. The Water Utility accounted for approximately **64%** of operating revenues, followed by the Sewer Utility at **24%** and the Trash Enterprise Fund at **12%**, demonstrating the Water Utility's significantly larger role within the Town's business-type activities.

The Water Utility Fund remained the Town's largest enterprise operation. It reported operating revenues of $2,059,690, operating expenses of $1,093,346, and operating income of $966,344. After nonoperating items, including the $3,000,000 gain from debt forgiveness and $145,988 of interest expense, the Water Fund increased net position by $3,826,348 to $10,914,683.

The Sewer Utility Fund reported operating revenues of $785,604 and operating expenses of $767,610, resulting in operating income of $17,994. After interest income, interest expense, and the gain on sale of assets, the fund increased net position by $35,392 to $4,467,956.

The Trash Enterprise Fund reported operating revenues of $342,480 and operating expenses of $388,894, resulting in an operating loss of $46,414. Gains from the sale of assets reduced the overall decrease in net position to $42,314. Ending net position was $309,183. The operating loss indicates that rates and costs should continue to be evaluated to support the long-term sustainability of the service.

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 ended December 31, 2025, the Town's governmental funds reported a combined ending fund balance of $3,591,638. This represents an increase of $499,232, or 16.1%, from the prior year ending fund balance of $3,092,406.

Of the total ending fund balance, $1,578,791 was restricted or committed for specific purposes, including the TABOR reserve, airport capital improvements, streets, sidewalks, parks, bridge reserves, and capital acquisition. The remaining reported balances were unassigned within the General, Sales Tax Capital Improvement, and Street funds, subject to the accounting classifications presented in the governmental fund statements.

The increase in total governmental fund balance resulted from revenues exceeding expenditures in each major governmental fund and, in total, across the nonmajor funds. Planned capital projects and accumulated dedicated revenues contributed to the year-end balances.

### *Major Governmental Funds*

#### General Fund

The General Fund is the Town's primary operating fund and the principal source of day-to-day governmental service delivery. Its fund balance increased by $116,574, from $1,050,710 to $1,167,284.

### *Major Governmental Funds*

#### General Fund

The General Fund is the Town's primary operating fund and the principal source of day-to-day governmental service delivery. The General Fund's fiscal year 2025 fund balance increased by $116,574, reversing the $140,742 decrease reported in fiscal year 2024. The increase was primarily attributable to revenues exceeding expenditures during the year, including stable tax collections, strong investment earnings, and other miscellaneous revenues, while operating and capital expenditures remained within available resources. At year-end, the General Fund reported a total fund balance of $1,167,284, including $869,067 in unassigned fund balance, which remains available to support future operations and financial stability.

Total General Fund revenues for fiscal year 2025 were **$1,761,574**, an increase of **$3,471**, or approximately **0.2%**, from the 2024 total of $1,758,103. Although total revenue remained relatively stable, the composition of revenue changed during the year. Taxes remained the General Fund's largest revenue source at **$1,294,141**, including $589,673 in Town sales tax and $457,933 in County sales tax. Licenses and permits totaled $40,384, intergovernmental revenue totaled $95,018, fines and forfeitures totaled $16,508, and miscellaneous revenue totaled $125,070.

| FEDERAL OPEN MARKET (FOMC) EFFECTIVE DATE | FEDERAL FUNDS RATE |
|---|---|
| 12/11/2025 | 3.50% to 3.75% |
| 10/30/2025 | 3.75% to 4.00% |
| 9/18/2025 | 4.00% to 4.25% |
| 7/31/2025 | 4.25% to 4.50% |
| 6/20/2025 | 4.25% to 4.50% |
| 5/8/2025 | 4.25% to 4.50% |
| 3/20/2025 | 4.25% to 4.50% |
| 1/30/2025 | 4.25% to 4.50% |
| 12/19/2024 | 4.25% to 4.50% |
| 11/8/2024 | 4.50% to 4.75% |
| 9/19/2024 | 4.75% to 5.00% |
| 9/21/2023 | 5.25% to 5.50% |
| 7/27/2023 | 5.25% to 5.50% |
| 5/4/2023 | 5.00% to 5.25% |
| 3/23/2023 | 4.75% to 5.00% |
| 2/2/2023 | 4.50% to 4.75% |

Investment income totaled **$190,453** in 2025 and continued to provide an important supplemental source of General Fund revenue. The Town benefited from maintaining available cash in interest-bearing accounts and pooled investments during a period in which federal interest rates remained comparatively elevated for much of the year. The Federal Open Market Committee maintained its target range at **4.25% to 4.50% through July 2025**, before reducing it to **4.00% to 4.25% in September**, **3.75% to 4.00% in October**, and **3.50% to 3.75% in December**. Although declining rates may reduce future investment earnings, the Town's improved treasury practices continued to generate meaningful revenue while preserving liquidity and compliance with its investment policy.

Total General Fund expenditures were **$1,645,000**, a decrease of **$253,845**, or approximately **13.4%**, from the 2024 total of $1,898,845. The reduction does not indicate a broad reduction in municipal services. Rather, it reflects more accurate allocation of personnel and benefit costs among the governmental and enterprise funds and a renewed effort to classify eligible capital expenditures within the Sales Tax Capital Improvement Fund instead of absorbing those costs within General Fund operating departments. These practices provide a clearer presentation of the cost of governmental operations and better align expenditures with their legally authorized funding sources.

General Government expenditures totaled **$103,249**, a decrease of **$340,300**, or approximately **76.7%**, from $443,549 in 2024. The decrease was primarily attributable to adjustments in the Town's fixed allocation methodology for salaries and benefits. Administrative positions and governing-body costs, including costs associated with the Board of Trustees, were allocated among the General Fund and enterprise funds based on the services provided to each activity rather than being charged primarily to the General Fund. This change provides a more accurate accounting of the administrative support required by the Town's Water, Sewer, and Trash utilities.

Public Safety expenditures totaled **$828,956** and represented approximately **50.4%** of General Fund expenditures. Public Safety remained the Town's largest General Fund function as the Police Department operated at or near full staffing, implemented modest wage adjustments to remain competitive with surrounding communities, and experienced increased benefit participation. Employees who became eligible for benefits elected health insurance and participation in the Town's 401(k) plan in addition to the Fire and Police Pension Association retirement benefit.

Public Works expenditures totaled **$341,076**, or approximately **20.7%** of General Fund expenditures. The Town made significant progress in filling longstanding vacancies during 2025 and supporting a more complete Public Works workforce. Several employees also completed commercial driver's license training, strengthening the department's ability to perform streets, infrastructure, equipment, and other operational duties with qualified in-house personnel.

Culture and Recreation expenditures totaled **$153,601**, representing approximately **9.3%** of General Fund expenditures. Personnel allocation changes contributed to the year-over-year reduction in this function. The Town also increased its use of the Sales Tax Capital Improvement Fund for eligible park,

facility, equipment, and infrastructure projects, rather than recording those costs as General Fund operating expenditures.

Capital outlay totaled **$218,118**, or approximately **13.3%** of General Fund expenditures. During 2025, management undertook a broader review of capital classifications across all departments. Where expenditures met the purpose and eligibility requirements of the dedicated capital sales tax, they were classified and paid from the Sales Tax Capital Improvement Fund. This effort improves transparency, preserves General Fund resources for ongoing operations, and ensures that dedicated capital revenues are used for their intended purpose.

Overall, General Fund revenues exceeded expenditures by **$116,574**, increasing the fund balance from $1,050,710 to **$1,167,284**. The result reversed the decline reported in 2024 and reflects stable revenues, disciplined expenditure management, improved cost allocation, and more accurate use of restricted capital resources.

**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 2025, the Sales Tax Capital Improvement Fund reported revenues of $300,530, including $294,792 of dedicated sales tax revenue and $5,738 of miscellaneous revenue. No expenditures were reported, resulting in a $300,530 increase in fund balance to $1,147,538.

***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.

The Street Fund was reported as a major governmental fund in 2025. The Conservation Trust Fund and Sidewalk Fund were reported together as nonmajor governmental funds. Each fund is dedicated to a distinct purpose, and its resources are restricted or committed to that purpose.

These funds enhance accountability by separately tracking dedicated revenues and expenditures for streets, parks and recreation, and sidewalks.

The Street Fund is presented as a separate major fund, while the Conservation Trust and Sidewalk funds are combined in the nonmajor governmental funds column and are also shown individually in the supplementary information.

**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.

The Street Fund reported **$73,135 of revenue and no expenditures during 2025**, increasing fund balance from **$1,032,032 to $1,105,167**. Although several street improvement projects were expected to advance during the year, construction did not begin in 2025 because project development, engineering, coordination, and scheduling extended beyond the original timeline.

The absence of current-year expenditures therefore reflects the continued accumulation of restricted resources rather than the cancellation of planned improvements. Based on the current project schedule, the related street construction is anticipated to occur in 2027, and the accumulated fund balance will remain available for those eligible capital improvements.

The Street Fund's balance increased by 7.1% during 2025.

**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.

The Conservation Trust Fund reported **$8,786 of revenue and $30,183 of parks and recreation expenditures** during 2025. As a result, fund balance decreased by **$21,397**, from $39,033 to **$17,636**. The decrease primarily reflects a major renovation to the restroom facility at Town Park, which used accumulated lottery proceeds for an eligible parks and recreation capital purpose.

The ending fund balance remains restricted for future parks, recreation, and conservation expenditures. Because these resources are limited, the Town should also protect and strengthen related program revenues by establishing and consistently collecting fees for private or organized use of Town Park facilities, including the Community Center, pavilions, ball fields, and other reservable spaces. A structured

fee program would help offset utilities, maintenance, cleaning, scheduling, and future capital replacement costs while preserving restricted Conservation Trust resources for broader public improvements.

**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 2025 were **$30,390**, remaining consistent with the **$30,279** reported in 2024. No expenditures were recorded during the year, and the fund balance increased by **$30,390**, or approximately **24.6%**, from $123,623 to **$154,013**.

The increase reflects the continued accumulation of restricted sidewalk revenues while the Town advanced planning efforts to address sidewalk conditions and accessibility needs. During 2025, the Town completed substantial work on its ADA Transition Plan, which identifies barriers within the pedestrian network and establishes priorities for future improvements. That planning effort will continue through 2026 and will help guide the use of Sidewalk Fund resources for eligible repair, replacement, accessibility, and capital improvement projects.

## 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*

At December 31, 2025, the Town reported total net capital assets of **$16,548,627**, consisting of **$2,957,549** in governmental activities and **$13,591,078** in business-type activities. Total net capital assets increased by **$1,279,506**, or approximately **8.4%**, from $15,269,121 in fiscal year 2024. The increase was concentrated in the Town's enterprise operations, particularly construction in progress associated with the Water Capital Improvement Plan.

Net governmental capital assets decreased by **$141,232**, or approximately **4.6%**, from $3,098,781 in 2024 to $2,957,549 in 2025. Governmental activities added $61,771 of capital assets during the year, primarily improvements and infrastructure, while depreciation expense totaled $201,218 and net asset disposals further reduced the balance. Total depreciable governmental assets decreased by approximately **1.8%**, while the percentage depreciated increased from approximately **50% to 52%**. This indicates that depreciation and asset retirements continued to outpace additions to governmental capital assets during the year.

Business-type activities reported net capital assets of **$13,591,078**, an increase of **$1,420,738**, or approximately **11.7%**, from $12,170,340 in 2024. The most significant change was the increase in construction in progress from $426,293 to $2,150,641, an increase of **$1,724,348**. This growth reflects active investment in water-system improvements that remained under construction and had not yet been placed into service or depreciated at year-end.

Business-type depreciable assets remained relatively stable, increasing by only $8,248, or less than one-tenth of 1%. Accumulated depreciation increased from approximately **$7.81 million to $8.12 million**, an increase of $311,858, or approximately 4.0%. As a result, the percentage of business-type depreciable assets that had been depreciated increased from approximately **42% to 43%**.

The Town's combined depreciable asset base decreased modestly by **$94,366**, or approximately **0.4%**, while accumulated depreciation increased by **$350,476**, or approximately **3.3%**. The overall percentage depreciated increased from approximately **44% to 45%**. This trend indicates that portions of the Town's existing buildings, equipment, streets, utility systems, and treatment infrastructure continue to age faster than completed replacement assets are being placed into service.

For future Town leaders, capital purchases should therefore be evaluated as part of a disciplined asset-management strategy rather than viewed simply as discretionary acquisitions. When equipment, vehicles, facilities, and infrastructure are purchased in accordance with an adopted Capital Improvement Plan, supported by condition assessments, service needs, useful-life analysis, and available funding, those expenditures represent reinvestment in the Town's capacity to provide services. The financial data shows that Paonia has not been replacing assets faster than they depreciate. In several governmental categories, the opposite is occurring.

The substantial increase in construction in progress demonstrates that the Town has begun addressing this trend within its enterprise operations. However, the continued decline in net governmental capital assets reinforces the need for sustained capital planning, dedicated replacement funding, and careful coordination between the Capital Improvement Plan and available governmental revenues. Streets, sidewalks, park facilities, buildings, vehicles, and equipment should be replaced or rehabilitated according to documented condition and service priorities, not deferred until failure.

Without continued reinvestment, aging assets will generally require more frequent repairs, increase operating costs, reduce service reliability, and create a greater risk of unplanned emergency expenditures. Future capital decisions should remain tied to adopted plans, measurable needs, asset condition, lifecycle costs, and the Town's long-term financial capacity so that public resources are used strategically and can be clearly distinguished from ordinary discretionary spending.

| Capital Assets | | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Non-Depreciable Assets: | | | | | | |
| Land and Water Rights | $ 246,481 | $ 246,481 | $ 840,074 | $ 840,074 | $ 1,086,555 | $ 1,086,555 |
| Improvements/*Construction in Progress* | - | - | 2,150,641 | 426,293 | 2,150,641 | 426,293 |
| Total Non-Depreciable | 246,481 | 246,481 | 2,990,715 | 1,266,367 | 3,237,196 | 1,512,848 |
| Depreciable Assets: | | | | | | |
| Buildings | 703,646 | 703,646 | - | - | 703,646 | 703,646 |
| Improvements (not buildings) | 637,485 | 596,707 | 16,065 | - | 653,550 | 596,707 |
| Infrastructure | 3,339,048 | 3,318,055 | - | - | 3,339,048 | 3,318,055 |
| Equipment | 974,292 | 1,138,677 | - | - | 974,292 | 1,138,677 |
| 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 | - | - | 545,490 | 668,243 | 545,490 | 668,243 |
| Treatment Plant | - | - | 12,290,735 | 12,175,799 | 12,290,735 | 12,175,799 |
| Software | - | - | - | - | - | - |
| Total Depreciable Assets | 5,654,471 | 5,757,085 | 18,719,541 | 18,711,293 | 24,374,012 | 24,468,378 |
| Less accumulated depreciation | (2,943,403) | (2,904,785) | (8,119,178) | (7,807,320) | (11,062,581) | (10,712,105) |
| Percentage Depreciated | 52% | 50% | 43% | 42% | 45% | 44% |
| Total Capital Assets, Net | $ 2,957,549 | $ 3,098,781 | $ 13,591,078 | $ 12,170,340 | $ 16,548,627 | $ 15,269,121 |

The schedule above compares the Town's governmental and business-type capital assets for fiscal years 2025 and 2024, including non-depreciable assets, depreciable assets, accumulated depreciation, and total net capital assets. Business-type depreciable assets were approximately **43.4% depreciated** at year-end, compared with approximately **41.7%** in 2024, while construction in progress increased substantially from **$426,293 to $2,150,641** as the Town advanced major water-system improvements. Because construction in progress is not depreciated until projects are completed and placed into service, the current schedule shows significant capital investment that has not yet begun contributing to depreciation expense. As those projects are completed, they will be reclassified as depreciable assets, increasing both the Town's capital asset base and future annual depreciation expense.

### *Long-Term Debt*

At December 31, 2025, the Town's governmental long-term liabilities consisted solely of **$11,617 in compensated absences**. Compensated absences represent earned leave that had accrued by year-end but will be paid in a future period, generally when the employee uses the leave or separates from employment. The Town continued to have **no general obligation debt outstanding**, allowing property, sales, and other general tax revenues to remain available for governmental services and programs rather than being pledged to repay general obligation bonds.

Compensated absences totaled **$20,018** across governmental and business-type activities, consisting of $11,617 in governmental activities and $8,401 in the enterprise funds. This represents a decrease of **$402**, or approximately **2.0%**, from the prior-year total of $20,420. The continued management of leave balances, together with the Town's transition to a unified Paid Time Off system, helps limit the growth of this long-term personnel liability.

Business-type activities continued to account for nearly all of the Town's long-term debt. These obligations finance critical water and wastewater infrastructure, including treatment facilities, storage, distribution

systems, and other utility improvements. At year-end, business-type long-term liabilities totaled **$9,678,411**, including $485,293 due within one year and $9,193,118 due in later years.

During 2025, the Town recorded **$9,664,396 in new water-system financing**, consisting of a $6,000,000 Colorado Water Resources and Power Development Authority loan and $3,664,396 in Drinking Water Revolving Fund financing. The Town also made scheduled principal payments and recognized **$3,000,000 in principal forgiveness** associated with the water capital program. The resulting increase in outstanding debt was therefore planned and directly connected to the Town's investment in critical water infrastructure rather than operating deficits or routine governmental spending.

Although the increase in debt is significant, a substantial portion of the financing supports assets that will provide services over many years, and the $3,000,000 principal forgiveness reduced the amount ultimately repayable by utility customers. Future Town leaders should continue monitoring utility rates, pledged revenues, debt-service coverage, required reserves, and capital-project costs to ensure that debt remains affordable and that enterprise revenues are sufficient to support both operations and long-term obligations.

Additional details are presented in **Note 5: Long-Term Debt**, beginning on page 73 of the accompanying financial statements. The following table provides a summary of long-term debt activity.

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

| | Outstanding Borrowings | | | | | | |
|---|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-Type Activities | | Total | | % Change |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | |
| CWRPDA Loan | $ - | $ - | $ 78,917 | $ 100,594 | $ 78,917 | $ 100,594 | -22% |
| WPA Loan | - | - | 1,543,717 | 1,678,742 | 1,543,717 | 1,678,742 | -8% |
| Premium | | | 11,303 | 12,514 | 11,303 | 12,514 | |
| 2020 Revenue Refunding Bonds | - | - | 1,390,000 | 1,445,000 | 1,390,000 | 1,445,000 | -4% |
| Premium | - | - | 36,555 | 38,480 | 36,555 | 38,480 | |
| 2025 CWRPDA Loan | - | - | 2,950,122 | - | 2,950,122 | - | |
| 2025 DWRF Loan | - | - | 3,659,396 | - | 3,659,396 | - | |
| Lease Financing Equipment | - | - | - | - | - | - | 0% |
| Compensated Absences | 11,617 | 14,796 | 8,401 | 5,624 | 20,018 | 20,420 | -2% |
| Total | 11,617 | 14,796 | 9,678,411 | 3,280,954 | 9,690,028 | 3,295,750 | 194% |

The schedule shows that total outstanding long-term liabilities increased by approximately 194% in 2025, primarily because of the new CWRPDA and Drinking Water Revolving Fund financing used for planned water-system improvements. At the same time, balances on the Town's existing CWRPDA, WPA, and 2020 Revenue Refunding obligations continued to decline through scheduled principal payments, while compensated absences decreased modestly overall.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Fiscal Year 2026 budget continues the Town's balanced-budget approach, under which appropriated expenditures may not exceed anticipated revenues and legally available beginning fund balance. The budget is designed not only to preserve daily operating capacity, but also to move the Town from reactive maintenance toward planned replacement of infrastructure, vehicles, equipment, and public facilities through its first integrated five-year Capital Improvement Plan covering 2026 through 2030.

The General Fund remains the primary source of funding for public safety, administration, planning and building services, streets, parks, and other core governmental functions. The budget anticipates maintaining a substantial unrestricted General Fund balance while continuing investments in staffing, employee retention, training, technology, records management, cybersecurity, and improved financial reporting. Future Town leaders should continue monitoring recurring revenues against recurring expenditures and avoid using one-time revenues or fund balance to support permanent operating costs.

Capital investment remains the most significant financial priority for 2026. The adopted budget and five-year Capital Improvement Plan include continued work on the Water Capital Improvement Plan, transportation and pedestrian-safety improvements, bridge and sidewalk projects, park improvements, and replacement of aging vehicles and equipment. The water storage-tank relining project was completed during 2026, representing a major step in addressing the condition and reliability of the Town's water infrastructure. Other major projects may extend beyond the original budget year because of engineering, procurement, grant administration, regulatory review, and construction scheduling. Consequently, appropriations and available fund balances should be carried forward or amended as necessary so that delayed projects remain fully funded when construction proceeds.

The Water Utility remains the Town's largest capital program. The 2026 budget includes substantial grant and low-interest loan resources for improvements to water storage, treatment, metering, and distribution infrastructure. Because these projects are supported through a combination of grants, debt, reserves, and user charges, future budgets should continue to monitor project costs, reimbursement timing, cash flow, required reserves, pledged revenues, and debt-service coverage. Water and wastewater rates should be reviewed regularly to ensure that recurring utility revenues are sufficient to fund operations, routine maintenance, capital replacement, and long-term debt without relying on unrestricted governmental revenues.

Transportation and accessibility investments will also require continued attention. The Town has accumulated restricted resources for streets and sidewalks while advancing the engineering, funding, and regulatory work necessary to deliver larger projects. Future leaders should preserve these balances for their legally authorized purposes, update project schedules annually, and coordinate the Street and Sidewalk Funds with the Capital Improvement Plan, ADA Transition Plan, grant commitments, and available construction capacity.

The 2026 budget also establishes a more structured approach to fleet and equipment replacement. Planned replacement of police and Public Works vehicles should continue through a multi-year schedule based on age, mileage, condition, maintenance expense, safety, and operational need. Delaying replacement until vehicles or equipment fail can increase repair costs, reduce service reliability, and create unplanned emergency purchases. Capital acquisitions supported by documented needs and adopted plans should therefore be evaluated as long-term asset management rather than discretionary spending.

The Town should also strengthen cost recovery for services and use of municipal property. Administrative, planning, zoning, permitting, facility-rental, and private-use fees should be reviewed periodically to determine whether users are paying a reasonable share of the direct costs they generate. Formal fee

schedules and written agreements should be established for the private or organized use of Town buildings, park facilities, pavilions, ball fields, and the Ellen Hanson Smith Community Center. These revenues can help offset utilities, maintenance, cleaning, scheduling, and future capital replacement costs while preserving general tax revenues for services that benefit the community as a whole.

Overall, the Fiscal Year 2026 budget represents a transition from identifying long-standing infrastructure and operational needs to systematically funding and implementing solutions. Future Town leaders should continue updating the five-year Capital Improvement Plan annually, maintaining adequate reserves, pursuing grants where they reduce local costs, using debt only for long-lived assets with identifiable repayment sources, and aligning capital expenditures with documented condition, service need, and lifecycle cost. This approach will help preserve the Town's financial stability while reducing deferred maintenance and improving the reliability of municipal services.

## 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.

## ***Follow the Town of Paonia on Social Media***

FOLLOW US ON FACEBOOK

- Town of Paonia
  https://www.facebook.com/TownofPaonia

- Paonia Police Department
  https://www.facebook.com/PaoniaPoliceDepartmentCO

YouTube

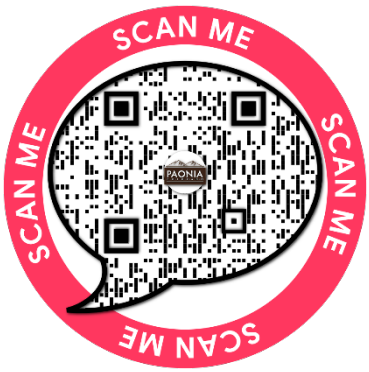
- ***www.youtube.com/@townofpaonia5418***

## ***Are you opted in to TextMyGov?***

TextMyGov

Text 'Hi' to (970) 540-5550 or scan the QR code here:

Use TextMyGov to report issues around town, receive notices and critical information. This service is available 24/7 and let's you easily submit a report or get in touch with someone that can answer your questions.



# Basic Financial Statements

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# Town of Paonia, Colorado
Statement of Net Position
December 31, 2025

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **Assets** | | | |
| Cash and cash equivalents | $ 3,145,027 | $ 1,471,587 | $ 4,616,614 |
| Cash and cash equivalents - restricted | 694,648 | 752,074 | 1,446,722 |
| Cash with Fiscal Agent | - | 9,089,063 | 9,089,063 |
| Property Taxes Receivable | 195,004 | - | 195,004 |
| Accounts Receivable, net | 112,056 | 587,296 | 699,352 |
| Due from other governments | 47,132 | - | 47,132 |
| Inventories | - | 77,064 | 77,064 |
| Capital Assets, *not being depreciated* | 246,481 | 2,990,715 | 3,237,196 |
| Capital Assets, *net of accumulated depreciation* | 2,711,068 | 10,600,363 | 13,311,431 |
| Total Assets | 7,151,416 | 25,568,162 | 32,719,578 |
| **Deferred Outflows of Resources** | | | |
| Deferred Outflows Due to Pensions | 235,257 | - | 235,257 |
| **Liabilities** | | | |
| Accounts Payable | 50,249 | 43,879 | 94,128 |
| Retainage Payable | - | 33,631 | 33,631 |
| Accrued Payroll Liabilities | 36,976 | 34,323 | 71,299 |
| Accrued interest payable | - | 86,096 | 86,096 |
| Unearned Revenue | 320,000 | - | 320,000 |
| Net Pension Liability | - | - | - |
| Noncurrent Liabilities | | | |
| Due Within One Year | 1,162 | 485,293 | 486,455 |
| Due in More Than One Year | 10,455 | 9,193,118 | 9,203,573 |
| Total Liabilities | 418,842 | 9,876,340 | 10,295,182 |
| **Deferred Inflows of Resources** | | | |
| Deferred Inflows Due to Pensions | 69,682 | - | 69,682 |
| Unavailable Revenue - Property Taxes | 195,004 | - | 195,004 |
| Total Deferred inflows of resources | 264,686 | - | 264,686 |
| **Net Position** | | | |
| Net Investment in Capital Assets | 2,957,549 | 3,921,070 | 6,878,619 |
| Restricted for: | | | |
| Emergencies (TABOR) | 64,000 | - | 64,000 |
| Debt Service | - | 752,074 | 752,074 |
| Streets Improvements | 60,192 | - | 60,192 |
| Unrestricted, unreserved | 3,621,404 | 11,018,678 | 14,640,082 |
| Total Net Position | $ 6,703,145 | $ 15,691,822 | $ 22,394,967 |

*See Notes to the Financial Statements.*

# Town of Paonia, Colorado
## Statement of Activities
## For the Year Ended December 31, 2025

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Change in Net Position Primary Government: Governmental Activities | Net (Expense) Revenue and Change in Net Position Primary Government: Business-Type Activities | Net (Expense) Revenue and Change in Net Position Primary Government: Total |
|---|---|---|---|---|---|---|---|
| Primary Government | | | | | | | |
| **Governmental Activities** | | | | | | | |
| General Government | $ 267,632 | $ 124,496 | $ 466,460 | $ - | $ 323,324 | $ - | $ 323,324 |
| Public Safety | 835,865 | 11,516 | 245 | - | (824,104) | - | (824,104) |
| Public Works | 485,483 | 20,549 | 7,720 | - | (457,214) | - | (457,214) |
| Culture and Recreation | 181,166 | 12,168 | - | - | (168,998) | - | (168,998) |
| Total Governmental Activities | 1,770,146 | 168,729 | 474,425 | - | (1,126,992) | - | (1,126,992) |
| **Business-Type Activities** | | | | | | | |
| Water Operations | 1,239,334 | 1,339,036 | 458,385 | 261,664 | - | 819,751 | 819,751 |
| Sewer Operations | 783,623 | 785,325 | - | - | - | 1,702 | 1,702 |
| Trash Operations | 388,894 | 342,480 | - | - | - | (46,414) | (46,414) |
| Total Business-Type Activities | 2,411,851 | 2,466,841 | 458,385 | 261,664 | - | 775,039 | 775,039 |
| Total Primary Government | $ 4,181,997 | $ 2,635,570 | $ 932,810 | $ 261,664 | (1,126,992) | 775,039 | (351,953) |
| | **General Revenues** | | | | | | |
| | Taxes | | | | | | |
| | Property | | | | 168,838 | - | 168,838 |
| | Specific ownership | | | | 23,551 | - | 23,551 |
| | General sales | | | | 884,465 | - | 884,465 |
| | Franchise | | | | 586 | - | 586 |
| | Occupancy | | | | 73,135 | - | 73,135 |
| | Other | | | | 54,289 | - | 54,289 |
| | Investment Income | | | | 190,484 | 31,868 | 222,352 |
| | Capital Contributions - Tap Fees | | | | - | - | - |
| | Proceeds from the Sale of Assets | | | | 46,152 | 11,565 | 57,717 |
| | Proceeds from the Forgiveness of Debt | | | | - | 3,000,000 | 3,000,000 |
| | Misc. | | | | 87,973 | 954 | 88,927 |
| | Total General Revenues and Transfers | | | | 1,529,473 | 3,044,387 | 4,573,860 |
| | Change in Net Position | | | | 402,481 | 3,819,426 | 4,221,907 |
| | **Net Position**, *Beginning of Year* | | | | 6,300,664 | 11,872,396 | 18,173,060 |
| | **Net Position**, *End of Year* | | | | $ 6,703,145 | $ 15,691,822 | $ 22,394,967 |

*See Notes to the Financial Statements.*

# Town of Paonia, Colorado
Balance Sheet
Governmental Funds
December 31, 2025

| | General Fund | Sales Tax Capital Improvement Fund | Street Fund | Non-Major Funds | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | | | | | |
| Unrestricted | $ 770,401 | $ 1,100,406 | $ 1,105,167 | $ 169,053 | $ 3,145,027 |
| Restricted | 694,648 | - | - | - | 694,648 |
| Accounts receivable | 109,460 | - | - | - | 109,460 |
| Taxes receivable | - | - | - | 2,596 | 2,596 |
| Property taxes receivable | 195,004 | - | - | - | 195,004 |
| Due from other governments | - | 47,132 | - | - | 47,132 |
| Total Assets | $ 1,769,513 | $ 1,147,538 | $ 1,105,167 | $ 171,649 | $ 4,193,867 |
| **Liabilities** | | | | | |
| Accounts Payable | $ 50,249 | $ - | $ - | $ - | $ 50,249 |
| Accrued payroll | 36,976 | - | - | - | 36,976 |
| Unearned Revenue | 320,000 | - | - | - | 320,000 |
| Total Liabilities | 407,225 | - | - | - | 407,225 |
| **Deferred Inflows of Resources** | | | | | |
| Property Taxes | 195,004 | - | - | - | 195,004 |
| **Fund Balance** | | | | | |
| Restricted for: | | | | | |
| Emergencies (TABOR) | 64,000 | - | - | - | 64,000 |
| Airport Capital Improvements | - | 60,192 | - | - | 60,192 |
| Streets and Sidewalks | - | - | - | 1,259,180 | 1,259,180 |
| Parks | - | - | - | 17,636 | 17,636 |
| Committed | | | | | |
| Bridge reserve | 228,717 | - | - | - | 228,717 |
| Capital Acquisition | - | 407,855 | - | - | 407,855 |
| Unassigned | 874,567 | 679,491 | 1,105,167 | (1,105,167) | 1,554,058 |
| Total Fund Balance | 1,167,284 | 1,147,538 | 1,105,167 | 171,649 | 3,591,638 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | $ 1,769,513 | $ 1,147,538 | $ 1,105,167 | $ 171,649 | $ 4,193,867 |

*See Notes to the Financial Statements.*

# Town of Paonia, Colorado
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2025

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

| | | |
|---|---|---|
| Total Fund Balance of Governmental Funds | $ | 3,591,638 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds. | | 2,957,549 |
| Pension assets and deferred outflows are not current, therefore, are not reported in governmental funds: | | |
| Deferred Outflows, Pensions | | 235,257 |
| Deferred Inflows, Pensions | | (69,682) |
| 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 | | (11,617) |
| Total Net Position of Governmental Activities | $ | 6,703,145 |

*See Notes to the Financial Statements.*

# Town of Paonia, Colorado

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2025

| | General Fund | Sales Tax Capital Improvement Fund | Street Fund | Non-Major Funds | Total |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes | $ 828,181 | $ 294,792 | $ 73,135 | $ 8,756 | $ 1,204,864 |
| Licenses and Permits | 41,009 | - | - | 30,390 | 71,399 |
| Intergovernmental | 561,478 | - | - | - | 561,478 |
| Investment Income | 190,453 | - | - | - | 190,453 |
| Fines and Forfeitures | 10,277 | - | - | - | 10,277 |
| Miscellaneous | 130,176 | 5,738 | - | 30 | 135,944 |
| Total Revenues | 1,761,574 | 300,530 | 73,135 | 39,176 | 2,174,415 |
| **Expenditures** | | | | | |
| Current | | | | | |
| General Government | 291,008 | - | - | - | 291,008 |
| Public Safety | 820,918 | - | - | - | 820,918 |
| Public Works | 346,447 | - | - | - | 346,447 |
| Culture and Recreation | 155,039 | - | - | - | 155,039 |
| Capital Outlay | 31,588 | - | - | 30,183 | 61,771 |
| Total Expenditures | 1,645,000 | - | - | 30,183 | 1,675,183 |
| **Net Change in Fund Balance** | 116,574 | 300,530 | 73,135 | 8,993 | 499,232 |
| **Fund Balance**, *Beginning of Year* | 1,050,710 | 847,008 | 1,032,032 | 162,656 | 3,092,406 |
| **Fund Balance**, *End of Year* | $ 1,167,284 | $ 1,147,538 | $ 1,105,167 | $ 171,649 | $ 3,591,638 |

*See Notes to the Financial Statements.*

# 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, 2025

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

| | | |
|---|---|---|
| Net Change in Fund Balance of Governmental Funds | $ | 499,232 |
| 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 | | 61,771 |
| Depreciation Expense | | (201,218) |
| Disposal of Capital Assets | | (1,785) |
| 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 | | 3,179 |
| Deferred Outflows, Pensions | | 20,233 |
| Deferred Inflows, Pensions | | 21,069 |
| Change in Net Position of Governmental Activities | $ | 402,481 |

*See Notes to the Financial Statements.*

# Town of Paonia, Colorado
Statement of Net Position
Proprietary Fund
December 31, 2025

| | Water | Sewer | Trash | Total |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and Investments | $ 917,813 | $ 351,357 | $ 202,417 | $ 1,471,587 |
| Restricted Cash and investments | - | 752,074 | - | 752,074 |
| Cash with Escrow Agent | 9,089,063 | - | - | 9,089,063 |
| Accounts Receivable | 486,043 | 68,837 | 32,416 | 587,296 |
| Inventory | 74,172 | 2,892 | - | 77,064 |
| Total Current Assets | 10,567,091 | 1,175,160 | 234,833 | 11,977,084 |
| *Noncurrent Assets* | | | | |
| Capital Assets, *Not being depreciated* | 2,426,335 | 564,380 | - | 2,990,715 |
| Capital Assets, *Net of accumulated depreciation* | 6,318,291 | 4,192,706 | 89,366 | 10,600,363 |
| Total Noncurrent Assets | 8,744,626 | 4,757,086 | 89,366 | 13,591,078 |
| Total Assets | 19,311,717 | 5,932,246 | 324,199 | 25,568,162 |
| **Liabilities** | | | | |
| *Current Liabilities* | | | | |
| Accounts Payable | 26,169 | 9,213 | 8,497 | 43,879 |
| Retainage Payable | 33,631 | - | - | 33,631 |
| Accrued interest payable | 75,671 | 10,425 | - | 86,096 |
| Accrued Liabilities | 14,502 | 14,489 | 5,332 | 34,323 |
| Current Portion of Noncurrent Liabilities | 429,813 | 55,361 | 119 | 485,293 |
| Total Current Liabilities | 579,786 | 89,488 | 13,948 | 683,222 |
| *Noncurrent Liabilities* | | | | |
| Notes and bonds payable | 7,817,248 | 1,374,802 | 1,068 | 9,193,118 |
| Total Noncurrent Liabilities | 7,817,248 | 1,374,802 | 1,068 | 9,193,118 |
| Total Liabilities | 8,397,034 | 1,464,290 | 15,016 | 9,876,340 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 501,173 | 3,330,531 | 89,366 | 3,921,070 |
| Restricted for Debt Service | - | 126,126 | - | 126,126 |
| Restricted for Maintenance | - | 625,948 | - | 625,948 |
| Unrestricted | 10,413,510 | 385,351 | 219,817 | 11,018,678 |
| Total Net Position | $ 10,914,683 | $ 4,467,956 | $ 309,183 | $ 15,691,822 |

*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, 2025

| | Water | Sewer | Trash | Total |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Charges for Services | $ 1,339,036 | $ 785,325 | $ 342,480 | $ 2,466,841 |
| Grant Revenue | 720,049 | - | - | 720,049 |
| Miscellaneous | 675 | 279 | - | 954 |
| Total Operating Revenues | 2,059,760 | 785,604 | 342,480 | 3,187,844 |
| **Operating Expenses** | | | | |
| Personnel Expenses | 397,271 | 392,642 | 221,901 | 1,011,814 |
| Contractual Service | 15,008 | - | 40,844 | 55,852 |
| Professional Fees | 97,998 | 94,802 | 31,758 | 224,558 |
| Utilities | 21,253 | 41,426 | 1,833 | 64,512 |
| Repairs and Maintenance | 134,271 | 13,141 | 14,806 | 162,218 |
| Other Supplies and Expense | 112,015 | 68,570 | 45,774 | 226,359 |
| Insurance Claims and Expense | 17,673 | 13,652 | 11,997 | 43,322 |
| Depreciation | 297,857 | 143,377 | 19,981 | 461,215 |
| Total Operating Expenses | 1,093,346 | 767,610 | 388,894 | 2,249,850 |
| Net Operating Income | 966,414 | 17,994 | (46,414) | 937,994 |
| **Non-Operating Revenues (Expenses)** | | | | |
| Gain on Sale of Assets | 5,922 | 1,543 | 4,100 | 11,565 |
| Gain on Forgiveness of Debt | 3,000,000 | - | - | 3,000,000 |
| Interest Income | - | 31,868 | - | 31,868 |
| Interest Expense | (145,988) | (16,013) | - | (162,001) |
| Change in Net Position | 3,826,348 | 35,392 | (42,314) | 3,819,426 |
| **Net Position**, *Beginning of Year* | 7,088,335 | 4,432,564 | 351,497 | 11,872,396 |
| **Net Position**, *End of Year* | $ 10,914,683 | $ 4,467,956 | $ 309,183 | $ 15,691,822 |

*See Notes to the Financial Statements.*

# Town of Paonia, Colorado
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2025

| | Water | Sewer | Trash | Total |
|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | |
| Cash Received from Customers | $ 1,909,025 | $ 783,289 | $ 337,303 | $ 3,029,617 |
| Cash Received from Others | 675 | 279 | - | 954 |
| Cash Paid to Suppliers | (559,383) | (392,842) | (202,542) | (1,154,767) |
| Cash Paid to Employees | (287,572) | (285,009) | (163,758) | (736,339) |
| Net Cash Provided by Operating Activities | 1,062,745 | 105,717 | (28,997) | 1,139,465 |
| **Cash Flows From Capital and Related Financing Activities** | | | | |
| Proceeds from Sale of Assets | 5,922 | 1,543 | 4,100 | 11,565 |
| Proceeds from Issuance of New Debt | 575,333 | - | - | 575,333 |
| Acquisition and Construction of Capital Assets | (1,717,319) | (114,938) | (16,065) | (1,848,322) |
| Debt Principal Payments | (212,792) | (56,924) | - | (269,716) |
| Debt Interest Payments | (87,227) | (19,338) | - | (106,565) |
| Net Cash Used by Capital and Related Financing Activities | (1,436,083) | (189,657) | (11,965) | (1,637,705) |
| **Cash Flows From Investing Activities** | | | | |
| Interest received | - | 31,868 | - | 31,868 |
| Net Cash Used by Capital and Related Financing Activities | - | 31,868 | - | 31,868 |
| **Net Change in Cash and Cash Equivalents** | (373,338) | (52,072) | (40,962) | (466,372) |
| **Cash and Cash Equivalents**, *Beginning of Year* | 1,291,151 | 1,155,503 | 243,379 | 2,690,033 |
| **Cash and Cash Equivalents**, *End of Year* | $ 917,813 | $ 1,103,431 | $ 202,417 | $ 2,223,661 |
| **Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:** | | | | |
| Net Operating Income | $ 966,414 | $ 17,994 | $ (46,414) | $ 937,994 |
| Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities | | | | |
| Depreciation Expense | 297,857 | 143,377 | 19,981 | 461,215 |
| Changes in Assets and Liabilities Related to Operations | | | | |
| Accounts Receivable | (150,060) | (2,036) | (5,177) | (157,273) |
| Inventory | 6,205 | 7,034 | - | 13,239 |
| Accounts Payable | (60,233) | (64,756) | 2,234 | (122,755) |
| Accrued Expenses | 1,527 | 3,069 | (328) | 4,268 |
| Accrued Compensated Absences | 1,035 | 1,035 | 707 | 2,777 |
| Net Cash Provided by Operating Activities | $ 1,062,745 | $ 105,717 | $ (28,997) | $ 1,139,465 |
| **Non-Cash Transactions** | | | | |
| Forgiveness of Debt | $ 3,000,000 | | | $ 3,000,000 |

*See Notes to the Financial Statements.*

## 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 of the Town officials to 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.

## 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 both categories of funds: governmental and proprietary.

***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.

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

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

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 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 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.

## 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, 2025, 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 2025 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.

## 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's 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.

## 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***

Paid Time Off (PTO) time is accrued as earned. Accumulated unpaid PTO 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. PTO 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 PTO 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.

## 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.

## 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 the 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 23, 2026, the date the financial statements were available to be issued.

## Note 2: Stewardship, Compliance and Accountability

***Budgets and Budgetary Accounting***

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

- In October, the Town staff submits to the Board of Trustees 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 Board of Trustees.
- 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 Board of Trustees. 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.

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 | | 78,107 |
| Bank Deposits | | 3,389,269 |
| COLOTRUST | | 2,595,735 |
| Total | $ | 6,063,336 |

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

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

| | | |
|---|---|---|
| Cash and Investments | $ | 4,616,614 |
| Restricted Cash and Investments | | 1,446,722 |
| Total | $ | 6,063,336 |

### ***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, 2025, the Town had deposits of $3,357,626. 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, 2025.

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

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

***Investments*** *(Continued)*

- Guaranteed investment contracts

Local Government Investment Pool - At December 31, 2025, the Town had $2,595,735 (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.

## Note 4: Capital Assets

Capital assets activity for the year ended December 31, 2025 is summarized below:

| | Balance 12/31/24 | Additions | Deletions | Balance 12/31/25 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land and Improvements | $ 246,481 | $ - | $ - | $ 246,481 |
| Total Capital Assets Not Being Depreciated | 246,481 | - | - | 246,481 |
| Capital Assets Being Depreciated | | | | |
| Buildings | 703,646 | - | - | 703,646 |
| Improvements Other Than Buildings | 596,707 | 40,778 | - | 637,485 |
| Infrastructure | 3,318,055 | 20,993 | - | 3,339,048 |
| Equipment | 1,138,677 | - | (164,385) | 974,292 |
| Total Capital Assets Being Depreciated | 5,757,085 | 61,771 | (164,385) | 5,654,471 |
| Less Accumulated Depreciation for | | | | |
| Buildings | (464,476) | (20,170) | - | (484,646) |
| Improvements Other Than Buildings | (363,674) | (22,795) | - | (386,469) |
| Infrastructure | (1,177,804) | (103,466) | - | (1,281,270) |
| Equipment | (898,831) | (54,787) | 162,600 | (791,018) |
| Total Accumulated Depreciation | (2,904,785) | (201,218) | 162,600 | (2,943,403) |
| Total Capital Assets Being Depreciated, Net | 2,852,300 | (139,447) | (1,785) | 2,711,068 |
| Governmental Activities, Capital Assets, Net | $ 3,098,781 | $ (139,447) | $ (1,785) | $ 2,957,549 |

Capital assets Business-Type activity for the year ended December 31, 2025 is summarized below:

| | Balance 12/31/24 | Additions | Deletions | Balance 12/31/25 |
|---|---|---|---|---|
| **Business-Type Activities** | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land & Water Rights | $ 840,074 | $ - | $ - | $ 840,074 |
| CIP | 426,293 | 1,724,348 | - | 2,150,641 |
| Total Capital Assets Not Being Depreciated | 1,266,367 | 1,724,348 | - | 2,990,715 |
| Capital Assets Being Depreciated | | | | |
| Distribution Systems | 4,187,566 | - | - | 4,187,566 |
| Collection System | 1,679,685 | - | - | 1,679,685 |
| Vehicles and Equipment | 668,243 | 26,604 | (149,357) | 545,490 |
| Treatment Plant | 12,175,799 | 114,936 | - | 12,290,735 |
| Improvements Other Than Buildings | - | 16,065 | - | 16,065 |
| Less Accumulated Depreciation | (7,807,320) | (461,215) | 149,357 | (8,119,178) |
| Total Capital Assets Being Depreciated | 10,903,973 | (303,610) | - | 10,600,363 |
| Total Capital Assets Being Depreciated, Net | 10,903,973 | (303,610) | - | 10,600,363 |
| Business-Type Activities, Capital Assets, Net | $ 12,170,340 | $ 1,420,738 | $ - | $ 13,591,078 |

## Note 4: Capital Assets (Continued)

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

| | |
|---|---|
| **Governmental Activities** | |
| General Government | $ 17,929 |
| Public Safety | 18,126 |
| Public Works | 139,036 |
| Culture and Recreation | 26,127 |
| Total | $ 201,218 |

## 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, 2025.

| | Balance 12/31/24 | Additions | Deletions | Balance 12/31/25 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Compensated Absences | $ 14,796 | $ - | $ (3,179) | $ 11,617 | $ 1,162 |
| Total | $ 14,796 | $ - | $ (3,179) | $ 11,617 | $ 1,162 |

### *Business-Type Activities*

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2025.

| | Balance 12/31/24 | Additions | Deletions | Balance 12/31/25 | Due Within One Year |
|---|---|---|---|---|---|
| **Business-Type Activities** | | | | | |
| 2009 CWRPDA | $ 100,594 | $ - | $ (21,677) | $ 78,917 | $ 22,058 |
| 2015 CWRPDA | 1,678,742 | - | (135,025) | 1,543,717 | 137,088 |
| Premium | 12,514 | - | (1,211) | 11,303 | - |
| 2020 Revenue - Refunding Bonds | 1,445,000 | - | (55,000) | 1,390,000 | 55,000 |
| Premium | 38,480 | - | (1,925) | 36,555 | - |
| 2025 CWRPDA | - | 6,000,000 | (3,049,878) | 2,950,122 | 131,293 |
| 2025 DWRF | - | 3,664,396 | (5,000) | 3,659,396 | 139,014 |
| Compensated Absences | 5,624 | 2,777 | - | 8,401 | 840 |
| Total Business-Type Activities | $ 3,280,954 | $ 9,667,173 | $ (3,269,716) | $ 9,678,411 | $ 485,293 |

## 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 2025 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, 2025, 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, 2025 are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 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 |
| Total | $ 78,917 | $ 2,786 | $ 81,703 |

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.

## 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 $11,303 as of December 31, 2025. At no time should the budget reserve be greater than $1,250,000.

Principal and interest payments for the years following December 31, 2025 are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 137,088 | $ 11,750 | $ 148,838 |
| 2027 | 138,806 | 10,720 | 149,526 |
| 2028 | 139,068 | 9,650 | 148,718 |
| 2029 | 150,386 | 8,600 | 158,986 |
| 2030 | 152,106 | 7,400 | 159,506 |
| 2031-2035 | 826,263 | 18,850 | 845,113 |
| Total | $ 1,543,717 | $ 66,970 | $ 1,610,687 |

2020 Revenue Refunding Bonds

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

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

The Bonds were issued with a premium of $46,180 which is amortized on a straight-line basis through the life of the bonds (24 years) and recognized as interest expense. Annual amortization is $1,925.

## Note 5: Long-Term Debt (Continued)

***Business-Type Activities*** *(Continued)*

2020 Revenue Refunding Bonds (Continued)

Principal and interest payments for the years following December 31, 2025 are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 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 | 65,000 | 34,650 | 99,650 |
| 2031-2035 | 275,000 | 149,400 | 424,400 |
| 2036-2040 | 480,000 | 101,550 | 581,550 |
| 2041-2044 | 335,000 | 40,200 | 375,200 |
| Total | $ 1,390,000 | $ 482,250 | $ 1,872,250 |

2025 CWRPDA Loan

In 2025, the Town obtained a loan from the Colorado Water Resources and Power Development Authority's (CWRPDA) Drinking Water Revolving Fund in an original amount of $6,000,000 (hereinafter referred to as "2025 CWRDPA." The loan requires principal and interest payments on May 1st and November 1st of each year. The interest rate is 1.5% and the loan matures on May 1, 2045. The Town has pledged net revenue, as defined in the loan agreement, from water fund revenues. In accordance with the terms of the loan, the CWRPDA forgave $3,000,000, or one-half of the original loan at the time the loan was closed. The Town is using the proceeds for part of the funding of its water recapitalization infrastructure project.

Principal and interest payments for the years following December 31, 2025 are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 131,293 | $ 43,761 | $ 175,054 |
| 2027 | 133,269 | 41,785 | 175,054 |
| 2028 | 135,276 | 39,778 | 175,054 |
| 2029 | 137,313 | 37,741 | 175,054 |
| 2030 | 139,380 | 35,674 | 175,054 |
| 2031-2035 | 729,018 | 146,252 | 875,270 |
| 2036-2040 | 785,577 | 89,693 | 875,270 |
| 2041-2044 | 758,996 | 26,317 | 785,313 |
| Total | $ 2,950,122 | $ 461,001 | $ 3,411,123 |

## Note 5: Long-Term Debt (Continued)

***Business-Type Activities*** *(Continued)*

2025 DWRF Loan

In 2025, the Town obtained a second loan from the Colorado Water Resources and Power Development Authority's (CWRPDA) Drinking Water Revolving Fund in an original amount of $6,000,000 (hereinafter referred to as "2025 DWRF". The loan requires principal and interest payments on February 1st and August 1st of each year. The interest rate is 2.6% and the loan matures on May 1, 2045. The Town has pledged net revenue, as defined in the loan agreement, from water fund revenues. The Town is using the proceeds for part of the funding of its water recapitalization infrastructure project.

Principal and interest payments for the years following December 31, 2025 are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 139,014 | $ 95,325 | $ 234,339 |
| 2027 | 138,842 | 90,825 | 229,667 |
| 2028 | 145,467 | 86,575 | 232,042 |
| 2029 | 152,250 | 82,075 | 234,325 |
| 2030 | 157,020 | 77,325 | 234,345 |
| 2031-2035 | 840,031 | 315,125 | 1,155,156 |
| 2036-2040 | 966,904 | 191,675 | 1,158,579 |
| 2041-2044 | 1,119,868 | 77,325 | 1,197,193 |
| Total | $ 3,659,396 | $ 1,016,250 | $ 4,675,646 |

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, 2025, 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 fights 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.

## Note 6: Employee Retirement Plans (Continued)

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

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

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

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

***FPPA Statewide Defined Benefit Plan***

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

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

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

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

*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.

## 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 2025.

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 2025 for a total combined member and employer contribution rate of 24 percent in 2025.

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 2025 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10.5 percent in 2025.

The Town's contributions to the SWDB Plan for the year ended December 31, 2025, were $42,522, 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 10.5% 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, 2025, 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, 2024, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at January 1, 2025. 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, 2025, relative to the projected contributions of all participating employers.

## 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 0.034274%, which was an increase of 0.02793% from its proportion measured on December 31, 2024.

For the year ended December 31, 2025, the Town recognized pension expense (Benefit) for the SWDB plan of $40,359.

At December 31, 2025, 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 | $ 121,791 | $ 4,968 |
| Net difference between projected and actual earnings on plan investments | 9,838 | - |
| Changes in assumptions and other inputs | 59,619 | - |
| Changes in proportion | 1,487 | 64,714 |
| Contributions subsequent to the measurement date | 42,522 | - |
| Total | $ 235,257 | $ 69,682 |

Town contributions to the SWDB plan subsequent to the measurement date were $42,522 and will be recognized as an increase or decrease to the net pension (asset) liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows.

| Year Ended December 31, | Amount |
|---|---|
| 2026 | $ 21,294 |
| 2027 | 37,360 |
| 2028 | (335) |
| 2029 | 12,435 |
| 2030 | 20,935 |
| Thereafter | 31,364 |
| Total | $ 123,053 |

## 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, 2025, 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.

## 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 | 33% | 7.00% |
| Equity Long/Short | 6% | 6.20% |
| Private Markets | 34% | 8.80% |
| Fixed Income Rates | 7% | 5.00% |
| Fixed Income Credit | 7% | 6.50% |
| Absolute Return | 9% | 5.70% |
| Cash | 4% | 4.20% |
| | 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 | $ 167,252 | $ - | $ - |

## 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, 2025. No settlements of claims against the Town in the last three years have exceeded the Town's coverage.

## 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 2025, the Town's deductible for property and liability claims per occurrence is $1,000 for each with up to $10 million in coverage. The auto liability deductible and the auto physical damage deductible are both $1,000 per occurrence with up to $5 million in coverage.

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 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.

## 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 $64,000, which is the approximate required reserve at December 31, 2025.

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

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

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

# Required Supplementary Information

# Town of Paonia, Colorado

Required Supplementary Information
Schedule of The Town's Proportionate Share of Net Pension Liability/(Asset)
Fire and Police Pension Association of Colorado - Statewide Defined Benefit Plan
Last Ten Fiscal Years
For the Year Ended December 31, 2025

| Measurement Date | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Town's portion of the net pension asset | 0.034274% | 0.031481% | 0.020511% | 0.027109% | 0.249000% |
| Town's proportionate share of the net pension liability (asset) | $ - | $ - | $ 18,205 | $ 146,914 | $ (54,119) |
| Town's covered payroll | $ 374,388 | $ 309,787 | $ 273,283 | $ 235,625 | $ 218,235 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 0% | 0% | 6.7% | 62.4% | -24.8% |
| Plan fiduciary net position as a percentage of the total pension liability | 100.00% | 100.00% | 97.60% | 106.70% | 106.70% |

| Reporting Date | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 42,522 | $ 37,371 | $ 29,382 | $ 21,863 | $ 18,850 |
| Contributions in relation to the contractually required contribution | (42,522) | (37,371) | (29,382) | (21,863) | (18,850) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Town's covered payroll | $ 405,656 | $ 374,388 | $ 309,787 | $ 273,283 | $ 235,625 |
| Contributions as a percentage of covered payroll | 10.5% | 10.0% | 9.5% | 8.0% | 8.0% |

This schedule is presented to show information for 10 years.

*(Continued)*

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado

Required Supplementary Information
Schedule of The Town's Proportionate Share of Net Pension Liability/(Asset)
Fire and Police Pension Association of Colorado - Statewide Defined Benefit Plan
Last Ten Fiscal Years
For the Year Ended December 31, 2025
*(Continued)*

| Measurement Date | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Town's portion of the net pension asset | 0.023100% | 0.018700% | 0.016200% | 0.023900% | 0.043200% |
| Town's proportionate share of the net pension liability (asset) | $ (13,092) | $ 23,649 | $ (26,228) | $ 5,871 | $ (421) |
| Town's covered payroll | $ 200,228 | $ 170,612 | $ 125,516 | $ 107,806 | $ 103,306 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | -6.5% | 13.9% | -20.9% | 5.4% | -0.4% |
| Plan fiduciary net position as a percentage of the total pension liability | 101.90% | 95.20% | 106.30% | 98.21% | 100.10% |

| Reporting Date | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 16,018 | $ 13,469 | $ 10,024 | $ 10,442 | $ 6,946 |
| Contributions in relation to the contractually required contribution | (16,018) | (13,469) | (10,024) | (10,442) | (6,946) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Town's covered payroll | $ 218,235 | $ 200,228 | $ 170,612 | $ 125,516 | $ 107,806 |
| Contributions as a percentage of covered payroll | 8.0% | 8.0% | 5.9% | 8.3% | 6.4% |

This schedule is presented to show information for 10 years.

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

| | Original Budget | Final Budget | Actual | Variance *Positive (Negative)* |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | | | | |
| General Property Taxes | $ 160,000 | $ 160,000 | $ 160,082 | $ 82 |
| Specific Ownership Taxes | 21,000 | 21,000 | 23,551 | 2,551 |
| Sales Tax - Town | 530,000 | 530,000 | 589,673 | 59,673 |
| Sales Tax - County | 130,000 | 130,000 | - | (130,000) |
| Delinquent Taxes | 500 | 500 | 586 | 86 |
| Cigarette Taxes | - | - | - | - |
| Franchise Taxes | 60,000 | 60,000 | 54,289 | (5,711) |
| Licenses and Permits | 80,900 | 80,900 | 41,009 | (39,891) |
| Intergovernmental | 1,561,542 | 1,561,542 | 561,478 | (1,000,064) |
| Investment Income | 145,000 | 145,000 | 190,453 | 45,453 |
| Fines and Forfeitures | 11,100 | 11,100 | 10,277 | (823) |
| Miscellaneous | 52,700 | 52,700 | 130,176 | 77,476 |
| Total Revenues | 2,752,742 | 2,752,742 | 1,761,574 | (991,168) |
| **Expenditures** | | | | |
| Current | | | | |
| General Government | 371,100 | 377,550 | 291,008 | 86,542 |
| Public Safety | 859,075 | 884,075 | 820,918 | 63,157 |
| Public Works | 638,425 | 645,825 | 346,447 | 299,378 |
| Community Service | 178,225 | 196,425 | 155,039 | 41,386 |
| Capital Outlay | 2,861,675 | 2,861,675 | 31,588 | 2,830,087 |
| Total Expenditures | 4,908,500 | 4,965,550 | 1,645,000 | 3,320,550 |
| **Net Change in Fund Balance** | (2,155,758) | (2,212,808) | 116,574 | 2,329,382 |
| **Fund Balance**, *Beginning of Year* | 1,050,710 | 1,050,710 | 1,050,710 | - |
| **Fund Balance**, *End of Year* | $ (1,105,048) | $ (1,162,098) | $ 1,167,284 | $ 2,329,382 |

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado
Budgetary Comparison Schedule
Sales Tax Capital Improvement Fund
For the Year Ended December 31, 2025

| | Original and Final Budget | Actual | Variance *Positive (Negative)* |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ - | $ 294,792 | $ 294,792 |
| Miscellaneous | 7,650 | 5,738 | (1,912) |
| Capital Outlay | - | - | - |
| Total Revenues | 7,650 | 300,530 | 292,880 |
| **Excess Revenues Over (Under) Expenditures** | 7,650 | 300,530 | 292,880 |
| **Other Financing Uses** | | | |
| Transfers (In) | 72,350 | - | (72,350) |
| **Net Change in Fund Balance** | 80,000 | 300,530 | 220,530 |
| **Fund Balance**, *Beginning of Year* | 847,008 | 847,008 | - |
| **Fund Balance**, *End of Year* | $ 927,008 | $ 1,147,538 | $ 220,530 |

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado
Budgetary Comparison Schedule
Street Fund
For the Year Ended December 31, 2025

| | Original and Final Budget | Actual | Variance *Positive (Negative)* |
|---|---|---|---|
| **Revenues** | | | |
| Highway Users Tax | $ 100,000 | $ 73,135 | $ (26,865) |
| Fees | - | - | - |
| Total Revenues | 100,000 | 73,135 | (26,865) |
| **Expenditures** | | | |
| Streets | - | - | - |
| Total Expenditures | - | - | - |
| **Excess Revenues Over Net Change in Fund Balance** | 100,000 | 73,135 | (26,865) |
| **Fund Balance**, *Beginning of Year* | 1,032,032 | 1,032,032 | - |
| **Fund Balance**, *End of Year* | $ 1,132,032 | $ 1,105,167 | $ (26,865) |

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado

Notes to Required Supplementary Information
December 31, 2025

## 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, 2025

| | Conservation Trust Fund | Sidewalk Fund | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and Cash Equivalents | | | |
| Unrestricted | $ 17,636 | $ 151,417 | $ 169,053 |
| Taxes Receivable | - | 2,596 | 2,596 |
| Total Assets | $ 17,636 | $ 154,013 | $ 171,649 |
| **Liabilities** | | | |
| Accounts Payable | $ - | $ - | $ - |
| Total Liabilities | - | - | - |
| **Fund Balance** | | | |
| Restricted | 17,636 | 154,013 | 171,649 |
| Total Fund Balance | 17,636 | 154,013 | 171,649 |
| Total Liabilities and Fund Balance | $ 17,636 | $ 154,013 | $ 171,649 |

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado

Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2025

| | Conservation Trust Fund | Sidewalk Fund | Total |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 8,756 | $ - | $ 8,756 |
| Licenses and Fees | - | 30,390 | 30,390 |
| Investment Income | 30 | - | 30 |
| Total Revenues | 8,786 | 30,390 | 39,176 |
| **Expenditures** | | | |
| Capital Outlay | 30,183 | - | 30,183 |
| Total Expenditures | 30,183 | - | 30,183 |
| **Net Change in Fund Balance** | (21,397) | 30,390 | 8,993 |
| **Fund Balance**, *Beginning of Year* | 39,033 | 123,623 | 162,656 |
| **Fund Balance**, *End of Year* | $ 17,636 | $ 154,013 | $ 171,649 |

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado
Budgetary Comparison Schedule
Conservation Trust Fund
For the Year Ended December 31, 2025

| | Original Budget | Final Budget | Actual | Variance *Positive (Negative)* |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ - | $ 45,245 | $ 8,756 | $ (36,489) |
| Interest Income | - | - | 31 | 31 |
| Total Revenues | - | 45,245 | 8,787 | (36,458) |
| **Expenditures** | | | | |
| Capital Outlay | - | 42,250 | 30,183 | 12,067 |
| Total Expenditures | - | 42,250 | 30,183 | 12,067 |
| **Excess Revenues Over Net Change in Fund Balance** | - | 2,995 | (21,396) | (24,391) |
| **Fund Balance**, *Beginning of Year* | 22,739 | 22,739 | 39,032 | 16,293 |
| **Fund Balance**, *End of Year* | $ 22,739 | $ 25,734 | $ 17,636 | $ (8,098) |

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado
Budgetary Comparison Schedule
Sidewalk Fund
For the Year Ended December 31, 2025

| | Original and Final Budget | Actual | Variance *Positive (Negative)* |
|---|---|---|---|
| **Revenues** | | | |
| Sidewalk Revenue | $ 30,000 | $ 30,390 | $ 390 |
| Total Revenues | 30,000 | 30,390 | 390 |
| **Expenditures** | | | |
| Capital Outlay | - | - | - |
| Total Expenditures | - | - | - |
| **Net Change in Fund Balance** | 30,000 | 30,390 | 390 |
| **Fund Balance**, *Beginning of Year* | 123,623 | 123,623 | - |
| **Fund Balance**, *End of Year* | $ 153,623 | $ 154,013 | $ 390 |

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado
## Budgetary Comparison Schedule
## Water Fund
## For the Year Ended December 31, 2025

| | Original Budget | Final Budget | Actual | Variance *Positive (Negative)* |
|---|---|---|---|---|
| **Revenues** | | | | |
| Water Charges | $ 1,273,000 | $ 1,273,000 | $ 1,262,903 | $ (10,097) |
| Sales and Service | 500 | 500 | 905 | 405 |
| Water Tank | 15,000 | 15,000 | 13,797 | (1,203) |
| Standby Tap Fees | 55,000 | 55,000 | 53,005 | (1,995) |
| Penalties | 5,500 | 5,500 | 7,426 | 1,926 |
| Rents | 1,000 | 1,000 | 1,000 | - |
| Grants | 1,252,500 | 1,252,500 | 720,049 | (532,451) |
| Miscellaneous Revenue | 500 | 500 | 675 | 175 |
| Total Revenues | 2,603,000 | 2,603,000 | 2,059,760 | (543,240) |
| **Expenses** | | | | |
| Salaries and Wages | 317,500 | 323,000 | 299,357 | 23,643 |
| Employee Benefits | 107,700 | 107,700 | 91,194 | 16,506 |
| John Norris Retirement | 7,500 | 7,500 | 6,720 | 780 |
| Supplies | 47,500 | 47,500 | 26,319 | 21,181 |
| Legal and Engineering | 287,000 | 287,000 | 93,613 | 193,387 |
| Repairs and Maintenance | 167,500 | 167,500 | 134,271 | 33,229 |
| Professional Fees | 10,500 | 10,500 | 4,385 | 6,115 |
| Telephone | 8,000 | 8,000 | 7,696 | 304 |
| Postage | 4,000 | 4,000 | 3,335 | 665 |
| Travel and Meetings | 3,000 | 3,500 | 3,323 | 177 |
| Insurance and Bonds | 17,000 | 18,500 | 17,673 | 827 |
| Utilities | 27,000 | 27,000 | 21,253 | 5,747 |
| Vehicle Expense | 10,000 | 10,000 | 9,364 | 636 |
| Dues and Subscriptions | 21,500 | 21,500 | 15,177 | 6,323 |
| Shop Expense | 8,000 | 8,000 | 3,358 | 4,642 |
| Miscellaneous | 28,500 | 28,550 | 15,248 | 13,302 |
| Fees and Permits | 2,500 | 2,500 | 3,435 | (935) |
| Drinking Water Revolving Funds | 278,000 | 278,000 | 39,768 | 238,232 |
| Capital Projects | 5,499,500 | 5,499,500 | 1,750,951 | 3,748,549 |
| Total Expenses | 6,852,200 | 6,859,750 | 2,546,440 | 4,313,310 |
| **Net Operating Income** | (4,249,200) | (4,256,750) | (486,680) | 3,770,070 |
| **Nonoperating Revenues (Expenses)** | | | | |
| Proceeds from Issuance of Debt | 5,000,000 | 5,000,000 | 3,000,000 | (2,000,000) |
| Proceeds from Sale of Assets | 2,500 | 2,500 | 5,922 | 3,422 |
| Interest Income | 12,500 | 12,500 | - | (12,500) |
| Debt Service Principal | (38,500) | (38,500) | (212,792) | (174,292) |
| Interest Expense | (25,000) | (25,000) | (145,988) | (120,988) |
| Total Nonoperating Revenues (Expenses) | 4,951,500 | 4,951,500 | 2,647,142 | (2,304,358) |
| **Change in Net Position,** *Budgetary Basis* | $ 702,300 | $ 694,750 | 2,160,462 | $ 1,465,712 |

*(Continued)*

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado
Budgetary Comparison Schedule
Water Fund
For the Year Ended December 31, 2025
*(Continued)*

| | Original Budget | Final Budget | Actual | Variance *Positive (Negative)* |
|---|---|---|---|---|
| **Change in Net Position,** *Budgetary Basis* | $ 702,300 | $ 694,750 | $ 2,160,462 | $ 1,465,712 |
| **Reconciliation to GAAP Basis** | | | | |
| Debt Service Principal | | | 212,792 | |
| Capital Outlay | | | 1,750,951 | |
| Depreciation | | | (297,857) | |
| **Change in Net Position**, *GAAP Basis* | | | $ 3,826,348 | |

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado
Budgetary Comparison Schedule
Sewer Fund
For the Year Ended December 31, 2025

| | Original Budget | Final Budget | Actual | Variance *Positive (Negative)* |
|---|---|---|---|---|
| **Revenues** | | | | |
| Sewer Charges | $ 785,000 | $ 785,000 | $ 785,325 | $ 325 |
| Grant Revenue | 15,500 | 15,500 | 279 | (15,221) |
| Total Revenues | 800,500 | 800,500 | 785,604 | (14,896) |
| **Expenses** | | | | |
| Salaries and Wages | 311,500 | 311,500 | 295,591 | 15,909 |
| Employee Benefits | 105,250 | 105,250 | 90,331 | 14,919 |
| John Norris Retirement | 6,500 | 6,720 | 6,720 | - |
| Supplies | 13,000 | 15,153 | 24,107 | (8,954) |
| Legal and Engineering | 72,500 | 85,308 | 83,917 | 1,391 |
| Repairs and Maintenance | 49,999 | 166,899 | 13,141 | 153,758 |
| Professional Fees | 18,500 | 18,500 | 10,885 | 7,615 |
| Telephone | 10,000 | 10,000 | 3,315 | 6,685 |
| Postage | 4,000 | 4,000 | 2,753 | 1,247 |
| Travel and Meetings | 2,000 | 2,327 | 2,327 | - |
| Insurance and Bonds | 7,500 | 13,652 | 13,652 | - |
| Utilities | 40,000 | 41,426 | 41,426 | - |
| Vehicle Expense | 6,500 | 9,218 | 9,447 | (229) |
| Dues and Subscriptions | 15,750 | 15,750 | 12,801 | 2,949 |
| Publishing and Ads | 500 | 500 | 78 | 422 |
| Shop Expense | 7,000 | 9,345 | 6,049 | 3,296 |
| Fees and Permits | 3,500 | 3,500 | 2,827 | 673 |
| Gauging Station | 7,000 | 7,000 | 4,620 | 2,380 |
| Capital Projects | 10,000 | 10,000 | 114,938 | (104,938) |
| Miscellaneous | - | 126 | 246 | (120) |
| Total Expenses | 690,999 | 836,174 | 739,171 | 97,003 |
| **Net Operating Income** | 109,501 | (35,674) | 46,433 | 82,107 |
| **Nonoperating Revenues (Expenses)** | | | | |
| Debt Service Principal | (24,000) | (24,000) | (56,924) | (32,924) |
| System Development Fees | 5,000 | 5,000 | - | (5,000) |
| Proceeds from Sale of Assets | - | - | 1,543 | 1,543 |
| Interest Expense | (100,000) | (100,000) | (16,013) | 83,987 |
| Interest Income | 25,000 | 25,000 | 31,868 | 6,868 |
| Total Nonoperating Revenues (Expenses) | (94,000) | (94,000) | (39,526) | 54,474 |
| **Change in Net Position,** *Budgetary Basis* | $ 15,501 | $ (129,674) | 6,907 | $ 136,581 |
| **Reconciliation to GAAP Basis** | | | | |
| Debt Service Principal | | | 56,924 | |
| Capital Outlay | | | 114,938 | |
| Depreciation | | | (143,377) | |
| **Change in Net Position**, *GAAP Basis* | | | $ 35,392 | |

*See Accompanying Independent Auditor's Report.*

# Town of Paonia, Colorado
Budgetary Comparison Schedule
Trash Fund
For the Year Ended December 31, 2025

| | Original Budget | Final Budget | Actual | Variance *Positive (Negative)* |
|---|---|---|---|---|
| **Revenues** | | | | |
| Garbage Charges | $ 322,500 | $ 343,495 | $ 342,480 | $ (1,015) |
| Total Revenues | 322,500 | 343,495 | 342,480 | (1,015) |
| **Expenses** | | | | |
| Salaries and Wages | 144,000 | 168,960 | 169,259 | (299) |
| Employee Benefits | 56,400 | 57,376 | 52,642 | 4,734 |
| Supplies | 1,500 | 1,500 | 2,085 | (585) |
| Legal and Engineering | 17,000 | 25,658 | 27,277 | (1,619) |
| Repairs and Maintenance | 5,400 | 14,754 | 14,806 | (52) |
| Professional Fees | 4,600 | 4,885 | 4,481 | 404 |
| Telephone | 2,200 | 2,967 | 2,969 | (2) |
| Postage | 2,000 | 2,285 | 2,476 | (191) |
| Insurance and Bonds | 9,500 | 11,997 | 11,997 | - |
| Utilities | 2,000 | 2,000 | 1,833 | 167 |
| Vehicle Expense | 13,500 | 16,282 | 16,378 | (96) |
| Shop Expense | 3,500 | 3,500 | 2,340 | 1,160 |
| Landfill Fees | 39,000 | 39,000 | 40,844 | (1,844) |
| Capital Projects | 14,043 | 14,043 | 16,065 | (2,022) |
| Miscellaneous | 19,300 | 22,411 | 19,526 | 2,885 |
| Total Expenses | 333,943 | 387,618 | 384,978 | 2,640 |
| **Net Operating Income** | (11,443) | (44,123) | (42,498) | 1,625 |
| **Nonoperating Revenues (Expenses)** | | | | |
| Proceeds from Sale of Assets | - | - | 4,100 | 4,100 |
| **Net Income (Loss) Before** *Budgetary Basis* | $ (11,443) | $ (44,123) | (38,398) | $ 5,725 |
| **Reconciliation to GAAP Basis** | | | | |
| Capital Outlay | | | 16,065 | |
| Depreciation | | | (19,981) | |
| **Change in Net Position**, *GAAP Basis* | | | $ (42,314) | |

*See Accompanying Independent Auditor's Report.*

# Compliance Section

# LOCAL HIGHWAY FINANCE REPORT

| STATE: | | |
|---|---|---|
| Colorado | | |
| **THIS INFORMATION FROM THE RECORDS OF:** | **PREPARED BY:** | **REPORT YEAR ENDING DATE(mm/yyyy):** |
| Town of Paonia | Lorraine Trotter lhtrotter@professionalmanagemen | 12/2025 |

## *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. Total (1 - (2 through 4)) | | | | |

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

| ITEM | AMOUNT | ITEM | AMOUNT |
|---|---|---|---|
| **A.3. Other Local Imposts:** | | **A.4. Miscellaneous Local Receipts:** | |
| a. Property Taxes and Assesments | 0.00 | a. Interest on investments | 0.00 |
| b. Non-property Taxes and Assessments Imposts | 96,686.09 | b. Other Misc. Local Receipts | 29,512.94 |
| **c. Total (a + b)** | $ 96,686.09 | **c. Total (a + b)** | $ 29,512.94 |
| **ITEM** | **AMOUNT** | **ITEM** | **AMOUNT** |
| **C. Receipts from State Government** | | **D. Receipts from Federal Government** | |
| 1. Highway-user Taxes (from Item I.C.5.) | 58,098.40 | 1. FHWA (from Item I.D.5.) | 0.00 |
| 2. State General Funds | | 2. Other Federal Agencies: | 0.00 |
| 3. Other State funds: | | | |
| a. State Bond Proceeds | | | |
| b. Non-State Bond Proceeds | 5,565.20 | | |
| **c. Total (a + b)** | $ 5,565.20 | | |
| **4. Total (1 + 2 + 3c)** | $ 63,663.60 | **3. Total (1 + 2)** | $ - |

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

| ITEM | AMOUNT |
|---|---|
| **A.1. Capital outlay:** | |
| a. Right-Of-Way Costs | 0.00 |
| b. Engineering Costs | 0.00 |
| c. Construction Costs | 20,993.08 |
| **d. Total Capital Outlay (a+ b + c)** | $ 20,993.08 |

# LOCAL HIGHWAY FINANCE REPORT

**STATE:** Colorado

**REPORT YEAR ENDING DATE(mm/yyyy):** 12/2025

## *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. Amount 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.1) | |
| b. Motor Vehicle (from Item I.B.1) | |
| **c. Total (a + b)** | |
| 2. General Fund Appropriations | 142,559.50 |
| 3. Other Local Imposts (from page 1, Item II.A3.c) | $ 96,686.09 |
| 4. Miscellaneous Local Receipts (from page 1, Item II.A4.c) | $ 29,512.94 |
| 5. Transfers from Toll Facilities | |
| 6. Proceeds of Sale of Bonds and Notes: | |
| a. Bonds - Original Issues | 0.00 |
| b. Bonds - Refunding Issues | 0.00 |
| c. Notes | 0.00 |
| **d. Total (a + b + c)** | $ - |
| **7. Total (1 through 6)** | $ 268,758.53 |
| B. Private Contributions | 0.00 |
| C. Receipts from State government (from page 1, Item II.C.4) | $ 63,663.60 |
| D. Receipts from Federal government (from page 1, Item II.D.3) | $ - |
| **E. Total receipts (A.7 + B + C + D)** | $ 332,422.13 |

## *III. EXPENDITURES FOR ROAD AND STREET PURPOSES*

| ITEM | AMOUNT |
|---|---|
| **A. Local highway expenditures:** | |
| 1. Capital Outlay (from page 1, Item III.A1.d) | $ 20,993.08 |
| 2. Maintenance: | 259096.97 |
| 3. Road and Street Services: | |
| a. Snow and Ice Removal | 34552.03 |
| b. Other & Traffic Control Operations | 9,518.39 |
| **c. Total (a + b)** | $ 44,070.42 |
| 4. General Administration & Miscellaneous | 8,261.66 |
| 5. Highway Law Enforcement and Safety | |
| **6. Total (1 through 5)** | $ 332,422.13 |
| **B. Debt Service on Local Obligations:** | |
| 1. Bonds: | |
| a. Interest | 0.00 |
| b. Redemption | 0.00 |
| **c. Total (a + b)** | $ - |
| 2. Notes: | |
| a. Interest | 0.00 |
| b. Redemption | 0.00 |
| **c. Total (a + b)** | $ - |
| **3. Total (1c + 2c)** | $ - |
| C. Payments to State for Highways | 0.00 |
| D. Payments to Toll Facilities | 0.00 |
| **E. Total Expenditures (A6 + B3 + C + D)** | $ 332,422.13 |

## *IV. LOCAL HIGHWAY DEBT STATUS*

*(Show all entries at par)*

| ITEM | OPENING DEBT | AMOUNT ISSUED | REDEMPTIONS | CLOSING DEBT |
|---|---|---|---|---|
| A. Bonds (Total) | 0.00 | $ - | $ - | $ - |
| 1. Bonds (Refunding Portion) | | $ - | | |
| B. Notes (Total) | 0.00 | $ - | $ - | $ - |

# Statistical Section

Financial Trends

Revenue Capacity Information

Debt Capacity Information

Demographic, Economic and Operating Information

# FINANCIAL TRENDS

**Net Position by Component**
**Last Ten Calendar Years**
(Accrual Basis of Accounting)
(Unaudited)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Governmental Activities** | | | | | | | | | | |
| Net Investment in Capital | | | | | | | | | | |
| Assets | $ 2,944,919 | $ 2,944,108 | $ 3,106,976 | $ 3,132,626 | $ 3,314,461 | $ 3,262,534 | $ 3,116,199 | $ 2,979,802 | $ 3,098,781 | $ 2,957,549 |
| Restricted | 667,322 | 644,231 | 66,742 | 86,577 | 87,194 | 113,371 | 113,371 | 113,420 | 129,692 | 129,692 |
| Unrestricted | (117,272) | 43,173 | 675,029 | 951,845 | 1,058,178 | 1,609,181 | 2,551,796 | 2,707,497 | 3,072,191 | 3,615,904 |
| Total Governmental Activities | | | | | | | | | | |
| Net Position | $ 3,494,969 | $ 3,631,512 | $ 3,848,747 | $ 4,171,048 | $ 4,459,833 | $ 4,985,086 | $ 5,781,366 | $ 5,800,719 | $ 6,300,664 | $ 6,703,145 |
| **Business-Type Activities** | | | | | | | | | | |
| Net Investment in Capital | | | | | | | | | | |
| Assets | $ 6,340,224 | $ 8,069,594 | $ 8,358,677 | $ 8,664,886 | $ 8,317,231 | $ 8,139,175 | $ 8,052,297 | $ 8,645,294 | $ 8,889,386 | $ 3,912,667 |
| Restricted | 277,225 | 781,111 | 825,950 | 840,541 | 845,159 | 837,386 | 648,538 | 683,196 | 720,281 | 752,074 |
| Unrestricted | 2,520,305 | 1,309,984 | 701,253 | 445,291 | 851,408 | 1,222,353 | 1,861,127 | 1,748,455 | 2,262,729 | 11,027,081 |
| Total Business-Type Activities | | | | | | | | | | |
| Net Position | $ 9,137,754 | $ 10,160,689 | $ 9,885,880 | $ 9,950,718 | $ 10,013,798 | $ 10,198,914 | $ 10,561,962 | $ 11,076,945 | $ 11,872,396 | $ 15,691,822 |
| **Net Position** | | | | | | | | | | |
| Net Investment in Capital | | | | | | | | | | |
| Assets | $ 9,285,143 | $ 11,013,702 | $ 11,465,653 | $ 11,797,512 | $ 11,631,692 | $ 11,401,709 | $ 11,168,496 | $ 11,625,096 | $ 11,988,167 | $ 6,870,216 |
| Restricted | 944,547 | 1,425,342 | 892,692 | 927,118 | 932,353 | 950,757 | 761,909 | 796,616 | 849,973 | 881,766 |
| Unrestricted | 2,403,033 | 1,353,157 | 1,376,282 | 1,397,136 | 1,909,586 | 2,831,534 | 4,412,923 | 4,455,952 | 5,334,920 | 14,642,985 |
| Total Primary Government | | | | | | | | | | |
| Net Position | $ 12,632,723 | $ 13,792,201 | $ 13,734,627 | $ 14,121,766 | $ 14,473,631 | $ 15,184,000 | $ 16,343,328 | $ 16,877,664 | $ 18,173,060 | $ 22,394,967 |

Sources: Current and Prior Years' Financial Statements

## Net Position by Component

The schedule above presents the net position of the Town of Paonia's primary government, disaggregated into its three primary components, net investment in capital assets, restricted, and unrestricted, over the last ten calendar years. This long-term perspective provides readers with insight into the financial strength and stability of the Town's governmental and business-type activities.

Net position serves as an indicator of the Town's financial health. A positive net position suggests that the Town's assets exceed its liabilities and that it is in a fiscally stable condition. The data is presented using the accrual basis of accounting, aligning with government-wide financial reporting standards as prescribed by GASB.

Over the ten-year period presented, the Town of Paonia's total net position increased from approximately $12.6 million in 2016 to $22.4 million in 2025, an increase of about 77%. The 2025 increase reflects the combined effect of current-year operating results, capital and grant activity, and changes in the composition of governmental and business-type net position. The long-term trend indicates that the Town's assets and deferred outflows continue to exceed its liabilities and deferred inflows by a substantial margin.

Net position attributable to governmental activities increased from approximately $3.5 million in 2016 to $6.7 million in 2025. The increase was driven primarily by growth in unrestricted net position, which reached $3,615,904 in 2025, while restricted net position remained stable at $129,692.

Business-type activities, which include the Town's water, sewer, and trash operations, increased from approximately $9.1 million in net position in 2016 to $15,691,822 in 2025. In 2025, the composition of business-type net position shifted significantly, with unrestricted net position increasing to $11,027,081 while net investment in capital assets declined to $3,912,667. This change should be read together with the capital asset, debt, and construction-in-progress disclosures in the financial statements.

Net investment in capital assets totaled $6,870,216 for the primary government in 2025, compared with approximately $12.0 million in 2024. The decrease reflects changes in the reported relationship among capital assets, accumulated depreciation, outstanding capital-related debt, and construction activity. Net investment in capital assets remains an important indicator of the resources committed to the Town's roads, utilities, facilities, and other long-lived infrastructure.

Restricted net position represents resources subject to external constraints imposed by grantors, creditors, laws, regulations, or debt agreements. Restricted net position totaled $881,766 in 2025 and remained comparatively stable over the ten-year period, demonstrating the Town's continued segregation and use of resources for their legally or contractually designated purposes.

Unrestricted net position increased from approximately $2.4 million in 2016 to $14,642,985 in 2025. The substantial 2025 increase is concentrated in business-type activities and provides greater reported flexibility; however, unrestricted net position is not equivalent to cash available for appropriation and should be evaluated together with fund-level cash, restricted resources, capital commitments, and enterprise obligations.

**Changes in Net Position**

This schedule presents the change in the Town of Paonia's net position over a ten-year period using the accrual basis of accounting. The information is separated into governmental activities and business-type activities, and illustrates how the Town's financial position has evolved due to the relationship between revenues, expenses, and other financing sources. The data provides long-term insight into the Town's operational performance and fiscal resilience.

Governmental activities include traditional public services such as general government, public safety, public works, and culture and recreation. Business-type activities encompass the Town's water, sewer, and trash operations, which are intended to be self-supporting through user charges. For each category, expenses are shown alongside program revenues (such as service charges and grants), followed by general revenues and transfers. The difference between program revenues and expenses illustrates whether a function is self-sustaining or subsidized by general revenues.

Over the ten-year period, total primary government expenses increased from $2,185,391 in 2016 to $4,181,997 in 2025. Governmental activities totaled $1,770,146 in 2025, consisting of $267,515 for general government, $828,103 for public safety, $464,617 for public works, and $209,911 for culture and recreation. Business-type expenses totaled $2,411,851, including $1,239,334 for water, $783,623 for sewer, and $388,894 for trash operations.

Governmental program revenues totaled $182,300 in 2025, including $123,871 for general government, $11,516 for public safety, $20,549 for public works, $12,168 for culture and recreation, and $14,196 in operating grants and contributions. No governmental capital grants or contributions were reported in this schedule for 2025.

Business-type program revenues totaled $3,186,820 in 2025. This amount included $1,338,966 in water charges, $785,325 in sewer charges, $342,480 in trash charges, $458,385 in operating grants and contributions, and $261,664 in capital grants and contributions. These revenues remained the principal source of direct financial support for the Town's enterprise operations.

Governmental activities reported a net expense of $1,587,846 in 2025 because services such as public safety, public works, and general government are not intended to be financed entirely through user charges.

Business-type activities generated net program revenue of $774,969, reflecting utility charges and grant-supported enterprise activity. The resulting total primary government net expense before general revenues and other changes in net position was $812,877.

General revenues and other changes in net position provided $1,990,327 for governmental activities in 2025. This amount included $199,200 in property tax, $1,342,398 in sales and use tax, $586 in franchise tax, $128,640 in other taxes, $82,867 in miscellaneous revenue, $190,484 in investment earnings, and $46,152 from the sale of assets. No governmental transfers were reported for 2025.

For comparison across governmental tax sources, total sales and use tax revenue increased from $524,827 in 2016 to $1,661,522 in 2025. The 2025 amount represented the combined sales and use taxes reported in the governmental tax revenue schedule. Property tax totaled $199,200, while other governmental taxes totaled $129,605, producing total governmental tax revenue of $1,990,327.

Business-type activities reported $3,044,457 in other changes in net position, consisting of $1,024 in miscellaneous revenue, $31,868 in investment earnings, $11,565 from the sale of assets, and $3,000,000 in debt forgiveness. These amounts, combined with positive net program revenue, materially affected the increase in enterprise net position during 2025.

The Town's total primary government net position increased by $4,624,388 in 2025. Governmental activities increased by $402,481, while business-type activities increased by $4,221,907. The 2025 change was materially affected by enterprise operating results, capital grants and contributions, and the recognition of $3,000,000 in debt forgiveness.

The ten-year trend reflects continued growth in tax and service revenues, investment in municipal and utility operations, and the effect of major capital and financing activity on the Town's overall financial position.

THE NEXT TWO PAGES ARE THE SCHEDULE FOR CHANGES IN NET POSITION

**Changes in Net Position**
**Last Ten Calendar Years**
(Accrual Basis of Accounting)
(Unaudited)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Expenses** | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | $ 238,099 | $ 244,217 | $ 354,595 | $ 319,313 | $ 544,046 | $ 327,256 | $ 343,138 | $ 606,514 | $ 321,996 | $ 267,515 |
| Public Safety | 288,616 | 214,738 | 266,975 | 337,646 | 351,467 | 416,414 | 507,341 | 861,951 | 754,431 | 828,103 |
| Public Works | 123,213 | 117,786 | 107,720 | 151,866 | 191,457 | 351,701 | 300,175 | 492,596 | 396,753 | 464,617 |
| Culture & Recreation | 116,476 | 117,329 | 106,174 | 178,190 | 127,112 | 150,466 | 164,329 | 154,487 | 213,989 | 209,911 |
| Total Governmental Activities | $ 766,404 | $ 694,070 | $ 835,464 | $ 987,015 | $ 1,214,082 | $ 1,245,837 | $ 1,314,983 | $ 2,115,548 | $ 1,687,169 | $ 1,770,146 |
| Business-Type Activities: | | | | | | | | | | |
| Water | $ 782,967 | $ 813,601 | $ 1,226,804 | $ 834,629 | $ 832,528 | $ 865,875 | $ 1,077,484 | $ 1,123,494 | $ 1,103,243 | $ 1,239,334 |
| Sewer | 636,020 | 443,157 | 513,620 | 551,604 | 602,483 | 480,668 | 409,659 | 582,910 | 740,636 | 783,623 |
| Trash* | - | 147,933 | 165,495 | 186,873 | 214,415 | 256,505 | 278,871 | 302,265 | 248,373 | 388,894 |
| Total Business-Type Activities | $ 1,418,987 | $ 1,404,691 | $ 1,905,919 | $ 1,573,106 | $ 1,649,426 | $ 1,603,048 | $ 1,766,014 | $ 2,008,669 | $ 2,092,252 | $ 2,411,851 |
| Total Primary Government | $ 2,185,391 | $ 2,098,761 | $ 2,741,383 | $ 2,560,121 | $ 2,863,508 | $ 2,848,885 | $ 3,080,997 | $ 4,124,217 | $ 3,779,421 | $ 4,181,997 |
| **Program Revenues** | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | $ 22,199 | $ 50,420 | $ 43,127 | $ 42,462 | $ 39,327 | $ 76,006 | $ 118,538 | $ 129,725 | $ 127,105 | $ 123,871 |
| Public Safety | 18,632 | 16,923 | 28,137 | 51,461 | 22,410 | 19,998 | 5,689 | 3,631 | 11,198 | 11,516 |
| Public Works | 29,479 | 29,950 | 30,434 | 30,773 | 31,054 | 30,745 | 42,660 | 28,670 | 34,220 | 20,549 |
| Culture & Recreation | - | - | - | - | - | - | 26,687 | 67,700 | 39,352 | 12,168 |
| Operating Grants and Contributions | 17,112 | 50,799 | 68,669 | 129,059 | 166,310 | 98,194 | 49,866 | 19,285 | 14,119 | 14,196 |
| Capital Grants and Contributions | 113,124 | 223,850 | 51,374 | 47,453 | 107,728 | 87,305 | - | - | - | - |
| Total Governmental Activities | $ 200,546 | $ 371,942 | $ 221,741 | $ 301,208 | $ 366,829 | $ 312,248 | $ 243,440 | $ 249,011 | $ 225,994 | $ 182,300 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Water | $ 808,599 | $ 915,459 | $ 908,632 | $ 819,925 | $ 869,038 | $ 1,036,866 | $ 1,088,354 | $ 1,269,525 | $ 1,262,756 | $ 1,338,966 |
| Sewer | 611,690 | 521,471 | 463,911 | 470,802 | 531,364 | 530,967 | 543,079 | 756,038 | 779,995 | 785,325 |
| Trash | - | 205,251 | 211,898 | 217,726 | 221,323 | 260,704 | 249,537 | 325,403 | 320,271 | 342,480 |
| Operating Grants and Contributions | - | - | - | - | - | - | 184,616 | - | 198,710 | 458,385 |
| Capital Grants and Contributions | - | - | 64,703 | 25,997 | 57,415 | 9,896 | - | 137,798 | 261,664 | 261,664 |
| Total Business-Type Activities | $ 1,420,289 | $ 1,642,181 | $ 1,649,144 | $ 1,534,450 | $ 1,679,140 | $ 1,838,433 | $ 2,065,586 | $ 2,488,764 | $ 2,823,396 | $ 3,186,820 |
| Total Primary Government | $ 1,620,835 | $ 2,014,123 | $ 1,870,885 | $ 1,835,658 | $ 2,045,969 | $ 2,150,681 | $ 2,309,026 | $ 2,737,775 | $ 3,049,390 | $ 3,369,120 |
| **Net (Expense) Revenue** | | | | | | | | | | |
| Governmental Activities | (565,858) | (322,128) ** | (613,723) | (685,807) | (847,253) | (933,589) | (1,071,543) | (1,866,537) | (1,461,175) | (1,587,846) |
| Business-Type Activities | 1,302 | 237,490 | (256,775) | (38,656) | 29,714 | 235,385 | 299,572 | 480,095 | 731,144 | 774,969 |
| Total Primary Government Net Expenses | $ (564,556) | $ (84,638) ** | $ (870,498) | $ (724,463) | $ (817,539) | $ (698,204) | $ (771,971) | $(1,386,442) | $ (730,031) | $ (812,877) |

**Changes in Net Position**
**Last Ten Calendar Years**
(Accrual Basis of Accounting)
(Unaudited)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Revenues & Other Changes in Net Position** | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property Tax | $ 117,358 | $ 120,133 | $ 117,729 | $ 120,235 | $ 156,170 | $ 158,067 | $ 206,672 | $ 196,056 | $ 245,313 | $ 199,200 |
| Sales and Use Tax | 430,901 | 448,313 | 531,347 | 724,941 | 832,836 | 1,136,214 | 1,366,270 | 1,233,964 | 1,288,378 | 1,342,398 |
| Franchise Tax | 57,229 | 56,710 | 58,897 | 58,971 | 57,754 | 56,420 | 58,448 | 110,218 | 58,285 | 586 |
| Other Taxes | 36,697 | 16,921 | 13,096 | 17,301 | 8,684 | 8,524 | 151,661 | 99,568 | 95,242 | 128,640 |
| Miscellaneous | 81,486 | 84,423 | 30,486 | 45,744 | 4,442 | 28,550 | 75,314 | 80,736 | 72,127 | 82,867 |
| Earnings on Investments | 7,803 | 8,809 | 16,429 | 24,171 | 14,001 | 8,917 | 25,604 | 165,348 | 201,775 | 190,484 |
| Sales of Assets | - | - | (409) | - | - | - | 19,851 | - | - | 46,152 |
| Transfers | (98,470) | (276,637) | 45,810 | 16,745 | 62,151 | 62,150 | (35,997) | - | - | - |
| Total Governmental Activities | $ 633,004 | $ 458,672 | $ 813,385 | $ 1,008,108 | $ 1,136,038 | $ 1,458,842 | $ 1,867,823 | $ 1,885,890 | $ 1,961,120 | $ 1,990,327 |
| Business-Type Activities | | | | | | | | | | |
| Miscellaneous | 5,225 | 6,292 | - | - | 90,927 | 11,429 | 5,000 | 100 | 22,975 | 1,024 |
| Earnings on Investments | 2 | - | 12,776 | 14,737 | 4,589 | 452 | 11,264 | 34,746 | 37,173 | 31,868 |
| Sales of Assets | - | 502,516 | 15,000 | 105,500 | - | - | 11,215 | 42 | 4,159 | 11,565 |
| Proceeds from Debt Forgiveness | - | - | - | - | - | - | - | - | - | 3,000,000 |
| Transfers | 98,470 | 276,637 | (45,810) | (16,745) | (62,150) | (62,150) | 35,997 | - | - | - |
| Total Business-Type Activities | 103,697 | 785,445 | (18,034) | 103,492 | 33,366 | (50,269) | 63,476 | 34,888 | 64,307 | 3,044,457 |
| Total Primary Government | 736,701 | 1,244,117 | 795,351 | 1,111,600 | 1,169,404 | 1,408,573 | 1,931,299 | 1,920,778 | 2,025,427 | 5,034,784 |
| **Changes in Net Posision** | | | | | | | | | | |
| Governmental Activities | 67,146 | 136,543 | 199,662 | 322,301 | 288,785 | 525,253 | 796,280 | 19,353 | 499,945 | 402,481 |
| Business-Type Actitivites | 104,999 | 1,022,935 | (274,809) | 64,836 | 63,080 | 185,116 | 363,048 | 514,983 | 795,451 | 4,221,907 |
| Total Primary Government | $ 172,145 | $ 1,159,478 | $ (75,147) | $ 387,137 | $ 351,865 | $ 710,369 | $ 1,159,328 | $ 534,336 | $ 1,295,396 | $ 4,624,388 |

Sources: Current and Prior Years' Statement of Activities

** In FY-2015 & FY-2016 Trash was reported as part of the sewer enterprise, this error was corrected in FY-2017*

*** FY-2017 Financial Statements were off by $1.00 the correct total is accurately displayed in this schedule*

## Fund Balances of Governmental Funds

**Fund Balances of Governmental Funds**
**Last Ten Calendar Years**
(Modified Accrual Basis of Accounting)
(Unaudited)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Fund** | | | | | | | | | | |
| Reserved/Restricted | $ 671,441 | $ 624,502 | $ 187,574 | $ 185,853 | $ 230,735 | $ 281,896 | $ 281,896 | $ 281,945 | $ 298,217 | $ 298,217 |
| Unreserved/Unassigned | (492,654) | (421,738) | 148,710 | 321,226 | 332,793 | 698,846 | 1,162,356 | 909,507 | 752,493 | 869,067 |
| Total General Fund | $ 178,787 | $ 202,764 | $ 336,284 | $ 507,079 | $ 563,528 | $ 980,742 | $ 1,444,252 | $ 1,191,452 | $ 1,050,710 | $ 1,167,284 |
| **Sales Tax Capital Improvement Fund** | | | | | | | | | | |
| Reserved/Restricted | $ 338,969 | $ 354,942 | $ 296,990 | $ 338,150 | $ 343,907 | $ 468,047 | $ 468,047 | $ 468,047 | $ 468,047 | $ 468,047 |
| Unreserved/Unassigned | - | - | - | - | - | - | 173,498 | 90,084 | 378,961 | 679,491 |
| Total Sales Tax Capital Improvement Fund | $ 338,969 | $ 354,942 | $ 296,990 | $ 338,150 | $ 343,907 | $ 468,047 | $ 641,545 | $ 558,131 | $ 847,008 | $ 1,147,538 |
| **Non-Major Funds** | | | | | | | | | | |
| Street Fund | | | | | | | | | | |
| Reserved/Restricted | $ - | $ - | $ 19,416 | $ 90,775 | $ 53,877 | $ 141,777 | $ - | $ - | $ 1,032,032 | $ 1,105,167 |
| Unreserved/Unassigned | - | - | - | - | - | - | 300,552 | 938,482 | - | - |
| Conservation Trust Fund | | | | | | | | | | |
| Reserved/Restricted | 14,941 | 18,905 | - | 1,317 | 8,311 | 17,232 | - | - | 39,033 | 17,636 |
| Unreserved/Unassigned | - | - | - | - | - | - | 21,681 | 22,730 | - | - |
| Sidewalk Fund | | | | | | | | | | |
| Reserved/Restricted | 888 | 18,498 | 3,659 | 19,763 | 2,852 | 33,042 | - | - | 123,623 | 154,013 |
| Unreserved/Unassigned | - | - | - | - | - | - | 63,218 | 93,344 | - | - |
| Grant Project Fund | | | | | | | | | | |
| Reserved/Restricted | - | 37,410 | 29,219 | 13,124 | 13,165 | - | - | - | - | - |
| Total Non-Major Funds | $ 15,829 | $ 74,813 | $ 52,294 | $ 124,979 | $ 78,205 | $ 192,051 | $ 385,451 | $ 1,054,556 | $ 1,194,688 | $ 1,276,816 |
| Total General Fund + Sales Tax Capital Improvement Fund + Non-Major Funds, Fund Balance | $ 533,585 | $ 632,519 | $ 685,568 | $ 970,208 | $ 985,640 | $ 1,640,840 | $ 2,471,248 | $ 2,804,139 | $ 3,092,406 | $ 3,591,638 |

*Sources: The information for this table was obtained from the Balance Sheet Governmental Funds and the Balance Sheet Nonmajor Governmental Funds*

The schedule above presents the fund balances of the Town of Paonia's governmental funds over the last ten calendar years, reported using the modified accrual basis of accounting. Fund balance classifications distinguish the availability of resources for future spending and the extent to which funds are legally or contractually restricted.

The fund balance for each major governmental fund is categorized into reserved/restricted and unreserved/unassigned components. Reserved or restricted balances represent resources constrained for specific purposes by external parties or enabling legislation, while unreserved or unassigned balances are available for general spending and provide insight into fiscal flexibility.

The General Fund, which serves as the Town's primary operating fund, has demonstrated sustained improvement in financial condition over the ten-year period. The General Fund's total fund balance increased from $178,787 in 2016 to $1,167,284 in 2025. The 2025 balance included $298,217 reported as restricted and $869,067 reported as unassigned, providing the Town with a stronger operating cushion than at the beginning of the ten-year period.

The Sales Tax Capital Improvement Fund supports voter-authorized capital purposes. Its total fund balance increased to $1,147,538 in 2025, consisting of $468,047 reported as restricted and $679,491 reported as unassigned in the worksheet. The classification of these resources should continue to be evaluated in relation to the voter authorization and applicable accounting guidance.

The non-major governmental funds, including the Street Fund, Conservation Trust Fund, Sidewalk Fund, and Grant Project Fund, totaled $1,276,816 at year-end 2025. The Street Fund represented the largest component at $1,105,167, reflecting the accumulation of resources dedicated to transportation and related

infrastructure needs. The remaining balances consisted of $17,636 in the Conservation Trust Fund and $154,013 in the Sidewalk Fund. The Grant Project Fund reported no year-end balance.

Taken together, the combined fund balance of the General Fund, Sales Tax Capital Improvement Fund, and non-major governmental funds increased from $533,585 in 2016 to $3,591,638 in 2025. The $499,232 increase during 2025 marked a sixth consecutive year of governmental fund balance growth.

This schedule supports users of the financial statements, including elected officials, staff, credit rating agencies, and residents, in evaluating the Town's ability to respond to emergencies, invest in priorities, and maintain fiscal discipline in alignment with its long-range planning objectives.

Because the Town has received voter authorization to retain and spend revenues without regard to TABOR's revenue limitation, growth in governmental fund balances does not, by itself, indicate a requirement to refund or immediately expend those resources. Nevertheless, the Town should continue to evaluate available fund balances in relation to formally established reserve needs, planned capital improvements, operating stability, and other legal or contractual restrictions. Where balances are legally available and exceed amounts needed for these purposes, the Town should consider their planned and responsible use for appropriate governmental activities, including continued investment in machinery, equipment, technology, facility improvements, and personnel training. These investments can strengthen service delivery, address deferred operational needs, improve employee safety and effectiveness, and reduce the likelihood of larger future expenditures. All uses of fund balance remain subject to appropriation, applicable fund restrictions, procurement requirements, and other provisions of law.

The schedule above supports users of the financial statements, such as elected officials, staff, credit rating agencies, and residents, in evaluating the Town's ability to respond to emergencies, invest in priorities, and maintain fiscal discipline in alignment with its long-range planning objectives.

**Changes in Fund Balances of Governmental Funds**

The schedule below presents the changes in fund balances of the Town of Paonia's governmental funds for the past ten calendar years, using the modified accrual basis of accounting. It provides a comprehensive view of the Town's operating results and fiscal trends by detailing revenues, expenditures, and other financing sources and uses that have impacted fund balances over time.

Governmental fund revenues totaled $2,174,415 in 2025. Taxes remained the largest source at $1,294,141. Capital Improvement Sales Tax contributed $300,530, investment income contributed $190,453, and the Marijuana Occupational Tax contributed $73,135. Intergovernmental revenue declined from $579,183 in 2024 to $95,018 in 2025 because grant receipts vary with project timing.

Intergovernmental and grant revenues fluctuate substantially from year to year based on project schedules, reimbursement timing, and the availability of state and federal awards. Investment income remained elevated in 2025 at $190,453 due to interest rates and the Town's cash balances, while recurring local revenues continued to provide the principal support for governmental operations.

Governmental fund expenditures totaled $1,675,183 in 2025. Public safety was the largest current expenditure at $828,956, followed by public works at $341,076, culture and recreation at $153,601, and general government at $103,249. Capital outlay totaled $248,301.

The Town's expenditures reflect continued investment in governmental operations and capital assets rather than spending undertaken without a defined public purpose. Governmental funds reported $248,301 in capital outlay during 2025, including expenditures intended to maintain or improve the equipment, facilities, infrastructure, and other assets used to provide municipal services. At the same time, governmental fund balance increased by $499,232 to $3,591,638, demonstrating that these investments were made while preserving and strengthening the Town's overall financial position. As available fund balance continues to grow, the Town should evaluate additional planned investments in machinery, equipment, technology, infrastructure, and personnel training where those expenditures improve service delivery, employee effectiveness, safety, or long-term operating efficiency.

The Town reported a $499,232 increase in governmental fund balances during 2025, compared with an increase of $288,267 in 2024. The 2025 result reflected revenues exceeding expenditures without reliance on new debt proceeds or net interfund transfers.

Other financing activity was limited in 2025, with no reported proceeds from debt, insurance, or asset sales and no transfers in or out. This continues the recent pattern of financing governmental operations and capital activity primarily through current revenues, accumulated fund balance, and grant resources.

Overall, this table illustrates the Town's evolving fiscal environment, highlighting both long-term financial trends and the responsiveness of its budget to emerging community needs and policy initiatives. The continued growth in fund balances reflects the Town's ability to make targeted investments while maintaining financial flexibility and preserving resources for future capital, operational, and service-delivery needs.

CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS SCHEDULE

IS SHOWN ON NEXT PAGE

**Changes in Fund Balances of Governmental Funds**
**Last Ten Calendar Years**
(Modified Accrual Basis of Accounting)
(Unaudited)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | |
| Taxes | $ 410,521 | $ 425,135 | $ 503,337 | $ 639,595 | $ 786,978 | $ 1,052,830 | $ 1,321,919 | $ 1,269,394 | $ 830,009 | $ 1,294,141 |
| Fees and Fines | 18,632 | 16,923 | 23,283 | 60,130 | 36,219 | 29,156 | 6,618 | 10,876 | 17,409 | 16,508 |
| Licenses & Permits | 22,199 | 50,420 | 39,280 | 42,190 | 34,352 | 43,358 | 50,335 | 48,285 | 58,208 | 40,384 |
| Intergovernmental | 96,702 | 77,261 | 91,295 | 146,179 | 157,497 | 241,871 | 166,512 | 142,037 | 579,183 | 95,018 |
| Miscellaneous | 86,866 | 86,341 | 79,433 | 113,942 | 54,018 | 69,357 | 87,515 | 73,086 | 71,538 | 125,070 |
| Capital Improvement Sales Tax | 145,258 | 151,684 | 151,973 | 188,428 | 222,605 | 243,248 | 309,947 | 292,780 | 288,877 | 300,530 |
| Investment Income | - | - | 16,331 | 23,975 | 13,956 | 8,901 | 25,591 | 165,337 | 201,756 | 190,453 |
| Non-Major Funds: | | | | | | | | | | |
| Grant Project Fund | 113,124 | 261,351 | 32,708 | 12,642 | 41 | - | - | - | - | - |
| Sidewalk Fund | 29,479 | 29,950 | 30,435 | 30,772 | 31,054 | 30,745 | 30,176 | 30,126 | 30,279 | 30,390 |
| Conservation Trust Fund | 9,239 | 8,186 | 8,587 | 8,217 | 7,594 | 9,021 | 9,273 | 3,049 | 16,303 | 8,786 |
| Street Fund | - | - | 13,063 | 26,522 | - | 27,000 | 9,200 | 2,600 | - | - |
| * Marijuana Occupational Tax | - | - | - | - | - | 6,750 | 149,575 | 97,330 | 93,550 | 73,135 |
| Total General Fund | $ 932,020 | $ 1,107,251 | $ 989,725 | $ 1,292,592 | $ 1,344,314 | $ 1,762,237 | $ 2,166,661 | $ 2,134,900 | $ 2,187,112 | $ 2,174,415 |

* *Marijuana Occuptational Sales Tax was passed after a Special Election on 11/3/2020 with an effective date of 8/18/202*

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Expenditures** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | $ 210,071 | $ 213,095 | $ 254,250 | $ 254,268 | $ 396,988 | $ 278,374 | $ 316,743 | $ 591,474 | $ 255,907 | $ 103,249 |
| Public Safety | 232,819 | 241,694 | 277,875 | 321,449 | 335,270 | 450,674 | 538,494 | 676,742 | 787,596 | 828,956 |
| Public Works | 56,579 | 56,901 | 79,690 | 151,869 | 184,131 | 158,510 | 201,872 | 296,187 | 392,696 | 341,076 |
| Culture and Recreation | 71,230 | 75,987 | 88,867 | 158,946 | 110,302 | 136,223 | 142,695 | 169,662 | 190,139 | 153,601 |
| Debt Services | | | | | | | | | | |
| Principal | - | 20,106 | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Capital Outlay | 106,682 | 1,907,777 | 299,379 | 138,165 | 364,342 | 145,406 | 100,452 | 67,944 | 272,507 | 248,301 |
| Total Expenditures | $ 677,381 ** | $ 2,515,560 | $ 1,000,061 | $ 1,024,697 | $ 1,391,033 | $ 1,169,187 | $ 1,300,256 | $ 1,802,009 | $ 1,898,845 | $ 1,675,183 |

**FY-2017 Financial Statements had a $1 rounding error, this schedule is correctly calculated

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 254,639 | (1,408,309) | (10,336) | 267,895 | (46,719) | 593,050 | 866,405 | 332,891 | 288,267 | 499,232 |
| **Other Financing Sources (Uses)** | | | | | | | | | | |
| Proceeds from Insurance, Bond, Loan, or Credit | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Premiums on Bonds | - | - | - | - | - | - | - | - | - | - |
| Payments on Principal, Line of Credit | (797,605) | - | - | - | - | - | - | - | - | - |
| Proceeds from Sale of Assets | - | - | - | - | - | - | - | - | - | - |
| Transfers in | 11,372 | 1,555,501 | 45,810 | 44,837 | 62,151 | 62,150 | 100 | 538,000 | - | - |
| Transfers Out | (109,842) | (36,787) | - | (28,092) | - | - | (36,097) | (538,000) | - | - |
| Total Other Financing Sources (Uses) | $ (896,075) | $ 1,518,714 | $ 45,810 | $ 16,745 | $ 62,151 | $ 62,150 | $ (35,997) | $ - | $ - | $ - |
| **Net Change in Fund Balances** | $ (641,436) | $ 110,405 | $ 35,474 | $ 284,640 | $ 15,432 | $ 655,200 | $ 830,408 | $ 332,891 | $ 288,267 | $ 499,232 |

*Sources: The information for this table was obtained from the Statement of Revenue, Expenditure, and Changes in Fund*

* *Marijuana Occuptational Sales Tax was passed after a Special Election on 11/3/2020 with an effective date of 8/18/2021*

**Ratio of Total Debt Service Expenditures to Noncapital Expenditures**

The schedule shown on the next page presents the ratio of total debt service expenditures to noncapital expenditures for the Town of Paonia's governmental funds for the last ten calendar years. The calculation follows the methodology prescribed by GASB Codification Section 2800.111b, footnote 5, which defines the ratio as total debt service expenditures divided by total expenditures less capital outlay. This metric provides insight into the Town's reliance on debt in relation to its annual operational spending.

Debt service expenditures were not a significant component of governmental fund spending during the ten-year period. The only reported governmental debt service expenditure was $20,106 in 2017, resulting in a debt-service-to-noncapital-expenditures ratio of 3.31%. All other years reported no debt service activity, reflecting the Town's limited reliance on debt financing during this period. The ratio was again 0.00% in 2025 because no governmental fund debt service expenditures were reported.

The absence of governmental fund debt service does not mean that the Town has no outstanding debt. It means that no debt-service expenditures were reported in the Town's governmental funds for 2025. Debt issued for general governmental purposes would ordinarily be repaid from revenues available to the municipal government, including property taxes imposed on taxable property within Paonia's incorporated limits and municipal sales taxes generated by transactions assigned to the Town's taxing jurisdiction. These revenues are generally associated with residents, property owners, businesses, and taxable activity occurring within the incorporated Town.

A Paonia mailing address does not, by itself, establish that a property or transaction is located within the Town's municipal boundaries. Properties in unincorporated Delta County may use a Paonia postal address while remaining outside the incorporated Town limits. Similarly, sales tax on delivered purchases, including internet and home-delivery transactions, is generally assigned according to the applicable delivery location and taxing jurisdiction. As a result, a purchase delivered to an address outside Paonia's incorporated limits would not ordinarily generate Paonia municipal sales tax solely because the mailing address lists Paonia. Residents and businesses outside the incorporated limits therefore do not generally contribute property tax or municipal sales-tax revenue toward repayment of debt issued for the Town's general governmental purposes.

The Town's water utility debt is fundamentally different. It is enterprise debt associated with the operation, maintenance, and improvement of the water system and is accounted for within the Town's business-type activities. Repayment is supported by water-system revenues, including service charges, utility rates, and charges based on water usage. These revenues are paid by all customers served by the water system, including customers located within the incorporated Town and customers located outside the Town limits.

Customers outside the incorporated limits contribute toward the costs and obligations of the water system through the rates and charges they pay for utility service, rather than through Paonia property taxes or municipal sales taxes. This distinction is important because the financial responsibility for enterprise debt follows the users of the utility system, while the financial responsibility for debt issued for general governmental purposes generally rests with the Town's municipal revenue base. Accordingly, water utility debt and its related debt service are not included in this governmental-fund debt-service ratio.

SCHEDULE DISCUSSED ABOVE IS ON THE NEXT PAGE

| Calendar Year | Debt Service Expenditures | Total Expenditures | Capital Outlay | Noncapital Expenditures | Debt Service to Noncapital Expenditures Ratio |
|---|---|---|---|---|---|
| 2015 | $0 | $726,016 | $38,834 | $687,182 | 0.00% |
| 2016 | $0 | $677,381 | $106,682 | $570,699 | 0.00% |
| 2017 | $20,106 | $2,515,560 | $1,907,777 | $607,783 | 3.31% |
| 2018 | $0 | $1,000,061 | $299,379 | $700,682 | 0.00% |
| 2019 | $0 | $1,024,697 | $138,165 | $886,532 | 0.00% |
| 2020 | $0 | $1,391,033 | $364,342 | $1,026,691 | 0.00% |
| 2021 | $0 | $1,169,187 | $145,406 | $1,023,781 | 0.00% |
| 2022 | $0 | $1,300,256 | $100,452 | $1,199,804 | 0.00% |
| 2023 | $0 | $1,802,009 | $67,944 | $1,734,065 | 0.00% |
| 2024 | $0 | $1,898,845 | $272,507 | $1,626,338 | 0.00% |
| 2025 | $0 | $1,675,183 | $248,301 | $1,426,882 | 0.00% |

*Note: Noncapital expenditures are calculated as total expenditures less capital outlay. Debt service expenditures include principal and interest payments as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances.*

## REVENUE CAPACITY INFORMATION

### Governmental Tax Revenues by Source

The table and graphic presented below shows the composition of the Town of Paonia's governmental tax revenues by source over the past ten calendar years, illustrating the relative significance and diversification of local tax funding. These figures are reported on an accrual basis and include property tax, sales and use tax, and other tax revenues, which consist primarily of franchise fees, automobile severance, and intergovernmental tax-related receipts.

Over the ten-year period, sales and use taxes consistently served as the Town's dominant governmental tax source. Collections increased from $524,827 in 2016 to $1,661,522 in 2025, an increase of $1,136,695, or 216.59%. In 2025, sales and use taxes represented 83.48% of total governmental tax revenue. Collections reached a prior high of $1,576,379 in 2022, declined to $1,443,750 in 2023 and $1,441,905 in 2024, and then increased by $219,617 in 2025. This trend demonstrates the importance of consumption-based revenue to the Town's financial position and reflects taxable activity occurring within Paonia's municipal taxing jurisdiction.

Property tax revenue increased from $117,358 in 2016 to $199,200 in 2025, an increase of $81,842, or 69.74%. Property tax represented 10.01% of total governmental tax revenue in 2025. Although property tax collections declined from $245,313 in 2024, they continued to provide a comparatively stable revenue source alongside the Town's more economically sensitive sales and use taxes. The proportion of total governmental tax revenue generated by property tax decreased from 16.22% in 2016 to 10.01% in 2025, primarily because sales and use tax collections grew at a substantially faster rate.

Other governmental taxes totaled $129,605 in 2025, representing 6.51% of total governmental tax revenue. This was the highest amount reported in this category during the ten-year period and represented an increase of $57,478 from the $72,127 reported in 2024. These revenues fluctuate more significantly from year to year because they include several sources that are affected by economic activity, distributions from other governments, asset transactions, and the accounting classification of individual receipts.

Overall, total governmental tax revenue increased from $723,671 in 2016 to $1,990,327 in 2025, an increase of $1,266,656, or 175.03%. Total governmental tax revenue increased by $230,982 from the $1,759,345 reported in 2024. The ten-year growth was driven primarily by sales and use tax collections, including the Town's capital improvement sales tax, while property tax and other governmental taxes continued to provide diversification within the Town's revenue base.

The Town's increasing reliance on sales and use taxes provides substantial support for governmental operations and capital improvements, but it also makes a significant portion of the revenue base more responsive to changes in consumer spending and broader economic conditions. Property tax and other governmental taxes provide additional stability and reduce the Town's dependence on a single revenue source.

This historical trend data assists elected officials, staff, residents, creditors, and other stakeholders in evaluating revenue performance, economic resilience, the composition of the Town's tax base, and its capacity to maintain fiscal stability across economic cycles.

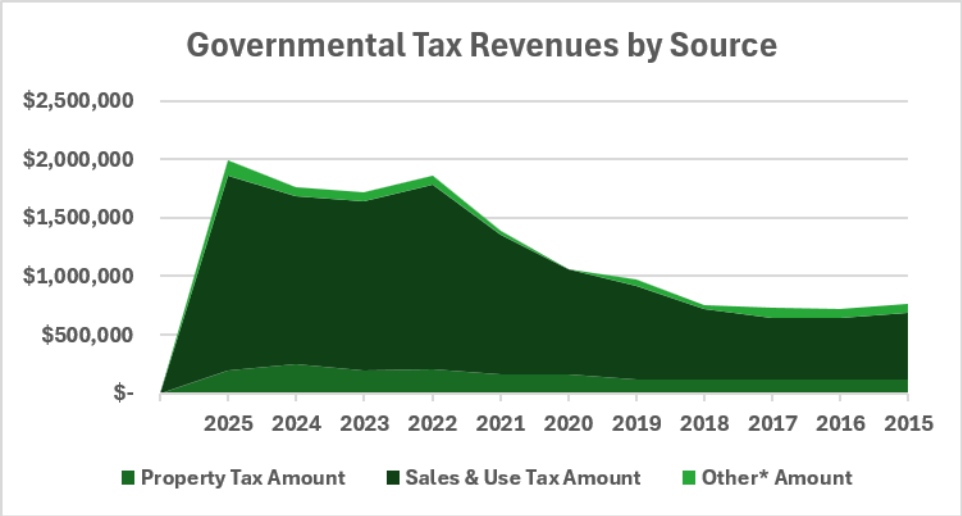
**Governmental Tax Revenues by Source**
**Last Ten Calendar Years**
(Unaudited)

| | Property Tax | | Sales & Use Tax | | Other* | | Total Governmental Tax Revenue |
|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount |
| 2025 | $ 199,200 | 10% | $ 1,661,522 | 83% | $ 129,605 | 7% | $ 1,990,327 |
| 2024 | 245,313 | 14% | 1,441,905 | 82% | 72,127 | 4% | 1,759,345 |
| 2023 | 196,056 | 11% | 1,443,750 | 84% | 80,736 | 5% | $ 1,720,542 |
| 2022 | 206,672 | 11% | 1,576,379 | 85% | 75,314 | 4% | $ 1,858,365 |
| 2021 | 158,067 | 11% | 1,201,158 | 87% | 28,550 | 2% | $ 1,387,775 |
| 2020 | 156,170 | 15% | 899,274 | 85% | 4,442 | 0% | $ 1,059,886 |
| 2019 | 120,235 | 12% | 801,213 | 83% | 45,744 | 5% | $ 967,192 |
| 2018 | 117,729 | 16% | 603,340 | 80% | 30,486 | 4% | $ 751,555 |
| 2017 | 120,133 | 17% | 521,944 | 72% | 84,423 | 12% | $ 726,500 |
| 2016 | 117,358 | 16% | 524,827 | 73% | 81,486 | 11% | $ 723,671 |
| 2015 | 115,016 | 15% | 569,444 | 74% | 81,285 | 11% | $ 765,745 |

** This category includes franchise fees, auto severance, Proceeds from Sale of Assets, and Intergovernmental*

*Sources: Statement of Activities*

The schedule and accompanying graphic demonstrate both the growth and changing composition of the Town's governmental tax revenues over the ten-year period. Total governmental tax revenue increased from $765,745 in 2015 to $1,990,327 in 2025, with sales and use taxes accounting for the substantial majority of that growth. The visualization shows the sharp increase in total tax revenue beginning after 2018, the continued expansion through 2022, a moderate decline in 2023 and 2024, and a renewed increase to the highest level in the period during 2025.




Sales and use taxes remained the dominant component throughout the period and represented 83% of total governmental tax revenue in 2025. Property tax provided a smaller but comparatively stable source of revenue, while other governmental taxes fluctuated more significantly from year to year. Together, the schedule and graphic illustrate that the Town's governmental revenue capacity has strengthened considerably, while also showing that the Town remains substantially dependent on consumption-based taxes and therefore exposed to changes in retail activity and broader economic conditions.

## Direct and Overlapping Sales Tax Rates

**Direct and Overlapping Sales Tax rates**
**Last Ten Calendar Years**
(Unaudited)

| | Town of Paonia Direct Sales Tax rate | Delta County | Delta County Public Safety Improvements | Delta County Health Services District | State of Colorado | Combined Direct & Overlapping Sales Tax rates |
|---|---|---|---|---|---|---|
| 2025 | 3% | 2% | 0.80% | 0.80% | 2.90% | 9.50% |
| 2024 | 3% | 2% | 0.80% | 0.80% | 2.90% | 9.50% |
| 2023 | 3% | 2% | 0.80% | 0.80% | 2.90% | 9.50% |
| 2022 | 3% | 2% | 0.80% | 0.80% | 2.90% | 9.50% |
| 2021 | 3% | 2% | 0.80% | 0.00% | 2.90% | 8.70% |
| 2020 | 3% | 2% | 0.00% | 0.00% | 2.90% | 7.90% |
| 2019 | 3% | 2% | 0.00% | 0.00% | 2.90% | 7.90% |
| *2018 | 3% | 2% | 0.00% | 0.00% | 2.90% | 7.90% |
| 2017 | 2% | 2% | 0.00% | 0.00% | 2.90% | 6.90% |
| 2016 | 2% | 2% | 0.00% | 0.00% | 2.90% | 6.90% |
| 2015 | 2% | 2% | 0.00% | 0.00% | 2.90% | 6.90% |

** Ordinance 92-02 raised the Sales Tax to 2% and Ordinance 2018-02 Raised the Sales Tax to 3% effective July 1, 2018*

The table above presents the Town of Paonia's direct sales tax rate in combination with overlapping sales tax rates levied by Delta County, the Delta County Public Safety Improvements district, the Delta County Health Services District, and the State of Colorado over the past ten calendar years. The combined rate reflects the total sales tax burden on taxable goods and services within the Town of Paonia.

The Town of Paonia's direct sales tax rate was held at 2.00% from 2015 through mid-2018. Effective July 1, 2018, the rate increased to 3.00% following the adoption of Ordinance 2018-02. This increase marked a strategic effort to enhance local revenue for capital improvement projects. Concurrently, Delta County has maintained a stable sales tax rate of 2.00% throughout the ten-year period.

The Delta County Public Safety Improvements sales tax and Delta County Health Services District sales tax remained in effect during 2025. Together with the Town, County, and State rates, the combined direct and overlapping sales tax rate remained 9.50% in 2025.

The State of Colorado’s sales tax rate remained constant at 2.90% for the entire period. These overlapping tax rates contribute to funding essential services at the municipal, county, and state levels. Monitoring these changes is critical to understanding the tax environment and fiscal capacity of the community.

## Assessed and Estimated Actual Value of Taxable Property

**Assessed and Estimated Actual Value of Taxable Property**
**Last Ten Calendar Years**
(Unaudited)

| | Delta County Assessed Value | Estimated Actual Value | Ratio of Assessed Value to Actual Value | Levy Year | Direct Millage (Tax) Rate | Delta County of Total AV |
|---|---|---|---|---|---|---|
| 2025 | $ 23,432,252 | $ 274,789,883 | 9% | 2024 | 8.322 | 6.49% |
| 2024 | $ 19,142,855 | $ 207,383,847 | 9% | 2023 | 8.322 | 4.90% |
| 2023 | $ 19,222,154 | $ 206,490,156 | 9% | 2022 | 8.322 | 4.95% |
| 2022 | $ 17,605,465 | $ 176,869,702 | 10% | 2021 | 8.322 | 5.04% |
| 2021 | $ 17,979,678 | $ 175,378,702 | 10% | 2020 | 8.322 | 5.10% |
| 2020 | $ 16,114,704 | $ 154,426,655 | 10% | 2019 | 8.322 | 5.30% |
| 2019 | $ 15,989,348 | $ 152,575,516 | 10% | 2018 | 8.322 | 5.33% |
| 2018 | $ 12,073,777 | $ 111,602,879 | 11% | 2017 | 8.322 | 4.61% |
| 2017 | $ 11,977,020 | $ 110,248,051 | 11% | 2016 | 8.322 | 4.62% |
| 2016 | $ 12,290,035 | $ 107,260,462 | 11% | 2015 | 8.322 | 4.76% |
| 2015 | $ 12,320,386 | $ 106,897,228 | 12% | 2014 | 8.322 | 4.76% |

The schedule above presents the assessed value and estimated actual value of taxable property within the Town of Paonia for the last ten calendar years. The Delta County Assessor determines taxable value in accordance with Colorado law by applying state-established assessment rates and valuation provisions to the actual value of property. The relationship between assessed value and actual value may vary over time based on property classifications, reassessment cycles, changes in the local tax base, and revisions to state assessment requirements.

From 2016 through 2025, the Town experienced substantial growth in both assessed value and estimated actual value. Assessed value increased from $12,290,035 in 2016 to $23,432,252 in 2025, an increase of $11,142,217, or 90.66%. Estimated actual value increased from $107,260,462 to $274,789,883, an increase of $167,529,421, or 156.18%.

The ratio of assessed value to estimated actual value declined from 11% in 2016 to 9% in 2025. This change reflects the combined effect of changes in the composition of taxable property and the assessment rates and valuation provisions established by the State of Colorado. Because assessed value represents only a portion of actual value, increases in the estimated market value of property do not necessarily result in proportionate increases in taxable assessed value.

The Town's direct property-tax rate remained unchanged at 8.322 mills throughout the period presented. Maintaining a consistent mill levy provides property owners with a predictable municipal tax rate while allowing the amount of the annual levy to change in response to taxable assessed value. The schedule therefore demonstrates that growth in the Town's property-tax base resulted from changes in valuation rather than an increase in the Town's direct mill levy.

The Town's assessed value as a percentage of Delta County's total assessed value increased from 4.76% in 2016 to 6.49% in 2025. The 2025 percentage was the highest reported during the period and increased from

4.90% in 2024. This indicates that the value of taxable property within Paonia grew more rapidly than the countywide tax base during the most recent year presented.

Future Town leaders should continue to provide complete and timely building-permit information to the Delta County Assessor so that new construction, additions, renovations, and other property improvements can be identified and evaluated fairly and accurately.

The County Assessor, rather than the Town, is responsible for determining assessed value. Nevertheless, reliable permit records help support complete property information, equitable treatment among property owners, and an accurate municipal tax base. When required permits are not obtained or permit information is not transmitted, improvements may not be reflected promptly in the property record. This can reduce the accuracy of assessed valuations and shift a greater share of the tax burden to properties that are properly documented. Maintaining adequate staffing, procedures, enforcement practices, and employee training for building-code administration and permit reporting should therefore remain an important component of the Town's long-range financial and operational planning.

Overall, the schedule illustrates significant long-term growth in the value of taxable property within the Town while also demonstrating the effect of declining assessment ratios and an unchanged municipal mill levy. This information assists readers in evaluating the size and composition of the Town's property-tax base, its relationship to the broader county tax base, and the potential capacity of property taxes to support governmental services.

**Direct and Overlapping Property Tax Rates**

This schedule presents the direct property-tax rate imposed by the Town of Paonia and the rates imposed by other governmental entities whose taxing boundaries overlap property located within the Town. Property owners within Paonia pay the Town's direct mill levy in addition to the applicable levies of Delta County, the Delta County School District, and various special districts that provide education, emergency services, health care, recreation, library, water-conservation, and other regional services.

Throughout the reporting period from 2016 through 2025, the Town of Paonia's direct mill levy remained stable. The schedule reports a Town rate of 8.346 mills in 2016 and 8.322 mills from 2017 through 2025. This consistency reflects a predictable municipal property-tax structure and the Town's continued management of services supported by General Fund revenues.

In addition to the Town's direct levy, the total property-tax rate applicable to in-town properties includes mill levies imposed by the Delta County School District, Delta County, the Paonia Cemetery District, Fire District No. 2, the North Fork Water Conservation District, the Colorado River Water Conservation District, the North Fork Mosquito Abatement District, Delta County Memorial Hospital, the North Fork Ambulance District, the North Fork Pool, Park and Recreation District, the Delta County Library District, county and Paonia road-and-bridge shares, and Delta County Economic Development.

The combined direct and overlapping property-tax rate increased from 64.062 mills in 2016 to 73.322 mills in 2025, an increase of 9.260 mills, or 14.45%. The combined rate fluctuated during the period as overlapping governments adjusted their levies in response to voter authorizations, assessed valuation, debt obligations, operating requirements, capital needs, and changes in state law. The highest combined rate during the ten-year period was 73.847 mills in 2018. The combined rate was 73.322 mills in both 2024 and 2025.

In 2025, the Town's 8.322-mill levy represented 11.35% of the total property-tax rate imposed on taxable property within Paonia. The Delta County School District imposed 30.643 mills, representing 41.79% of the total; Delta County imposed 14.634 mills, representing 19.96%; and all remaining overlapping jurisdictions collectively imposed 19.723 mills, representing 26.90%.

The accompanying graphic illustrates that the Town controls only a relatively small portion of the total property-tax rate paid by property owners within Paonia. The majority of the combined rate supports schools, county government, emergency response, health care, recreation, library services, conservation districts, and other regional functions administered by separate governmental entities.

The Town establishes only its own direct mill levy and does not control the rates imposed by overlapping governments. The Town's relatively stable direct levy has provided predictability for municipal taxpayers while balancing the broader property-tax burden imposed by other service providers. Monitoring direct and overlapping rates is important when evaluating the cumulative financial effect on property owners and the distribution of property-tax support among municipal, county, school, emergency-service, health-care, recreation, library, and other regional functions.

**Property Tax Rates Direct and Overlapping Governments**
**Last Ten Calendar Years**
(Unaudited)

| Fiscal Year Ended December 31, | Paonia Millage (Tax) Rate | Delta County School District | Delta County | Paonia Cemetery Disctrict | Fire District #2 | North Fork Water Conservation District | Colorado River Conservation District | North Fork Mosquito Abatement | Delta County Memorial Hospital |
|---|---|---|---|---|---|---|---|---|---|
| 2025 | 8.322 | 30.643 | 14.634 | 0.833 | 3.055 | 0.561 | 0.501 | 1.802 | 0.788 |
| 2024 | 8.322 | 30.643 | 14.634 | 0.833 | 3.055 | 0.561 | 0.501 | 1.802 | 0.788 |
| 2023 | 8.322 | 29.616 | 13.320 | 0.797 | 2.910 | 0.561 | 0.500 | 1.802 | 0.772 |
| 2022 | 8.322 | 29.113 | 14.318 | 0.906 | 3.350 | 0.561 | 0.501 | 1.802 | 0.856 |
| 2021 | 8.322 | 28.172 | 14.348 | 0.852 | 3.130 | 0.561 | 0.501 | 1.635 | 0.840 |
| 2020 | 8.322 | 27.647 | 15.583 | 0.863 | 3.159 | 0.561 | 0.502 | 1.676 | 0.932 |
| 2019 | 8.322 | 27.645 | 15.216 | 0.838 | 3.159 | 0.561 | 0.235 | 1.642 | 0.936 |
| 2018 | 8.322 | 28.277 | 16.687 | 0.919 | 3.500 | 0.561 | 0.256 | 1.802 | 0.985 |
| 2017 | 8.322 | 28.263 | 16.7003 | 0.919 | 3.500 | 0.561 | 0.254 | 1.802 | 0.985 |
| 2016 | 8.346 | 27.765 | 14.958 | 0.919 | 3.500 | 0.561 | 0.253 | 1.802 | 0.985 |
| 2015 | 8.322 | 27.386 | 14.653 | 0.919 | 3.500 | 0.561 | 0.243 | 1.802 | 0.967 |

**Property Tax Rates Direct and Overlapping Governments**
**Last Ten Calendar Years - Continued**
(Unaudited)

| North Fork Pool, Park and Recreation District | Delta County Library | County R&B 1/2 Shares | Paonia R&B 1/2 Shares | Delta County Economic Development | Total Tax Rate on In-Town Properties |
|---|---|---|---|---|---|
| 2.500 | 3.000 | 0.400 | 0.400 | 0.080 | 73.322 |
| 2.500 | 3.000 | 0.400 | 0.400 | 0.080 | 73.322 |
| 2.500 | 3.000 | 0.350 | 0.350 | 0.080 | 70.198 |
| 2.500 | 3.000 | 0.450 | 0.450 | 0.080 | 72.307 |
| 2.500 | 3.000 | 0.450 | 0.450 | 0.080 | 70.724 |
| 2.500 | 3.000 | 0.500 | 0.500 | 0.080 | 71.712 |
| 2.500 | 3.000 | 0.500 | 0.500 | 0.080 | 70.688 |
| 2.500 | 3.000 | 0.535 | 0.535 | 0.085 | 73.847 |
| 0.893 | 3.000 | 0.535 | 0.535 | 0.085 | 66.354 |
| 0.893 | 3.000 | 0.500 | 0.500 | 0.080 | 64.062 |
| 0.893 | 3.000 | 0.500 | 0.500 | 0.080 | 63.326 |

## Property Tax Levies and Collections

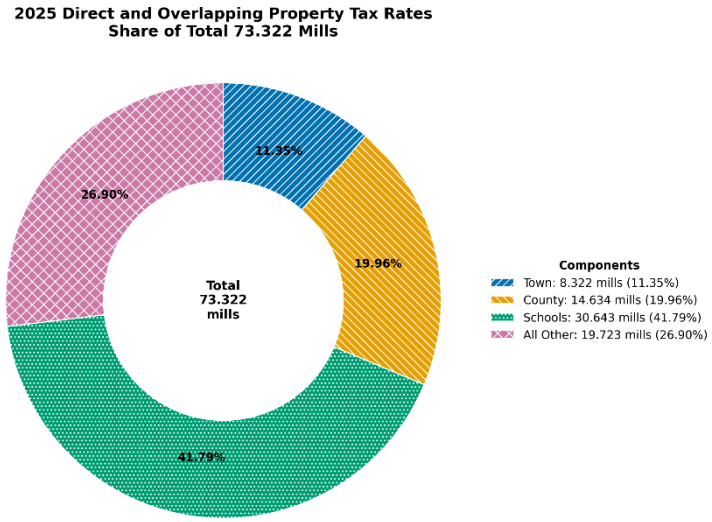
**Property Tax Levies and Collections**
**Last Ten Calendar Years**
(Unaudited)

| Fiscal Year Ended December 31, | Total Tax Levy for Fiscal Year | General Fund Collected | Percentage of Levy |
|---|---|---|---|
| 2025 | $ 195,004 | $ 190,444 | 97.66% |
| 2024 | 195,000 | 191,185 | 98.04% |
| 2023 | 146,513 | 146,817 | 100.21% |
| 2022 | 149,627 | 150,294 | 100.45% |
| 2021 | 134,107 | 134,101 | 100.00% |
| 2020 | 133,063 | 130,859 | 98.34% |
| 2019 | 100,477 | 100,298 | 99.82% |
| 2018 | 99,673 | 99,661 | 99.99% |
| 2017 | 102,278 | 102,170 | 99.89% |
| 2016 | 103,243 | 102,009 | 98.80% |
| 2015 | 100,128 | 99,925 | 99.80% |

**Source:** Town of Paonia property-tax levy and General Fund collection records.

**Note:** Collection percentages above 100% may result from delinquent taxes, prior-year collections, adjustments, interest, or differences in the timing of levy recognition and cash collection.

The schedule above provides a ten-year summary of the Town of Paonia's property-tax levies and collections for the General Fund. It presents the amount levied for each fiscal year, the corresponding collections received, and the percentage of the levy collected.




From 2016 through 2025, the Town's total property-tax levy increased from $103,243 to $195,004, an increase of $91,761, or 88.88%. General Fund property-tax collections increased from $102,009 in 2016 to $190,444 in 2025, an increase of $88,435, or 86.69%.

The Town maintained a consistently high collection rate throughout the period. Annual collections ranged from 97.66% to 100.45% of the levy. Collection percentages exceeding 100% in certain years may result from delinquent tax collections, prior-year receipts, adjustments, or differences between the timing of levy recognition and cash collection.

In 2025, the Town levied $195,004 and collected $190,444, representing a collection rate of 97.66%. Collections declined by $741 from the $191,185 collected in 2024, while the levy increased by only $4 from

$195,000 to $195,004. This occurred even though assessed value increased from $19,142,855 in 2024 to $23,432,252 in 2025.

The limited increase in the levy despite higher assessed value reflects, in part, state-established assessment rates, valuation reductions, exemptions, abatements, and other statutory provisions affecting the taxable value to which the Town's mill levy is applied. Growth in actual or assessed property value therefore does not necessarily result in proportionate growth in municipal property-tax revenue.

Property-tax revenue supports governmental services through the General Fund, subject to the annual budget and appropriation process. These revenues may support administration, public safety, streets and public works, parks and recreation, planning, code enforcement, municipal facilities, machinery and equipment, employee compensation and training, and other lawful governmental purposes. Unlike enterprise revenues, property taxes are not charges for a specific service and are generated from taxable property located within the Town's incorporated boundaries.

Future Town leaders should recognize the importance of consistent building-code enforcement, permit administration, and coordination with the Delta County Assessor. Requiring permits for work subject to the Town's adopted building codes helps document new construction, additions, renovations, and other improvements that may affect property value. The Town should continue providing complete and timely building-permit information to the County Assessor so that changes to property can be identified and evaluated fairly and accurately.

The Delta County Assessor, rather than the Town, is responsible for determining actual and assessed value. Nevertheless, reliable permit records support complete property information, equitable treatment among property owners, and an accurate municipal tax base. When required permits are not obtained or permit information is not transmitted, improvements may not be reflected promptly in the property record. This can reduce the accuracy of assessed valuations and shift a greater share of the tax burden to properties that are properly documented. Maintaining adequate staffing, procedures, enforcement practices, and employee training for building-code administration and permit reporting should therefore remain an important component of the Town's long-range financial and operational planning.

Reduced or stagnant property-tax revenue increases the Town's reliance on sales and use taxes to finance governmental operations. Sales and use taxes represented 83% of total governmental tax revenue in 2025, compared with 10% from property taxes. This revenue composition makes the General Fund more dependent on consumer spending and other economically sensitive activity, which may fluctuate more substantially than property-tax revenue.

Beginning January 1, 2026, marijuana occupational-tax revenue is deposited into the General Fund and was incorporated into the financing plan used to balance the Town's 2026 General Fund budget. That revenue source declined from $149,575 in 2022 to $97,330 in 2023, $93,550 in 2024, and $73,135 in 2025. The Town's reliance on sales taxes and marijuana occupational-tax revenue should therefore be evaluated carefully during future budget development because these revenues are influenced by consumer activity and may not provide the same degree of stability as property-tax revenue.

Overall, the property-tax data demonstrate consistently strong collection performance but limited recent revenue growth. The combination of an unchanged Town mill levy, state-directed changes to taxable valuation, limited property-tax revenue growth, and declining marijuana occupational-tax collections underscores the importance of maintaining a diversified General Fund revenue base. Continued enforcement of building-permit requirements, timely reporting to the County Assessor, and regular monitoring of

recurring revenue trends will help the Town preserve the accuracy of its tax base and evaluate whether ongoing revenues remain sufficient to support governmental services without excessive reliance on fund balance or economically sensitive taxes.

**Principal Property Taxpayers**

Information identifying the Town's principal property taxpayers and their respective assessed valuations is maintained by the Delta County Assessor. The Town requested updated information for fiscal year 2025 but had not received verified data by the publication date of this report. Accordingly, a principal property taxpayers schedule has not been presented because the Town determined that publishing prior-year or otherwise unverified information could be misleading. The Town intends to include the schedule in a future statistical section when current and supportable information becomes available.

## DEBT CAPACITY INFORMATION

### Ratio of Outstanding Debt by Type

This schedule presents the Town of Paonia's outstanding debt by type for the last ten calendar years. It distinguishes obligations reported within governmental activities from debt reported within business-type activities and compares total outstanding debt with the Town's assessed property value and population.

The Town reported $9,670,010 in outstanding debt at December 31, 2025, compared with $3,275,330 in 2024, an increase of $6,394,680. The increase was primarily attributable to financing for water-system capital improvements through the Colorado Water Resources and Power Development Authority and its Drinking Water Revolving Fund program.

All reported debt at year-end 2025 was associated with business-type activities. The Town reported no governmental loans, leases, general obligation debt, or line-of-credit balances. Outstanding business-type obligations consisted of $6,688,435 in CWRPDA loans, $1,555,020 related to the WPA loan, including the remaining unamortized premium, and $1,426,555 related to the 2020 Revenue Refunding Bonds, including the remaining unamortized premium.

The amounts presented include applicable unamortized debt premiums but exclude $8,401 in compensated absences because compensated absences are employee-related liabilities rather than borrowing instruments. Including compensated absences, total business-type noncurrent obligations reported in the financial statements were $9,678,411 at December 31, 2025.

The Town's enterprise debt is fundamentally different from general obligation debt. These obligations are supported by pledged revenues from the Town's water and sewer systems, including utility rates and charges for services, rather than by property taxes or general governmental revenues. The water system serves customers both within and outside the incorporated Town limits, and all utility customers contribute toward system operations and debt repayment through the rates and charges they pay.

Total outstanding debt represented 41.27% of the Town's $23,432,252 assessed property value in 2025, compared with 16.87% in 2024. This ratio should be interpreted carefully because the numerator includes enterprise debt incurred for a utility system serving customers outside the Town, while the denominator includes only assessed property located within the incorporated Town limits.

Outstanding debt per capita increased from $2,237.25 in 2024 to $6,529.38 in 2025. This measure is subject to a similar limitation because it compares enterprise debt supporting a broader utility service area with only the Town's resident population. **It should not be interpreted as the amount owed directly by each resident or as a property-tax-supported burden.**

Although outstanding debt increased substantially in 2025, the increase reflects financing for major water infrastructure improvements rather than borrowing to support routine governmental operations. The Town should continue monitoring utility rates, pledged revenues, debt-service coverage requirements, capital-project expenditures, and reserve requirements to ensure that enterprise revenues remain sufficient to meet operating and debt-service obligations.

**Ratio of Outstanding Debt by Type**
**Last Ten Calendar Year**
(Unaudited)

| | Governmental Activities | | Business-Type Activities | | | | | Total Primary Government | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Loans | Leases | CWRPDA Loans | WPA Loan | 2020 Revenue Refunding Bond | RUS Loan | Line of Credit | Total Primary Government | Debt as a Percentage of Assessed Value | Debt per Capita |
| 2025 | $ - | $ - | $ 6,688,435 | $ 1,555,020 | $ 1,426,555 | $ - | $ - | $ 9,670,010 | 41.27% | $ 6,529 |
| 2024 | - | - | 100,594 | 1,691,256 | 1,483,480 | - | - | 3,275,330 | 16.87% | $ 2,237 |
| 2023 | - | 22,514 | 121,897 | 1,826,118 | 1,540,405 | - | - | 3,510,934 | 18.27% | $ 2,406 |
| 2022 | - | - | 151,732 | 2,053,168 | 2,167,100 | - | - | 4,372,000 | 24.32% | $ 3,021 |
| 2021 | - | - | 163,405 | 2,091,716 | 1,644,255 | - | - | 3,899,376 | 24.20% | $ 2,695 |
| 2020 | - | - | 183,623 | 2,222,796 | 1,696,180 | - | - | 4,102,599 | 25.66% | $ 2,835 |
| 2019 | - | - | 203,491 | 2,352,846 | - | 1,563,722 | - | 4,120,059 | 34.12% | $ 2,839 |
| 2018 | - | - | 223,017 | 2,481,864 | - | 1,621,018 | - | 4,325,899 | 36.12% | $ 2,981 |
| 2017 | - | 27,097 | 242,912 | 2,616,962 | - | 1,650,258 | 100,000 | 4,637,229 | 37.73% | $ 3,196 |
| 2016 | - | 47,203 | 261,824 | 2,750,686 | - | 1,678,184 | - | 4,737,897 | 38.46% | $ 3,265 |
| 2015 | 779,500 | 65,308 | 279,594 | 2,882,690 | - | 1,704,928 | - | 5,712,020 | 47.47% | $ 3,937 |

***Note**: Outstanding debt shown in this schedule consists of enterprise revenue obligations associated primarily with the Town's water and sewer systems. These obligations are supported by utility revenues and are not general obligation debt secured by property taxes. The water system serves customers both within and outside the Town's incorporated boundaries. Consequently, the ratio of total debt to the Town's assessed value and the debt-per-capita calculation may overstate the relative burden on in-town taxpayers because the calculations do not include the assessed value or population of the entire utility service area. The 2025 amounts include applicable unamortized debt premiums but exclude compensated absences.*

**Computation of Legal Debt Margin**

The Town of Paonia's outstanding debt consists entirely of state revolving fund loans and revenue obligations supported by specific enterprise revenues. These obligations include loans obtained through the Colorado Water Resources and Power Development Authority, the Water Power Authority loan, and the 2020 Revenue Refunding Bonds. The debt is associated with the Town's water and sewer systems and is repaid from utility rates, service charges, and other legally available enterprise revenues rather than from property taxes or general governmental revenues.

Because the Town does not have any outstanding general obligation debt, the legal debt margin calculation presented below measures the Town's remaining capacity under its locally established debt policy rather than the burden of its existing enterprise obligations. Enterprise debt is not included in this calculation because it is not secured by the Town's general taxing authority.

The Town recognizes that capital facilities exist primarily to support the delivery of public services and essential infrastructure. Accordingly, the Town evaluates debt financing using the guiding principles of efficiency and equity. Efficiency refers to obtaining the greatest public and operational benefit from borrowed resources. Equity concerns the fair allocation of project costs among current and future users who receive the benefits of long-lived capital improvements.

When considering major capital facilities, rehabilitation of aging infrastructure, and regulatory requirements, the Town seeks to balance debt financing with pay-as-you-go funding. Pay-as-you-go financing avoids interest expense and future debt-service obligations but may limit the Town's ability to complete urgent or costly infrastructure projects in a timely manner. Debt financing allows the cost of long-lived assets to be shared across the periods in which those assets provide service, but excessive reliance on debt can reduce future financial flexibility. Each proposed borrowing should therefore be evaluated in relation to available revenues, project urgency, useful life, debt-service coverage, reserve requirements, and the Town's long-term financial capacity.

The Town may also use lease-purchase financing when appropriate to acquire essential equipment, vehicles, or real property. Lease-purchase arrangements allow the cost of capital assets to be spread across multiple fiscal years and reduce the immediate impact on operating funds. Such obligations remain subject to annual appropriation and applicable accounting requirements, including the recognition and reporting provisions of GASB Statement No. 87.

The Town remains committed to responsible debt management practices that support critical infrastructure while preserving financial stability. Continued evaluation of financing costs, repayment sources, user impacts, and long-term obligations will help ensure that future borrowing remains consistent with the Town's financial policies and community service objectives.

**Policy #1**: The Town's debt policy states general obligation debt will not exceed 10% of the total assessed valuation for tax purposes. The Town had no outstanding general obligation debt at December 31, 2025. Its existing enterprise obligations are supported by utility revenues and are therefore excluded from this general obligation debt-limit calculation.

| | |
|---|---|
| 2025 Assessed Valuation | $23,432,252 |
| Debt Limit Percentage | 10% |
| Legal Debt Limit | $2,343,225 |
| **Less:** | |
| Long-term debt outstanding | -$0- |
| Legal Debt Margin | $2,343,252 |

This calculation demonstrates that the Town retained its full locally established general obligation debt capacity at year-end 2025. It should not be interpreted to mean that the Town had no outstanding debt, because the Town separately reported **$9,670,010 in enterprise debt and related premiums** supported by water and sewer revenues.

## DEMOGRAPHIC, ECONOMIC AND OPERATING INFORMATION

The table presented provides a summary of building activity in the Town of Paonia from 2019 through 2025, as measured by the number of building permits issued and the reported value of construction associated with those permits. The data includes residential and commercial permits and encompasses construction activity ranging from new development to additions, remodeling, and renovations. The Town does not currently separate permit activity by construction type or project classification in this statistical schedule.

**Building Permits & Value of Construction**
**Last Ten Calendar Years**
(Unaudited)

| Fiscal Year Ended December 31, | Number of New Building Permits | Value of New Construction |
|---|---|---|
| 2025 | 44 | $ 1,037,968 |
| 2024 | 56 | 3,343,755 |
| 2023 | 70 | 1,279,151 |
| 2022 | 70 | 1,796,255 |
| 2021 | 70 | 1,854,426 |
| 2020 | 51 | 830,705 |
| 2019 | 67 | 1,575,593 |

During the seven-year period, the number of annual building permits issued ranged from a low of 44 permits in 2025 to a high of 70 permits in 2021, 2022, and 2023. In 2024, the Town issued 56 permits with a reported construction value of $3,343,755, the highest annual valuation reported during the period. The 2024 increase reflected both higher-value construction activity and a change in administrative practice requiring applicants to provide more accurate project valuations as part of the building-permit process.

In 2025, the Town issued 44 building permits with a reported construction value of $1,037,968. This represented a decrease of 12 permits, or 21.43%, and a decline of $2,305,787, or 68.96%, in reported construction value from 2024. The decrease indicates a lower level of permitted construction activity during 2025 and may also reflect the timing, size, and composition of projects undertaken during the year.

Construction values have fluctuated throughout the period in response to broader economic conditions, local investment trends, material and labor costs, and the timing of individual development projects. In 2020, the Town issued 51 permits with a reported construction value of $830,705, the lowest annual valuation in the period. Activity subsequently increased, with 70 permits issued in each year from 2021 through 2023, before declining in 2024 and 2025.

Consistent enforcement of the Town's adopted building codes and permit requirements will remain important to public safety, orderly development, and the accuracy of the Town's property records. Requiring building permits for applicable work helps ensure that construction is reviewed and inspected, improvements are documented, and applicants provide supportable project valuations rather than nominal or understated amounts.

The Town should also continue to transmit complete and timely building-permit information, including accurate reported construction values, to the Delta County Assessor. Although the County Assessor is responsible for determining actual and assessed property values, reliable permit information helps the Assessor identify new construction, additions, renovations, and other improvements that may affect taxable value. When required permits are not obtained, construction values are understated, or permit data is not transmitted, improvements may not be reflected promptly or accurately in county property records.

Maintaining adequate staffing, procedures, enforcement practices, and employee training for building-code administration and permit reporting should therefore remain an important component of the Town's long-range operational and financial planning. Accurate permitting and reporting support equitable treatment among property owners, help protect the integrity of the municipal tax base, and provide better information for evaluating infrastructure demands and future capital needs.

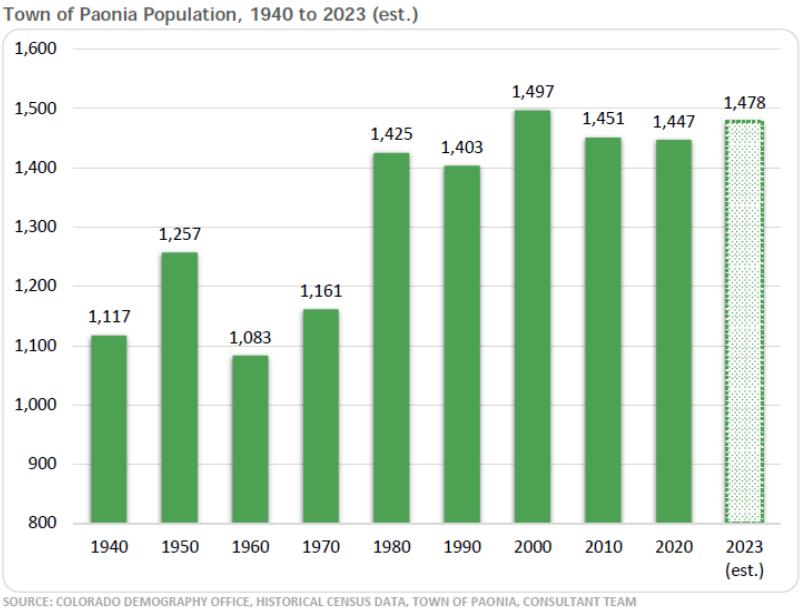
Overall, the data indicates sustained but variable development activity in the Town of Paonia. Building-permit volumes and reported construction values provide useful indicators of local investment and economic activity, while consistent code enforcement and accurate permit reporting help ensure that development is completed safely, documented appropriately, and reflected fairly in the property-assessment process.

## LOCAL DEMOGRAPHICS

Information in this section is from a 2023 Housing Needs Assessment conducted by UrbanRuralContinuum and funded in part from the Colorado Department of Local Affairs.

### Population

An estimated 1,478 residents live in the Town of Paonia in 2023, an increase of about 30 residents since 2010. Despite the recent uptick, the population has changed very little since 1980, although there have been population fluctuations between decades with ebbs and flows of the local economy, especially natural resource extraction activity (e.g., the increase and decrease from 1980 to 1987). Today's population is almost identical to the Town's population in 1987 (1,471), 1998 (1,475) and 2005 (1,472).



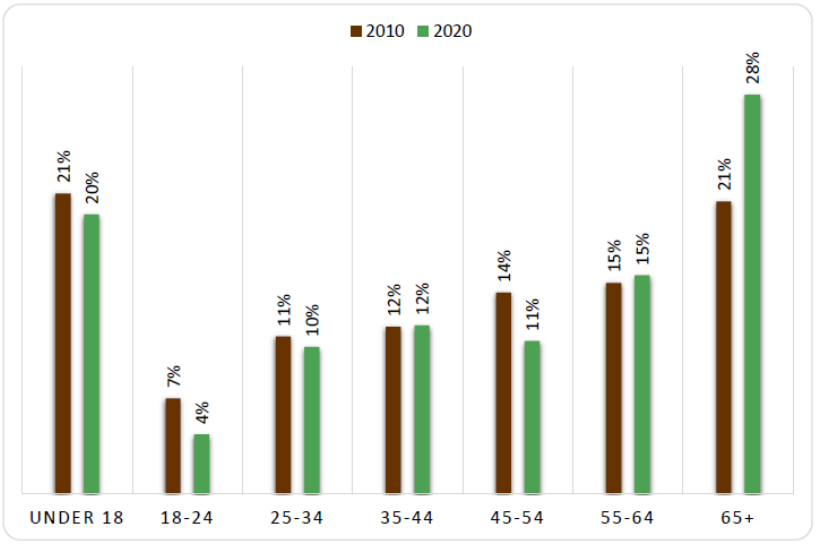

While the Town's population was basically the same in 2020 as 2010, the population of the Paonia CCD excluding the Town of Paonia declined by about 2% over the decade to roughly 2,500 residents. In contrast, Delta County grew by 0.6% per year on average from 2010 to 2020 due to positive net migration rather than natural increase (deaths outpaced births in the county).

### Age

The Town's population is aging, with two of five (43%) residents aged 55 or older; this is significantly higher than that of Colorado where only 27% of residents are that age. The share of residents aged 65 and over increased by about 7 percentage points from 2010 to 2020, but otherwise the distribution of Paonia residents

by age has changed little since 2010 and is similar to that of Delta County. It is important to ensure seniors, many of whom are long-time valley residents, can safely age in place.

Town of Paonia Age Distribution, 2010 to 2020




SOURCE: U.S. CENSUS BUREAU, CENSUS 2010 AND 2020

The aging of the population is pronounced. The median age of residents was 41 in 2000, 44 in 2010, and 49 in 2020. This same trend is occurring in Delta County at large, which is in sharp contrast to the much younger median age of 37 in the State of Colorado.

The age of residents is important to the local economy. The share of residents who are part of the prime age workforce, those aged 25 to 54, has declined from 37% in 2010 to 33% in 2020. A decline in this age cohort coupled with an increase in seniors creates a challenging economic environment. Retired seniors consume local goods and services, which requires a large enough workforce to support their needs. Local employers report difficulty recruiting and retaining workers, which aligns with fewer people in the community of prime working age and a very low unemployment rate (see Section B – Employment for more details).

The Paonia CCD excluding the Town of Paonia is also aging. Just under half (48%) of residents in this part of the valley are aged 55+, a much higher share of residents than in 2000 (29%) and 2010 (40%).

**Household Income**

Household income in the Town of Paonia is similar to that of Delta County, lower than the broader Paonia area (Paonia CCD), and significantly lower than Colorado as a whole. The median income of the Paonia CCD is 24% higher than in the Town of Paonia. An understanding of how much local households earn through wages or other income sources is important to determine the availability and need for housing at various price points.

Household Income, 2021 [1]

| | Town of Paonia | Paonia CCD | Delta County | State of Colorado |
|---|---|---|---|---|
| Median | $53,646 | $66,646 | $51,803 | $80,184 |
| Average | $72,552 | $79,600 | $72,549 | $107,446 |

[1] 2021 inflation-adjusted dollars

SOURCE: U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY 2017-2021 5-YEAR ESTIMATES

### Types of Jobs and Wages

Employment in the Town of Paonia is concentrated in sectors like education; arts, entertainment, and recreation; social assistance; and food and other services. Many local businesses and employers benefit directly or indirectly from seasonal visitation and there is a seasonal increase in employment in the summer and fall.

Local employers completing the 2023 employer questionnaire confirmed this seasonal employment uptick, noting that a large share of their seasonal employees live in the area year-round.

- Respondents indicated that 86% of their seasonal or part-year employees work during the summer or harvest season.
- Respondents indicated that at least 60% of seasonal or part-year employees live in the area year-round.

Spending by visitors to the area provides a revenue boost that helps sustain many local businesses over the slower winter months. The closure of Highway 133 in the spring/early summer of 2023 precluded typical visitation patterns for months, which adversely impacted local businesses prior to it reopening in June 2023. This is indicative of the local area's reliance on spending by tourists and those traveling through the area. The local economy is also tied to the hundreds of well-paying mining and wholesale trade jobs at the West Elk Mine in Gunnison County.

The average annual wages in Delta County in 2016 and 2022 shows that jobs in retail, arts and entertainment, and the food services sectors are the lowest paying on average, which makes housing affordability a serious struggle for many local employees working such jobs.

Delta County Average Annual Wage and Change, 2016 to 2022 (sorted 2022 high to low)

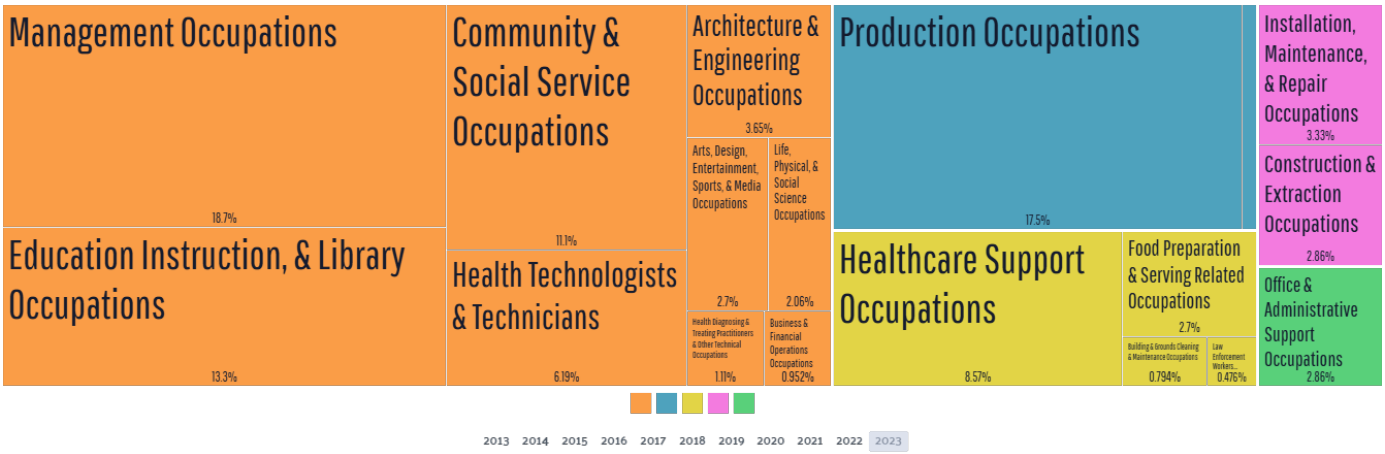
| | 2016 | 2022 | Average Annual % Change [2] |
|---|---|---|---|
| Management of Companies and Enterprises | $57,824 | $76,856 | 4.9% |
| Utilities | $56,784 | $71,864 | 4.0% |
| Finance and Insurance | $44,408 | $62,764 | 5.9% |
| Mining [1] | $73,684 | $60,476 | -3.2% |
| Professional and Technical Services | $37,596 | $55,952 | 6.9% |
| Real Estate and Rental and Leasing | $35,308 | $52,312 | 6.8% |
| Construction | $42,640 | $51,064 | 3.1% |
| Health Care and Social Assistance | $34,372 | $49,920 | 6.4% |
| Public Administration | $42,536 | $49,192 | 2.5% |
| Wholesale Trade [1] | $40,768 | $47,840 | 2.7% |
| Information | $32,760 | $47,112 | 6.2% |
| Transportation and Warehousing | $38,792 | $46,384 | 3.0% |
| Manufacturing | $35,360 | $44,564 | 3.9% |
| Administrative and Waste Services | $28,288 | $41,236 | 6.5% |
| Agriculture, Forestry, Fishing & Hunting | $28,704 | $41,184 | 6.2% |
| Other Services, Ex. Public Admin | $30,420 | $37,804 | 3.7% |
| Retail Trade | $26,156 | $34,424 | 4.7% |
| Accommodation and Food Services | $13,884 | $21,060 | 7.2% |
| Arts, Entertainment, and Recreation | $20,124 | $19,500 | -0.5% |

[1] Many mining and wholesale trade jobs associated with the Paonia economy are located in Gunnison County, which had an average annual wage in Q4 2022 of $106,714 and $65,867, respectively.
[2] Represents the compound annual growth rate.
Note: data for "Educational Services" is suppressed in 2016 and 2022, along with "Unclassified" in 2016 and therefore not reported. Annual wage is calculated as average weekly wage multiplied by 52 weeks per year.
SOURCE: COLORADO DEPARTMENT OF LABOR AND EMPLOYMENT, LMI GATEWAY (QCEW DATA), CONSULTANT TEAM

Wages in all but two sectors above increased from 2016 to 2022. Annual wages in the mining sector and arts, entertainment, and recreation decreased by 3.2% and 0.5% per year on average. The average annual pay for all industries increased by 4.6% per year on average from 2016 to 2022 to just under $44,000 per year in 2022.

Although wages have increased over time, projections indicate that most household growth through 2028 will be among households earning $125,000 or more per year. This is a very high income for local households, even those with two earners, and points to the continued inflow of retirees and those earning money from outside the local area.

**Employment Occupations within the Paonia Region (81428 Zip Code)**




*Based on U.S. Census Bureau ACS 5-Year Estimates*

The Town of Paonia's local economy supported an employed workforce of approximately 630 individuals in 2023, reflecting a 12.1 percent decline in employment from the prior year, when the workforce numbered 717. This decrease may be attributed to broader economic trends, regional labor shifts, or demographic changes affecting the area.

In 2023, the largest employment sectors in Paonia were Health Care and Social Assistance (164 employees), Manufacturing (121 employees), and Educational Services (91 employees). These industries collectively represent a significant portion of the Town's economic base and reflect the importance of both service-oriented and goods-producing sectors in supporting the community.

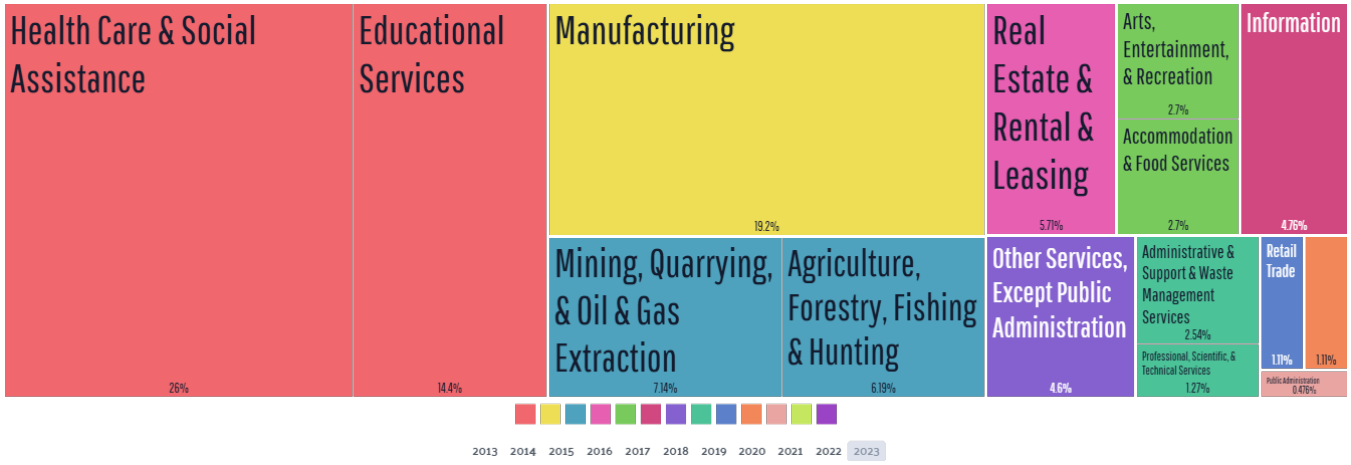
While the largest employers are in health and education, the highest paying industries in Paonia were resource-based and production-focused. Mining, Quarrying, and Oil & Gas Extraction reported an average annual wage of $117,554, followed by Manufacturing at $110,483, and Agriculture, Forestry, Fishing & Hunting (combined with Mining) at $90,625. These figures highlight the strong wage potential within extractive and industrial sectors, despite their smaller employment share.

From an occupational perspective, the most common job categories among Paonia residents were Management Occupations (118 individuals), Production Occupations (110 individuals), and Education,

Instruction, and Library Occupations (84 individuals). This distribution underscores a diverse local labor force with representation across executive, technical, and academic roles.

Monitoring employment by industry and occupation provides valuable insight into the structure of the local economy and supports informed decisions regarding workforce development, land use planning, and economic diversification. The Town continues to track these trends to ensure long-term fiscal sustainability and resilience in the face of economic shifts.

**Employment by Industries within the Paonia Region (81428 Zip Code)**




According to the U.S. Census Bureau's American Community Survey (ACS) 5-Year Estimates, total employment among residents of the Town of Paonia declined by 12.1 percent between 2022 and 2023, decreasing from 717 to 630 individuals. This decline may reflect regional labor market adjustments, changes in population demographics, or broader economic conditions affecting the area.

The most common employment sectors for residents of Paonia in 2023 were Health Care and Social Assistance, employing 164 individuals; Manufacturing, employing 121 individuals; and Educational Services, which accounted for 91 individuals. These three sectors together comprise a substantial portion of the Town's resident workforce and highlight the ongoing importance of both service-oriented and industrial employment to the local economy.

It is important to note that the data reflect the industries in which Paonia residents are employed, regardless of the location of their workplace. As such, these figures are based on residential address rather than job site location, meaning that while residents may live in Paonia, they may commute to work in neighboring communities or counties.

Tracking employment by industry for the resident population provides valuable insights into the community's workforce composition and economic dependencies. This information assists in evaluating the Town's long-term planning strategies, infrastructure needs, and economic development initiatives.