

Town of Hugo, Colorado

Financial Statements

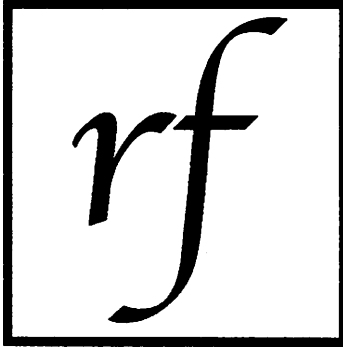
December 31, 2023

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Independent Auditor's Report

Members of Town Council
Town of Hugo
Hugo CO

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hugo (the "Town"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budget to actual information on page 27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has elected to omit the management's discussion and analysis. Although not a part of the basic financial statements, the management's discussion and analysis 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. The omission of this information does not affect our opinion on the basic financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information on pages 28 through 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

rfarmer, llc

September 17, 2024

Basic Financial Statements

Town of Hugo
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Equivalents	\$ 528,365	\$ 15,046	\$ 543,411
Investments	705,197	1,000,725	1,705,922
Receivables	200,407	151,037	351,444
Pension assets	66,480	-	66,480
Capital Assets:			
Land and improvements	2,014,460	97,413	2,111,873
Construction in progress	-	194,325	194,325
Buildings and equipment	1,719,817	377,243	2,097,060
Distribution/collection system	-	6,730,395	6,730,395
Less: Accumulated Depreciation	(1,826,220)	(717,268)	(2,543,488)
Total Capital Assets	<u>1,908,057</u>	<u>6,682,108</u>	<u>8,590,165</u>
Deferred Outflows:			
Pension	19,037	-	19,037
Total Assets	<u>3,427,543</u>	<u>7,848,916</u>	<u>11,276,459</u>
LIABILITIES			
Accounts payable and accrued expenses	31,283	6,208	37,491
Customer deposits	-	60,400	60,400
Unearned Revenues	86,643	-	86,643
Long-term liabilities:			
Due within one year:			
Note payable	-	86,652	86,652
Due in more than one year:			
Note payable	-	3,239,038	3,239,038
Total liabilities	<u>117,926</u>	<u>3,392,298</u>	<u>3,510,224</u>
Deferred In-Flows of Resources:			
Pension	1,550	-	1,550
Deferred property taxes	166,232	-	166,232
Total deferred inflows	<u>167,782</u>	<u>-</u>	<u>167,782</u>
NET POSITION			
Net investment in capital assets	1,908,057	3,356,418	5,264,475
Unrestricted	1,233,778	1,100,200	2,333,978
Total net position	<u>\$ 3,141,835</u>	<u>\$ 4,456,618</u>	<u>\$ 7,598,453</u>

The accompanying notes to financial statements
are an integral part of these statements.

**Town of Hugo
Statement of Activities
For the Year Ended December 31, 2023**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities:							
General Government	\$ 297,991	\$ 12,957	\$ 96,995	\$ -	\$ (188,039)	\$ -	\$ (188,039)
Public Safety	268,961	50,813	-	-	(218,148)	-	(218,148)
Public Works	27,163	-	-	-	(27,163)	-	(27,163)
Health insurance and miscellaneous	148,509	-	-	-	(148,509)	-	(148,509)
Culture and Recreation	98,430	4,996	100,351	-	6,917	-	6,917
Total governmental activities	<u>841,054</u>	<u>68,766</u>	<u>197,346</u>	<u>-</u>	<u>(574,942)</u>	<u>-</u>	<u>(574,942)</u>
Business-type activities:							
Water	271,265	274,165	-	-	-	2,900	2,900
Sewer	200,076	258,375	-	-	-	58,299	58,299
Solid Waste Disposal	93,865	119,441	-	-	-	25,576	25,576
Street Light	13,104	1,089	-	-	-	(12,015)	(12,015)
Total business-type activities	<u>578,310</u>	<u>653,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,760</u>	<u>74,760</u>
Total primary government	<u>\$ 1,419,364</u>	<u>\$ 721,836</u>	<u>\$ 197,346</u>	<u>\$ -</u>	<u>(574,942)</u>	<u>74,760</u>	<u>(500,182)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 197,747	\$ -	\$ 197,747
Sales taxes and SO Tax					305,904	-	305,904
Franchise fees					67,090	-	67,090
Fines					261,533	-	261,533
Unrestricted investment earnings					24,975	6,005	30,980
Miscellaneous					49,288	-	49,288
Special item - gain on sale of asset					50,000	-	50,000
Transfers					(69,717)	69,717	-
Total general revenues, special items, and transfers					<u>886,820</u>	<u>75,722</u>	<u>962,542</u>
Change in net position					311,878	150,482	462,360
Net position - beginning					2,829,957	4,306,136	7,136,093
Net position - ending					<u>\$ 3,141,835</u>	<u>\$ 4,456,618</u>	<u>\$ 7,598,453</u>

The accompanying notes to financial statements
are an integral part of these statements.

**Town of Hugo
Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 378,997	\$ 149,371	\$ 528,368
Investments	705,197	-	705,197
Taxes receivable, net	166,232	-	166,232
Other receivables	34,175	-	34,175
Total assets	<u>1,284,601</u>	<u>149,371</u>	<u>1,433,972</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	31,075	206	31,281
Unearned revenues	86,643	-	86,643
Total liabilities	<u>117,718</u>	<u>206</u>	<u>117,924</u>
Deferred in-flows of resources:			
Deferred property taxes	166,232	-	166,232
Total deferred in-flows	<u>166,232</u>	<u>-</u>	<u>166,232</u>
Fund balance:			
Unassigned	1,000,651	-	1,000,651
Assigned:			
Special revenue funds	-	149,165	149,165
Total fund balance	<u>1,000,651</u>	<u>149,165</u>	<u>1,149,816</u>
Total liabilities and fund balance	<u>\$ 1,284,601</u>	<u>\$ 149,371</u>	<u>\$ 1,433,972</u>

The accompanying notes to financial statements
are an integral part of these statements.

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

Total fund balances, governmental funds	\$ 1,149,816
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	1,908,057
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	85,517
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(1,550)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 3,141,840</u>

The accompanying notes to financial statements
are an integral part of these statements.

Town of Hugo
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 197,747	\$ -	\$ 197,747
SO Tax	15,206	-	15,206
Sales taxes	290,698	-	290,698
Fines	261,533	50,813	312,346
Licenses and permits	7,350	-	7,350
Intergovernmental	155,416	30,047	185,463
Charges for services	8,452	2,151	10,603
Investment earnings	24,234	741	24,975
Miscellaneous	60,805	367	61,172
Franchise Fees	67,090	-	67,090
Total revenues	<u>1,088,531</u>	<u>84,119</u>	<u>1,172,650</u>
EXPENDITURES			
Current:			
General government	236,632	-	236,632
Public Safety	261,936	724	262,660
Public Works	27,163	-	27,163
Health and sanitation and Human Services	101,473	-	101,473
Culture and recreation	51,934	46,495	98,429
Capital Outlay	<u>145,674</u>	<u>4,770</u>	<u>150,444</u>
Total Expenditures	<u>824,812</u>	<u>51,989</u>	<u>876,801</u>
Excess (deficiency) of revenues over expenditures	<u>263,719</u>	<u>32,130</u>	<u>295,849</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	58,678	18,500	77,178
Transfers out	<u>(146,895)</u>	<u>-</u>	<u>(146,895)</u>
Total other financing sources and uses	<u>(88,217)</u>	<u>18,500</u>	<u>(69,717)</u>
SPECIAL ITEM			
Proceeds from sale of land	50,000	-	50,000
Net change in fund balance	225,502	50,630	276,132
Fund balance - beginning	<u>775,149</u>	<u>98,535</u>	<u>873,684</u>
Fund balance - ending	<u>\$ 1,000,651</u>	<u>\$ 149,165</u>	<u>\$ 1,149,816</u>

The accompanying notes to financial statements
are an integral part of these statements.

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

Net change in fund balances - total governmental funds: \$ 276,132

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays of \$150,444 is more than depreciation of \$114,696 in the current period.

	35,748
Change in net positions of governmental activities	\$ 311,880

The accompanying notes to financial statements
are an integral part of these statements.

**Town of Hugo
Statement of Net Position
Proprietary Funds
December 31, 2023**

	Enterprise Funds				Total
	Water Fund	Sewer Fund	Solid Waste Disposal	Street Light	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 20,961	\$ (56,692)	\$ 7,228	\$ 43,549	\$ 15,046
Investments	454,506	466,372	79,847	-	1,000,725
Accounts Receivable, net	56,815	65,178	28,738	306	151,037
Total current assets	<u>532,282</u>	<u>474,858</u>	<u>115,813</u>	<u>43,855</u>	<u>1,166,808</u>
Non-current assets:					
Capital Assets:					
Land	17,969	79,444	-	-	97,413
Construction in Progress	194,325	-	-	-	194,325
Buildings and equipment	192,240	9,550	175,453	-	377,243
Distribution/collection system	385,764	6,327,430	-	17,201	6,730,395
Less Accumulated depreciation	(372,386)	(253,285)	(85,456)	(6,141)	(717,268)
Total non-current assets	<u>417,912</u>	<u>6,163,139</u>	<u>89,997</u>	<u>11,060</u>	<u>6,682,108</u>
Total assets	<u>950,194</u>	<u>6,637,997</u>	<u>205,810</u>	<u>54,915</u>	<u>7,848,916</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	2,908	1,722	564	1,014	6,208
Customer deposits	59,040	-	-	-	59,040
Bonds, notes and loans payable	-	86,652	-	-	86,652
Total current liabilities	<u>61,948</u>	<u>88,374</u>	<u>564</u>	<u>1,014</u>	<u>151,900</u>
Non-current liabilities:					
Bonds, notes and loans payable	-	3,239,038	-	-	3,239,038
Total non-current liabilities	<u>-</u>	<u>3,239,038</u>	<u>-</u>	<u>-</u>	<u>3,239,038</u>
Total liabilities	<u>61,948</u>	<u>3,327,412</u>	<u>564</u>	<u>1,014</u>	<u>3,390,938</u>
NET POSITION					
Net investment in capital assets	417,912	2,837,449	89,997	11,060	3,356,418
Unrestricted	470,334	473,136	115,249	42,841	1,101,560
Total net position	<u>\$ 888,246</u>	<u>\$ 3,310,585</u>	<u>\$ 205,246</u>	<u>\$ 53,901</u>	<u>\$ 4,457,978</u>

The accompanying notes to financial statements
are an integral part of these statements.

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

	Enterprise Funds				Total
	Water Fund	Sewer Fund	Solid Waste Disposal	Street Light	
OPERATING REVENUES					
Charges for services	\$ 248,287	\$ 258,375	\$ 119,441	\$ 1,089	\$ 627,192
Miscellaneous revenue	25,878	45,649	-	-	71,527
Total operating revenues	<u>274,165</u>	<u>304,024</u>	<u>119,441</u>	<u>1,089</u>	<u>698,719</u>
OPERATING EXPENSES					
Personal services	177,646	50,094	60,729	-	288,469
Fuel, power, and utilities	10,874	2,756	3,905	11,921	29,456
Repairs and maintenance	44,743	1,250	-	-	45,993
Other supplies and expenses	1,722	26,851	4,828	-	33,401
Insurance claims and expenses	5,000	4,000	4,000	-	13,000
Audit and publication	3,000	-	1,000	-	4,000
Miscellaneous expenses	7,155	31,406	11,284	-	49,845
Depreciation	19,765	125,291	8,120	1,183	154,359
Total Operating Expenses	<u>269,905</u>	<u>241,648</u>	<u>93,866</u>	<u>13,104</u>	<u>618,523</u>
Operating income (loss)	<u>4,260</u>	<u>62,376</u>	<u>25,575</u>	<u>(12,015)</u>	<u>80,196</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	-	7,320	(1,316)	-	6,004
Interest expense	-	(4,076)	-	-	(4,076)
Total non-operating revenue (expenses)	<u>-</u>	<u>3,244</u>	<u>(1,316)</u>	<u>-</u>	<u>1,928</u>
Income (loss) before contributions and transfers	4,260	65,620	24,259	(12,015)	82,124
OTHER FINANCING SOURCES (USES)					
Transfers in	-	80,788	1,350	-	82,138
Transfers out	(8,791)	-	(3,630)	-	(12,421)
Change in net position	<u>(4,531)</u>	<u>146,408</u>	<u>21,979</u>	<u>(12,015)</u>	<u>151,841</u>
Total net position - beginning	892,777	3,164,177	183,267	65,916	4,306,137
Total net position - ending	<u>\$ 888,246</u>	<u>\$ 3,310,585</u>	<u>\$ 205,246</u>	<u>\$ 53,901</u>	<u>\$ 4,457,978</u>

The accompanying notes to financial statements
are an integral part of these statements.

Town of Hugo
Statement of Cash Flows
Proprietary Fund Types
for the year ended December 31, 2023

	Enterprise Funds				
	Water	Sewer	Solid Waste Disposal	Street Light	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Charges for Services	\$ 245,206	\$ 247,963	\$ 115,193	\$ 5,882	\$ 614,244
Cash Received from Miscellaneous Sources	25,878	45,649	-	-	71,527
Cash Payments to Suppliers for Goods & Services	(72,494)	(66,263)	(25,017)	(11,921)	(175,695)
Cash Payments for Salaries & Benefits	(177,646)	(50,094)	(60,729)	-	(288,469)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	20,944	177,255	29,447	(6,039)	221,607
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers In (Out)	(8,791)	80,788	(2,280)	-	69,717
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(8,791)	80,788	(2,280)	-	69,717
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:					
Purchase (maturity) of Investments	(308,366)	(364,865)	(79,847)	-	(753,078)
Purchase of Fixed Assets	(29)	(284,914)	-	-	(284,943)
Interest Paid on Long-term Debt	-	(4,076)	-	-	(4,076)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(308,395)	(653,855)	(79,847)	-	(1,042,097)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received on Investment	-	7,320	(1,316)	-	6,004
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	7,320	(1,316)	-	6,004
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(296,242)	(388,492)	(53,996)	(6,039)	(744,769)
Cash & Cash Equivalents:					
Beginning of Year	317,203	331,800	61,224	49,588	759,815
End of Year	<u>\$ 20,961</u>	<u>\$ (56,692)</u>	<u>\$ 7,228</u>	<u>\$ 43,549</u>	<u>\$ 15,046</u>

The accompanying notes to financial statements
are an integral part of these statements.

**Town of Hugo
Statement of Cash Flows
Proprietary Fund Types
for the year ended December 31, 2023
(continued)**

	<u>Enterprise Funds</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste Disposal</u>	<u>Street Light</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 4,260	\$ 62,376	\$ 25,575	\$ (12,015)	\$ 80,196
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:					
Depreciation	19,765	125,291	8,120	1,183	154,359
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivables	<u>(3,081)</u>	<u>(10,412)</u>	<u>(4,248)</u>	<u>4,793</u>	<u>(12,948)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 20,944</u>	<u>\$ 177,255</u>	<u>\$ 29,447</u>	<u>\$ (6,039)</u>	<u>\$ 221,607</u>
Analysis of cash:					
Cash on hand and in banks	20,961	(56,692)	7,228	43,549	15,046
TOTAL	<u>\$ 20,961</u>	<u>\$ (56,692)</u>	<u>\$ 7,228</u>	<u>\$ 43,549</u>	<u>\$ 15,046</u>

The accompanying notes to financial statements
are an integral part of these statements.

Town of Hugo, Colorado
Notes to the Financial Statements
December 31, 2023

Note 1 **Summary of Significant Accounting Policies**

The Town of Hugo, Colorado (the “Town”) is a statutory town, incorporated in 1909 and organized under the laws of the State of Colorado. The legislative and corporate authority of the Town is vested in a board of trustees, consisting of one elected mayor and six elected trustees. The financial statements of the Town have been 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 policies are described below.

Financial Reporting Entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and the significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The reporting entity’s financial statements should present the fund types and account groups of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, joint venture, jointly governed organization, or another stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

The Town of Hugo, Colorado has examined other entities and there are no other entities that should be included as defined in numbers two and three above.

There is a housing authority within the Town of Hugo, Colorado. The housing authority operates as an independent entity and does not meet the criteria to be a component unit.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the Town as a whole excluding fiduciary activity such as volunteer pension plans. Individual funds are not displayed but the statements distinguish governmental activities supported by taxes and Town general revenues from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; and (2) operating grants and contributions which finance annual operating activities. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Individual governmental and enterprise funds are reported in separate columns in the fund financial statements.

The government-wide financial statements use the *economic resources measurement focus* and the *accrual basis of accounting*, as do the proprietary fund financial statements, including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed for the governmental funds. Under this method, expenditures, other than interest on long-term debt, are recorded when incurred, and revenues are recognized in the accounting period in which they are received, unless susceptible to accrual, i.e., measurable and available to finance the Town's operations. Significant revenue sources include property taxes, specific ownership taxes, franchise taxes, sales taxes, vehicle registration fees, highway user taxes, county road and bridge taxes, and charges for services. Revenue sources susceptible to accrual include property taxes, specific ownership taxes, franchise taxes, vehicle registration fees, highway user taxes and charges for services.

The accrual basis is followed for the proprietary funds. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues, and expenditures.

The Town reposts the following fund types and other financial statements:

Governmental Funds

The Town reports the following governmental funds:

General Fund – to account for all financial resources except those required to be accounted for in another fund.

Non-major Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted for specified purposes. The Conservation Trust Fund, Library Fund and Law Enforcement Assistance Fund are classified as Special Revenue Funds.

Proprietary Funds

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Water Fund, Sewer Fund, Solid Waste Disposal Fund and Street Light Fund are classified as Enterprise Funds.

Budgets and Encumbrances

A proposed budget for the succeeding year is submitted to the Board of Trustees by October 15. The Trustees adopt the budget, enact a resolution to appropriate funds for the ensuing fiscal year, and certify the mill levy to the Board of County Commissioners. Budgets are generally prepared on the same basis as that used for accounting purposes except that the budgets for the proprietary funds are prepared using the modified accrual basis of accounting and include amounts for capital expenditures and debt.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Town.

Property Taxes

By October, the County Assessor certifies to the Town the total valuation for assessment within the Town's territorial limits. Annual property taxes are levied in December based on the Town's assessed valuation and mill levies. In January of the following year, the County Treasurer bills the property owners thus establishing an enforceable lien on the property. The County Treasurer also collects the property taxes and remits the collections on a monthly basis. Property owners may pay their taxes in full by April 30 or they may pay in two installments due February 28 and June 15.

The Town recognizes a receivable for the property tax levies upon adoption of the budget. A deferred revenue, classified as deferred inflows of resources, is recorded in the same amount since the taxes are not available at year-end to fund expenditures of the current year.

Accounts Receivable

The Town uses the direct write-off method of accounting for uncollectible accounts receivable.

Compensated Absences

The Town does not provide for any compensated absence pay other than vacation for the current year. Such amounts would not be material; no accrual is deemed necessary.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category – deferred revenues from

property taxes. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. See Property Taxes Above.

Capital Assets

The Town's policy is to capitalize and inventory annually all purchases of long-lived assets. Street construction expenditures and other infrastructure assets, such as curbs, gutters and sidewalks, are included in governmental activities capital assets as and improvements. Maintenance, repairs, and minor renewals are charged as expenditures when incurred. Major additions and betterments are capitalized.

Governmental activities capital asset purchases are recorded as capital outlay expenditures in the various funds, and as an asset in the Statement of Net Position. Amounts included in capital assets represent a mixture of cost and estimated cost.

Depreciation is provided on a straight-line basis over the estimated useful lives of the fixed assets, ranging from three to forty years.

Business-type activities' land, buildings, equipment, distribution and collection systems are stated at cost or estimated cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the fixed assets. The useful lives of the buildings, distribution system and equipment are generally thirty years, fifty years and ten years, respectively.

Fund Balances

The Town reflects fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires that all fund balance amounts be properly reported within one of the following fund balance categories:

1. *Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, and long-term loans and notes receivable.
2. *Restricted* fund balance category includes amounts that can be spent only for specific purposes as stipulated by external resource providers or by law through constitution provisions or enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes as determined by Town Board ordinance. An ordinance is required to establish, rescind, or modify a fund balance commitment.
4. *Assigned* fund balance classifications are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. *Unassigned* fund balance is the residual classification for the General fund and includes all spendable amounts not contained in the other classifications.

The Town does not have an accounting policy regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available and by default have determined committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

Statement of Cash Flows

For purposes of the statement of cash flows, all of the Enterprise Funds banking accounts are considered cash equivalents.

Note 2 Deposits and Investments

The Colorado Public Deposit Protection Act (POPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. As of December 31, 2023, the Town’s cash deposits had a book balance as follows:

Deposits covered by federal insurance	\$ 250,000
Deposits covered by collateral required by the Act	992,857
COLOTRUST, CSAFE, CSIP	1,004,404
	<u>\$ 2,247,261</u>

The Town also had cash on hand of \$70 and cash with the County Treasurer of \$2,002.

Note 3 Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Balance</u> <u>Jan 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec 31, 2023</u>
Governmental Activities:				
Land and Improvements	\$ 2,007,001	\$ 118,867	\$ -	\$ 2,125,868
Buildings	301,828	-	-	301,828
Service Vehicles	291,896	29,556	-	321,452
Equipment	983,108	2,021	-	985,129
Total	<u>3,583,833</u>	<u>150,444</u>	<u>-</u>	<u>3,734,277</u>
Less Accumulated Depreciation	<u>(1,711,524)</u>	<u>(114,969)</u>	<u>-</u>	<u>(1,826,493)</u>
Net Governmental Activities	<u>\$ 1,872,309</u>	<u>\$ 35,475</u>	<u>\$ -</u>	<u>\$ 1,907,784</u>

	Balance			Balance
	Dec 31, 2023	Additions	Retirements	Dec 31, 2023
Business-Type Activities:				
Land	\$ 97,413	\$ -	\$ -	\$ 97,413
Buildings and Equipment	377,244	-	-	377,244
Distribution/Collection System	6,531,411	198,983	-	6,730,394
Total	7,006,068	198,983	-	7,205,051
Less Accumulated Depreciation	(562,909)	(154,359)	-	(717,268)
Net Business-Type Activities	<u>\$ 6,443,159</u>	<u>\$ 44,624</u>	<u>\$ -</u>	<u>\$ 6,487,783</u>

The Town has \$194,325 of construction in progress at year-end.

Note 4 Pension Plans

The Statewide Defined Benefit Plan (SWDB) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 5, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980.

The Plan assets are included in the Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Separate Retirement Account assets from eligible retired members).

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>.

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. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

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

A member is eligible for early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least five years

of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

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

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of pensionable earnings. Employer contributions are 8.0% and 8.50% in 2020 and 2021, respectively. Employer contributions will increase 0.5% annually beginning in 2021 through 2030 to a total of 13.0% of pensionable earnings. In 2020, members of the SWDB plan and their employers are contributing at the rate of 11.0% and 8.0%, respectively, of pensionable earnings for a total contribution rate of 19.0%.

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

The contribution rate for members and employers of affiliated social security employers is 5.5% and 4%, respectively, of pensionable earnings for a total contribution rate of 9.50% in 2020 and 9.75% in 2021. Per the 2014 member election, members of the affiliate social security group had their required contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of pensionable earnings. Employer contributions are 4.0% and 4.25% in 2020 and 2021, respectively. Employer contributions will increase 0.25% annually beginning in 2021 through 2030 to a total of 6.5% of pensionable earnings.

FPPA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of FPPA.

Employer contributions received and processed within the year ended December 31, 2021 are used as the basis for reporting within the Schedule of Employer Contributions. As reported in FPPA's Other Supplementary Schedule of Fiduciary Net Position by Participating Employer in the December 31, 2021 Annual Report, employer contributions to the SWDB plan were \$68,426,899 compared to total employer contributions of \$68,426,899 on the Schedule of Employer Contributions. Adjustments were made to reduce employer contributions to zero for departments that had no remaining members at year end and for known significant adjustments of non-recurring amounts.

The Schedule of Collective Pension Amounts represents total pension amounts for the SWDB plan. This schedule excludes employer-specific deferral amounts that may need to be recognized to comply with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Specifically, this schedule excludes deferral amounts arising from the changes in employer proportion, differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date.

The collective total pension liability as of December 31, 2021 is based upon the January 1, 2022 actuarial valuation. The actuarially determined contributions as of December 31, 2021 are based upon the January 1, 2021 actuarial valuation.

The components of the calculation of the net pension liability/(asset) of the SWDB plan for participating departments as of December 31, 2021 are shown in the following table:

	Measurement Date December 31, 2021	Town of Hugo
Total Pension Liability (A)	\$ 3,352,605,624	\$ 411,268
Plan Fiduciary Net Position (B)	3,894,539,387	477,747
Employer's Net Pension Liability/(Asset) (A-B)	(541,933,763)	(66,480)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	116.2%	116.2%

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

	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2022	January 1, 2021
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 Years
Long-Term Investment Rate of Return*	7.0%	7.0%
Projected Salary Increases*	4.25% - 11.25%	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%	0%
* Includes Inflation at	2.5%	2.5%

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

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019.

The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5%). Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	8.23%
Equity Long/Short	8%	6.87%
Private Markets	26%	10.63%
Fixed Income – Rates	10%	4.01%
Fixed Income – Credit	5%	5.25%
Absolute Return	10%	5.60%
Cash	2%	2.32%
Total	100%	

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

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

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

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

1% Decrease	Single Discount Rate Assumption	1% Increase
6.00%	7.00%	8.00%
\$ (9,168)	\$ (66,480)	\$ (113,959)

The following tables present the SWDB collective deferral reconciliations showing beginning deferrals as of December 31, 2019 adding the current year collective deferrals and adjusting for the current year amortization of deferrals to arrive at the ending December 31, 2021 collective deferral amounts:

Deferred Outflows of Resources			
	Difference Between Actual and Expected Experience	Changes in Assumptions	Net Difference Between Projected and Actual Investment Earnings
Beginning Deferral Amounts as of Measurement Date, December 31, 2020	\$ 22,587	\$ 11,327	\$ -
Deferral Amounts Added	-	-	-
Total Amortization Amounts Recognized in Pension Expense	(3,550)	(1,847)	-
Outstanding Deferral Amounts as of Measurement Date, December 31, 2021	\$ 19,037	\$ 9,480	\$ -

Deferred Inflows of Resources			
	Difference Between Actual and Expected Experience	Changes in Assumptions	Net Difference Between Projected and Actual Investment Earnings
Beginning Deferral Amounts as of Measurement Date, December 31, 2020	\$ 106	\$ -	\$ 27,355
Deferral Amounts Added	1,658	-	31,870
Total Amortization Amounts Recognized in Pension Expense	(214)	-	(14,733)
Outstanding Deferral Amounts as of Measurement Date, December 31, 2021	\$ 1,550	\$ -	\$ 44,492

The following table presents the SWDB plan net amount of collective deferred inflows and outflows of resources that will be recognized in the collective pension expense for each of the subsequent five years and in the aggregate thereafter:

For the Plan Year Ended December 31,	Amounts Recognized in Collective Pension Expense
2022	\$ (6,022)
2023	(10,604)
2024	(5,951)
2025	(1,671)
2026	3,963
Thereafter	\$ 2,740

The average of the expected remaining service lives of all members in the plan, including active and inactive members, is 9.1879 years determined as of the beginning of the December 31, 2021 measurement period.

Net Pension Liability/(Asset)

The collective net pension liability/(asset) is the total pension liability less the fiduciary net position for the SWDB.

Difference Between Actual and Expected Experience

The difference between actual and expected experience with regard to economic and demographic factors is amortized over a closed period equal to the average of the expected remaining service life of active and inactive members. The first-year amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Net Difference Between Actual and Projected Investment Earnings on Pension Plan Investments

The difference between the actual earnings on pension plan investments compared to the SWDB's expected rate of return of 7.0% is amortized over a closed period of five years. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a closed period equal to the average of the expected remaining service life of active and inactive members. The first-year amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Total Deferred Outflows Excluding Employer Specific Amounts

The total deferred outflows excluding employer specific amounts resulting from the difference between actual and expected experience, the net difference between projected and actual investment earnings on pension plan investments, and the changes in assumptions.

Total Deferred Inflows Excluding Employer Specific Amounts

The total deferred inflows excluding employer specific amounts resulting from the difference between actual and expected experience and the changes in assumptions.

Collective Pension Plan Expense/(Income)

Collective pension plan expense/(income) includes changes in the collective net pension liability/(asset), projected earnings on pension plan investments, and the amortization of deferred outflows and inflows of resources in the current period. Pension income should be reported as a credit in pension expense.

During 2020, legislation was passed effective January 1, 2021 that amended the Statewide Defined Benefit Plan. Amendments to the related contribution rates and benefits of this plan are described above. Additionally, the stabilization reserve accounts (SRA) of the Defined Benefit System became self-directed accounts with assets of \$123.6 million transferred to the FPPA Members' Self-Directed Investment Fund after the January 1, 2021 actuarial valuation date. This transfer does not impact the net pension liability/(asset) of the plan as the transfer of assets will reduce both the total pension liability and the plan fiduciary net position.

Note 5**Long-Term Debt**

The Town is in the process of completing a sewer improvement project. Long-term financing will be provided by United States Department of Agriculture-Rural Development (USDA-RD) through a loan and a grant with additional long-term financing provided by Colorado Water Resources and Power Development Authority, (CWRPDA) Pollution Control Revolving Fund.

Repayment of both loans requires the Town to irrevocably pledge and grant a lien upon the source of repayment which consists of Net Revenue as more fully described in the CWRPDA loan agreement. The Net Revenues are limited to gross revenues derived from the operation and use of the system less operation and maintenance expenses.

The repayment terms of the USDA-RD financing will require monthly payments of principal and interest at an interest rate of 1.25% per annum.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 7,083	\$ 4,263	\$ 11,346
2025	7,172	4,174	11,346
2026	7,263	4,083	11,346
2027	7,354	3,992	11,346
2028	7,446	3,900	11,346
2029-2033	38,660	18,070	56,730
2034-2038	41,152	15,578	56,730
2039-2043	43,805	12,925	56,730
2044-2048	46,627	10,103	56,730
2049-2053	49,633	7,097	56,730
2054-2058	52,833	3,897	56,730
2059-2062	35,207	722	35,929
Total	\$ 344,235	\$ 88,804	\$ 433,039

The repayment terms for the CWRPDA note call for an initial payment of \$4,492 with principal of \$3,867 and interest of \$625 due on May 1, 2022; then semi-annual payments of \$27,306, principal and interest, due May and November 1 until paid in full. The final payment is due November 1, 2051. The interest rate is 0.50%.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 47,545	\$ 7,067	\$ 54,612
2025	47,783	6,829	54,612
2026	48,022	6,590	54,612
2027	48,263	6,349	54,612
2028	48,504	6,108	54,612
2029-2033	246,189	26,871	273,060
2034-2038	252,413	20,647	273,060
2039-2043	258,795	14,265	273,060
2044-2048	265,338	7,722	273,060
2049-2051	162,406	1,410	163,816
Total	\$ 1,425,258	\$ 103,858	\$ 1,529,116

Note 6 Sales Tax

During 1988 the Town passed a 2% sales tax ordinance that became effective on July 1, 1988. The funds collected are restricted to storm drainage and street improvements. The sales tax revenue is included in the General Fund. For 2023, sales tax revenue was \$290,698 and expenditures for street maintenance were \$63,471.

Note 7 Tax, Spending, and Debt Limitation

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several abilities, and other specific requirements of the state and local governments. The Amendment is complex and subject to judicial interpretation. The Town of Hugo believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance. In an election held in 1998, the voters of the Town of Hugo passed a referendum permitting the Town to collect, retain and expend the full proceeds of the Town's sales and use tax, property tax, state grants, and any other source of revenue for capital projects and municipal purposes, for the year 1997 and each subsequent year, notwithstanding any state restriction on fiscal year spending, including, without limitation, the restrictions of Article X, Section 20 of the Colorado Constitution.

Note 8 Risk Management

The Town is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; workers' compensation; errors and emissions and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Required Supplementary Information

**Town of Hugo
Budget and Actual
General
For the year ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 194,000	\$ 194,000	\$ 197,747
SO Taxes	15,000	15,000	15,206
Sales and miscellaneous taxes	313,000	313,000	357,788
Fees and fines	140,000	140,000	261,533
Licenses and permits	8,920	8,920	7,350
Intergovernmental	977,843	977,843	155,416
Charges for services	11,100	11,100	8,452
Investment earnings	100	100	24,234
Miscellaneous	64,000	64,000	60,805
Total revenues	<u>1,723,963</u>	<u>1,723,963</u>	<u>1,088,531</u>
EXPENDITURES			
Current:			
General government	1,447,937	1,447,937	236,632
Public Safety	387,895	387,895	261,936
Highways and roads	40,000	40,000	27,163
Health	102,700	102,700	101,473
Culture and recreation	59,074	59,074	51,934
Contingency	62,433	62,433	-
Capital Outlay	25,000	25,000	145,674
Total Expenditures	<u>2,125,039</u>	<u>2,125,039</u>	<u>824,812</u>
Excess (deficiency) of revenues over expenditures	<u>(401,076)</u>	<u>(401,076)</u>	<u>263,719</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	58,678
Transfers out	(18,500)	(18,500)	(146,895)
Total other financing sources and uses	<u>(18,500)</u>	<u>(18,500)</u>	<u>(88,217)</u>
SPECIAL ITEM			
Proceeds from sale capital assets	-	-	50,000
Net change in fund balance	(419,576)	(419,576)	225,502
Fund balance - beginning	294,393	294,393	775,149
Fund balance - ending	<u>\$ (125,183)</u>	<u>\$ (125,183)</u>	<u>\$ 1,000,651</u>

Other Supplementary Information

**Town of Hugo
Balance Sheet
Other Governmental Funds
December 31, 2023**

	<u>Law Enforcement Assistance</u>	<u>Conservation Trust</u>	<u>Library</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 88,704	\$ 35,242	\$ 25,425	\$ 149,371
Total assets	<u>88,704</u>	<u>35,242</u>	<u>25,425</u>	<u>149,371</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Total liabilities	<u>-</u>	<u>-</u>	<u>206</u>	<u>206</u>
Fund balance:				
Assigned	<u>88,704</u>	<u>35,242</u>	<u>25,219</u>	<u>149,165</u>
Fund balance	<u>88,704</u>	<u>35,242</u>	<u>25,219</u>	<u>149,165</u>
Total liabilities and fund balance	<u>\$ 88,704</u>	<u>\$ 35,242</u>	<u>\$ 25,425</u>	<u>\$ 149,371</u>

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

	Law Enforcement Assistance	Conservation Trust	Library	Total-Other Governmental Funds
REVENUES				
Fees and fines	\$ 50,813	\$ -	\$ -	\$ 50,813
Intergovernmental	-	7,854	22,193	30,047
Charges for services	-	-	2,151	2,151
Investment earnings	-	561	180	741
Miscellaneous	-	-	367	367
Total revenues	<u>50,813</u>	<u>8,415</u>	<u>24,891</u>	<u>84,119</u>
EXPENDITURES				
Current:				
Public Safety	724	-	-	724
Culture and recreation	-	5,339	41,156	46,495
Capital Outlay	4,770	-	-	4,770
Total Expenditures	<u>5,494</u>	<u>5,339</u>	<u>41,156</u>	<u>51,989</u>
Excess (deficiency) of revenues over expenditures	<u>45,319</u>	<u>3,076</u>	<u>(16,265)</u>	<u>32,130</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	18,500	18,500
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>18,500</u>	<u>18,500</u>
Net change in fund balance	45,319	3,076	2,235	50,630
Fund balance - beginning	43,385	32,166	22,984	98,535
Fund balance - ending	<u>\$ 88,704</u>	<u>\$ 35,242</u>	<u>\$ 25,219</u>	<u>\$ 149,165</u>

**Town of Hugo
Budget and Actual
Conservation Trust
For the year ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 9,000	\$ 9,000	\$ 7,854
Investment earnings	20	20	561
Total revenues	<u>9,020</u>	<u>9,020</u>	<u>8,415</u>
EXPENDITURES			
Current:			
Culture and recreation	13,170	13,170	5,339
Total Expenditures	<u>13,170</u>	<u>13,170</u>	<u>5,339</u>
Excess (deficiency) of revenues over expenditures	<u>(4,150)</u>	<u>(4,150)</u>	<u>3,076</u>
Net change in fund balance	(4,150)	(4,150)	3,076
Fund balance - beginning	31,431	31,431	22,984
Fund balance - ending	<u>\$ 27,281</u>	<u>\$ 27,281</u>	<u>\$ 26,060</u>

**Town of Hugo
Budget and Actual
Library
For the year ended December 31, 2023**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 22,193
Charges for services	-	-	2,151
Investment earnings	-	-	180
Miscellaneous	-	-	367
Total revenues	<u>-</u>	<u>-</u>	<u>24,891</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>-</u>	<u>-</u>	<u>41,156</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>41,156</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(16,265)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>-</u>	<u>18,500</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>18,500</u>
Net change in fund balance	-	-	2,235
Fund balance - beginning	-	-	22,984
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,219</u>

**Town of Hugo
Budget and Actual
Law Enforcement Assistance
For the year ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Fees and fines	\$ 18,000	\$ 18,000	\$ 50,813
Intergovernmental	18,000	18,000	-
Total revenues	<u>36,000</u>	<u>36,000</u>	<u>50,813</u>
EXPENDITURES			
Current:			
Public Safety	4,000	4,000	724
Capital Outlay	28,000	28,000	4,770
Total Expenditures	<u>32,000</u>	<u>32,000</u>	<u>5,494</u>
Excess (deficiency) of revenues over expenditures	<u>4,000</u>	<u>4,000</u>	<u>45,319</u>
Net change in fund balance	4,000	4,000	45,319
Fund balance - beginning	28,003	28,003	43,385
Fund balance - ending	<u>\$ 32,003</u>	<u>\$ 32,003</u>	<u>\$ 88,704</u>

**Town of Hugo
Budget and Actual
Water Fund
For the year ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Charges for services	\$ 271,800	\$ 271,800	\$ 248,287
Grants	20,000	20,000	-
Miscellaneous	2,000	2,000	25,878
Total revenues	<u>293,800</u>	<u>293,800</u>	<u>274,165</u>
EXPENDITURES			
Personal services	197,530	197,530	177,646
Fuel, power, and utilities	13,800	13,800	10,874
Repairs and maintenance	-	-	44,743
Other supplies and expenses	75,600	75,600	1,722
Insurance claims and expenses	5,000	5,000	5,000
Audit and publication	4,000	4,000	3,000
Miscellaneous	4,100	4,100	7,155
Total Operating Expenses	<u>300,030</u>	<u>300,030</u>	<u>250,140</u>
Operating income (loss)	(6,230)	(6,230)	24,025
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	(8,791)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(8,791)</u>
RECONCILING ITEM			
Depreciation	-	-	(19,765)
Net change in net position	(6,230)	(6,230)	(4,531)
Net position - beginning	413,106	413,106	892,777
Net position - ending	<u>\$ 406,876</u>	<u>\$ 406,876</u>	<u>\$ 888,246</u>

**Town of Hugo
Budget and Actual
Sewer Fund
For the year ended December 31, 2023**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 255,134	\$ 255,134	\$ 258,375
Grants and loans	250,000	250,000	-
Investment earnings	400	400	7,320
Miscellaneous	-	-	45,649
Total revenues	<u>505,534</u>	<u>505,534</u>	<u>311,344</u>
EXPENDITURES			
Personal services	47,704	47,704	50,094
Fuel, power, and utilities	2,800	2,800	2,756
Repairs and maintenance	15,000	15,000	1,250
Other supplies and expenses	346,000	346,000	26,851
Insurance claims and expenses	4,000	4,000	4,000
Interest	-	-	4,076
Miscellaneous Expenses	91,292	91,292	31,406
Total Operating Expenses	<u>506,796</u>	<u>506,796</u>	<u>120,433</u>
Operating income (loss)	<u>(1,262)</u>	<u>(1,262)</u>	<u>190,911</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	80,788
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>80,788</u>
RECONCILING ITEM			
Depreciation	-	-	(125,291)
	<u>-</u>	<u>-</u>	<u>(125,291)</u>
Net change in net position	(1,262)	(1,262)	146,408
Net Position - beginning	284,267	284,267	3,164,177
Net Position - ending	<u>\$ 283,005</u>	<u>\$ 283,005</u>	<u>\$ 3,310,585</u>

**Town of Hugo
Budget and Actual
Solid Waste Disposal
For the year ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Charges for services	\$ 114,100	\$ 114,100	\$ 119,441
Investment earnings	60	60	(1,316)
Total revenues	<u>114,160</u>	<u>114,160</u>	<u>118,125</u>
EXPENDITURES			
Personal services	85,302	85,302	60,729
Fuel, power, and utilities	4,500	4,500	3,905
Other supplies and expenses	6,380	6,380	5,828
Insurance claims and expenses	4,000	4,000	4,000
Miscellaneous	17,000	17,000	11,284
Total Operating Expenses	<u>117,182</u>	<u>117,182</u>	<u>85,746</u>
Operating income (loss)	(3,022)	(3,022)	32,379
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	1,350
Transfers out	-	-	(3,630)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(2,280)</u>
RECONCILING ITEM			
Depreciation	<u>-</u>	<u>-</u>	<u>(8,120)</u>
Net change in net position	(3,022)	(3,022)	21,979
Net position - beginning	<u>65,539</u>	<u>65,539</u>	<u>183,267</u>
Net position - ending	<u>\$ 62,517</u>	<u>\$ 62,517</u>	<u>\$ 205,246</u>

**Town of Hugo
Budget and Actual
Street Light
For the year ended December 31, 2023**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 1,243	\$ 1,243	\$ 1,089
Total revenues	<u>1,243</u>	<u>1,243</u>	<u>1,089</u>
EXPENDITURES			
Fuel, power, and utilities	13,200	13,200	11,921
Capital outlay	3,200	3,200	-
Total Expenditures	<u>16,400</u>	<u>16,400</u>	<u>11,921</u>
Excess (deficiency) of revenues over expenditures	<u>(15,157)</u>	<u>(15,157)</u>	<u>(10,832)</u>
RECONCILING ITEM			
Depreciation	-	-	1,183
	<u>-</u>	<u>-</u>	<u>1,183</u>
Net change in net position	(15,157)	(15,157)	(12,015)
Net position - beginning	58,597	58,597	65,916
Net position - ending	<u>\$ 43,440</u>	<u>\$ 43,440</u>	<u>\$ 53,901</u>

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT	STATE: COLORADO
	YEAR ENDING (mm/yy): 12/2023

This Information From The Records Of: Town of Hugo, Colorado	Prepared By: Sara Lancaster hugotownclerk@esrta.com
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I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. EXPENDITURES FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway expenditures:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	\$ 262,400.00
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	\$ 20,000.00
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	\$ 4,000.00
2. General fund appropriations		b. Snow and ice removal	\$ 8,000.00
3. Other local imposts (from page 2)	\$ 305,904.00	c. Other	
4. Miscellaneous local receipts (from page 2)	\$ -	d. Total (a. through c.)	\$ 12,000.00
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	\$ 77,347.05
a. Bonds - Original Issues		6. Total (1 through 5)	\$ 371,747.05
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	\$ -	a. Interest	
7. Total (1 through 6)	\$ 305,904.00	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	\$ -
C. Receipts from State government (from page 2)	\$ 65,843.05	2. Notes:	
D. Receipts from Federal Government (from page 2)	\$ -	a. Interest	
E. Total receipts (A.7 + B + C + D)	\$ 371,747.05	b. Redemption	
		c. Total (a. + b.)	\$ -
		3. Total (1.c + 2.c)	\$ -
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total expenditures (A.6 + B.3 + C + D)	\$ 371,747.05

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		\$ 371,747.05	\$ 371,747.05		\$ -

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
COLORADO
 YEAR ENDING (mm/yy):
 12/2023

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assesments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	\$ 290,697.85	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	\$ 15,206.15	g. Other Misc. Receipts	
6. Total (1. through 5.)	\$ 305,904.00	h. Other	
c. Total (a. + b.)	\$ 305,904.00	i. Total (a. through h.)	\$ -
<i>(Carry forward to page 1)</i>		<i>(Carry forward to page 1)</i>	

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes (from Item I.C.5.)	\$ 34,222.73	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	\$ 31,620.32	d. Federal Transit Administration	
d. DOLA Grant		e. U.S. Corps of Engineers	
e. Other		f. Other Federal ARPA	
f. Total (a. through e.)	\$ 31,620.32	g. Total (a. through f.)	\$ -
4. Total (1. + 2. + 3.f)	\$ 65,843.05	3. Total (1. + 2.g)	\$ -
<i>(Carry forward to page 1)</i>		<i>(Carry forward to page 1)</i>	

III. EXPENDITURES FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			\$ -
b. Engineering Costs			\$ -
c. Construction:			
(1). New Facilities			\$ -
(2). Capacity Improvements			\$ -
(3). System Preservation		\$ 262,400.00	\$ 262,400.00
(4). System Enhancement And Operation			\$ -
(5). Total Construction (1)+(2)+(3)+(4)	\$ -	\$ 262,400.00	\$ 262,400.00
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)	\$ -	\$ 262,400.00	\$ 262,400.00
<i>(Carry forward to page 1)</i>			

Notes and Comments: