



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2024**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

# TOWN OF HOT SULPHUR SPRINGS, COLORADO

## Table of Contents

<b>Financial Section:</b>	<u>Page</u>
Report of Certified Public Accountants .....	1
Management’s Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	14
Statement of Activities .....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Net Position- Proprietary Funds.....	20
Statement of Revenues, Expenses and Changes in Net Position- Proprietary Funds .....	21
Statement of Cash Flows - Proprietary Funds .....	22
Notes to Financial Statements .....	23
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund - Budget-and-Actual .....	42
Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Conservation Trust Fund - Budget-and-Actual .....	46
Schedule of Revenues, Expenses, and Changes in Available Resources – Enterprise Funds - Budget-and-Actual:	
Water Fund .....	47
Sewer Fund .....	48
Colorado Water Resources Loan Covenants and Requirements .....	49
Local Highway Finance Report.....	51

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**

**Table of Contents, Continued**

<b>Compliance Section:</b>	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters .....	53



**HINTONBURDICK**  
CPAs & ADVISORS

## **Independent Auditors' Report**

The Honorable Mayor and Board  
Hot Sulphur Springs, Colorado

### **Report on the Audit of the Financial Statements**

#### ***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 Hot Sulphur Springs, Colorado, as of and for the year ended December 31, 2024, 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 of Hot Sulphur Springs, Colorado, as of December 31, 2024, 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) 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 of Hot Sulphur Springs, Colorado 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 of Hot Sulphur Springs, Colorado's 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 of Hot Sulphur Springs, Colorado's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

## ***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 of Hot Sulphur Springs, Colorado'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 of Hot Sulphur Springs, Colorado'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 management's discussion and analysis and budgetary comparison information as found in the table of contents 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hot Sulphur Springs, Colorado's basic financial statements. The budgetary comparison schedules, loan requirement disclosures, and the Local Highway Finance Report are presented for purposes of additional analysis as required by the State of Colorado 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 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 budgetary comparison schedules, loan requirement disclosures, and the Local Highway Finance Report is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2025 on our consideration of the Town of Hot Sulphur Springs, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hot Sulphur Springs, Colorado's internal control over financial reporting and compliance.

*HintonBurdick, PLLC*

St. George, Utah  
July 18, 2025

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**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2024**

As management of the Town of Hot Sulphur Springs (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2024. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Total combined governmental and business-type net position decreased from \$6.19 million to \$6.18 million during 2024.
- The general fund unassigned fund balance at the end of 2024 was \$572,379, which was 131% of total General fund expenditures.
- Property tax revenues increased from \$133,156 in 2023 to \$178,547 in 2024.
- Local sales tax collections of \$247,331 decreased by \$5,551 from the previous fiscal year.
- Governmental fund expenditures decreased by \$220,701 in 2024.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

**Reporting the Town as a Whole**

**The Statement of Net Position and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in net position. Net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, parks and recreation, and interest on long-term debt. Sales taxes, property taxes, franchise taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover most of the cost of the services provided.

### **Reporting the Town's Most Significant Funds**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town’s financial position. The Town’s combined assets exceed liabilities by \$6.18 million as of December 31, 2024 as shown in the following condensed statement of net position. Of this amount, \$782,470 is unrestricted and available to meet the Town’s ongoing financial obligations.

By far the largest portion of net position is the investment in capital assets (net of related debt) of \$5,133,590 (83.11% of total net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The Town has chosen to account for its water and sewer operations in enterprise funds which are shown as Business Activities.

The following table summarizes the Town’s governmental and business-type net assets as of December 31, 2024 and 2023:

### TOWN OF HOT SULPHUR SPRINGS, COLORADO Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2024	12/31/2023	12/31/2024	12/31/2023	12/31/2024	12/31/2023
Current and other assets	\$ 822,486	\$ 691,037	\$ 484,443	\$ 526,184	\$ 1,306,929	\$ 1,217,221
Capital assets	1,411,772	1,484,002	4,573,101	4,741,425	5,984,873	6,225,427
Total assets	<u>2,234,258</u>	<u>2,175,039</u>	<u>5,057,544</u>	<u>5,267,609</u>	<u>7,291,802</u>	<u>7,442,648</u>
Long-term liabilities outstanding	2,160	2,160	853,419	960,921	855,579	963,081
Other liabilities	16,850	49,028	78,240	82,413	95,090	131,441
Total liabilities	<u>19,010</u>	<u>51,188</u>	<u>931,659</u>	<u>1,043,334</u>	<u>950,669</u>	<u>1,094,522</u>
Deferred inflows of resources	164,471	162,969	-	-	164,471	162,969
Net position:						
Net investment in capital assets	1,411,772	1,484,002	3,721,818	3,782,640	5,133,590	5,266,642
Restricted	68,786	82,251	191,816	215,909	260,602	298,160
Unrestricted	570,219	394,629	212,251	225,726	782,470	620,355
Total net position	<u>\$ 2,050,777</u>	<u>\$ 1,960,882</u>	<u>\$ 4,125,885</u>	<u>\$ 4,224,275</u>	<u>\$ 6,176,662</u>	<u>\$ 6,185,157</u>

An additional portion of net position, \$260,602, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$782,470 (12.67% of total net position), may be used to meet the government’s ongoing obligations to citizens and creditors.

## Governmental Activities

The cost of all Governmental activities this year was \$509,503. As shown in the Changes in Net Position statement below. \$54,412 of this cost was paid for by those who directly benefited from the programs. \$52,186 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$106,598. General taxes and investment earnings totaled \$492,800.

The Town's programs include: General Government, Public Safety, Public Works/Streets, and Parks & Recreation. Each program's revenues and expenses are presented below.

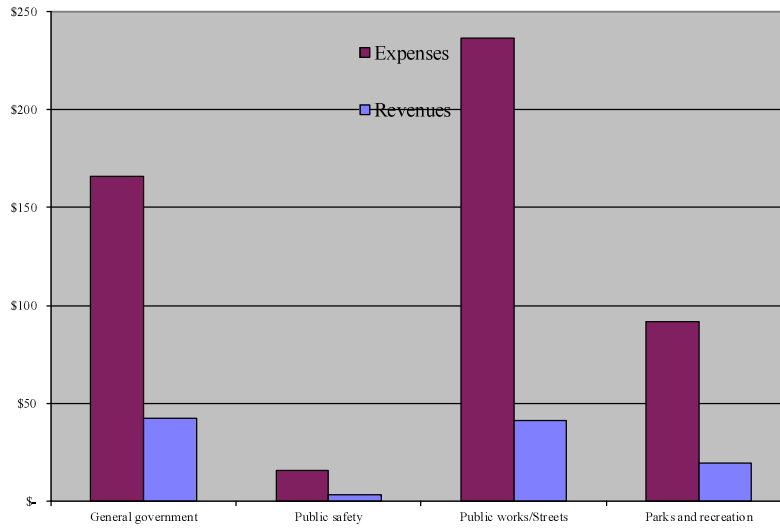
### TOWN OF HOT SULPHUR SPRINGS, COLORADO Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2024	12/31/2023	12/31/2024	12/31/2023	12/31/2024	12/31/2023
Revenues:						
Program revenues:						
Charges for services	\$ 54,412	\$ 59,169	\$ 839,157	\$ 689,299	\$ 893,569	\$ 748,468
Operating grants and contributions	52,186	144,047	-	-	52,186	144,047
Capital grants and contributions	-	30,779	123,261	40,000	123,261	70,779
General revenues:						
Taxes	475,548	440,123	-	-	475,548	440,123
Investment earnings	17,252	15,992	-	-	17,252	15,992
Other revenue/(expense)	-	-	19,437	19,877	19,437	19,877
Total revenues	<u>599,398</u>	<u>690,110</u>	<u>981,855</u>	<u>749,176</u>	<u>1,581,253</u>	<u>1,439,286</u>
Expenses:						
General government	165,829	323,113	-	-	165,829	323,113
Public safety	15,428	11,867	-	-	15,428	11,867
Public works/Streets	236,578	264,695	-	-	236,578	264,695
Parks and recreation	91,668	93,520	-	-	91,668	93,520
Water	-	-	640,975	771,975	640,975	771,975
Sewer	-	-	439,270	406,504	439,270	406,504
Total expenses	<u>509,503</u>	<u>693,195</u>	<u>1,080,245</u>	<u>1,178,479</u>	<u>1,589,748</u>	<u>1,871,674</u>
Increase (Decrease) in net position before transfers	89,895	(3,085)	(98,390)	(429,303)	(8,495)	(432,388)
Transfers	-	(280,000)	-	280,000	-	-
Net position, beginning	<u>1,960,882</u>	<u>2,243,967</u>	<u>4,224,275</u>	<u>4,373,578</u>	<u>6,185,157</u>	<u>6,617,545</u>
Net position, ending	<u>\$ 2,050,777</u>	<u>\$ 1,960,882</u>	<u>\$ 4,125,885</u>	<u>\$ 4,224,275</u>	<u>\$ 6,176,662</u>	<u>\$ 6,185,157</u>

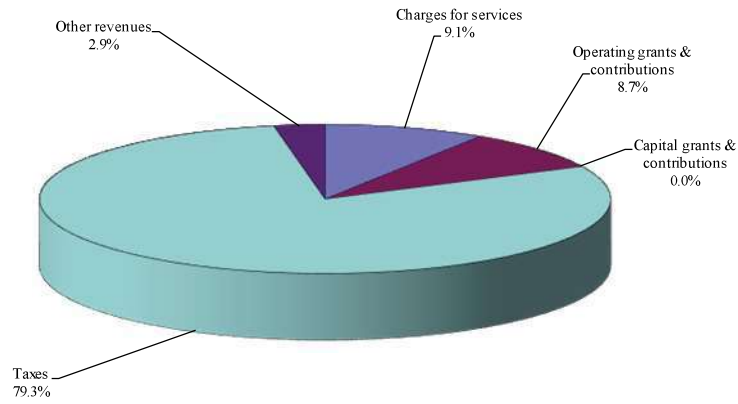
Total resources available during the year to finance governmental operations were \$2,560,280 consisting of Net position as adjusted at January 1, 2024 of \$1,960,882, program revenues of \$106,598 and General Revenues of \$492,800. Total Governmental Activities during the year were \$509,503; thus Governmental Net Position was increased by \$89,895 resulting in an ending net position of \$2,050,777.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

**Expenses and Program Revenues - Governmental Activities**  
(in Thousands)



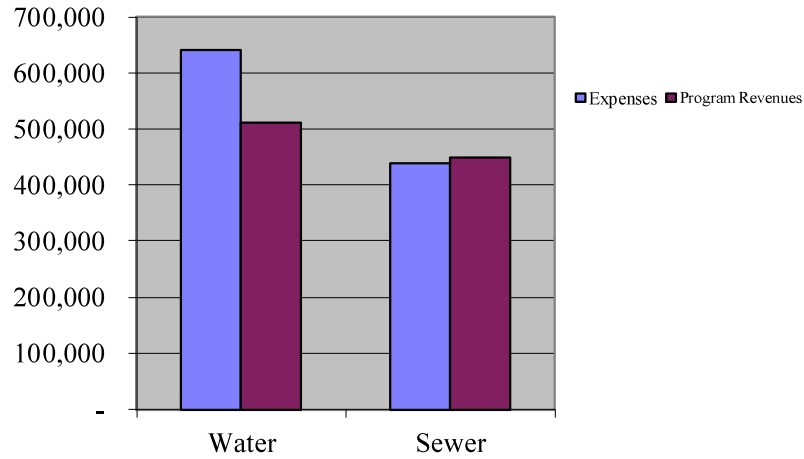
**Revenue By Source - Governmental Activities**



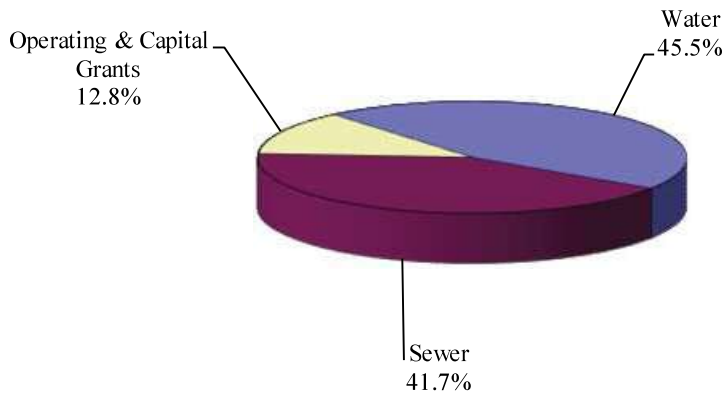
## Business Type Activities

Net position of the Business Type activities at December 31, 2024, as reflected in the Statement of Net Position was \$4.13 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,080,245. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$839,157 and there was \$123,261 subsidized by capital grants and contributions. Investment earnings and other revenues were \$19,437. The Net Position decreased by \$98,390.

Expenses and Program Revenues - Business-type Activities



Revenue By Source - Business-type Activities



## Financial Analysis of the Government's Funds

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

**Governmental funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$641,165 an increase of \$162,125 in comparison with the prior year. Approximately 89.27%, or \$572,379 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed for emergency reserves of \$27,923 or for parks and recreation of \$40,863.

The Town has one major governmental fund, the General Fund, which is the primary operating fund for the Town and one non-major governmental fund, the Conservation Trust Fund, which accounts for the State of Colorado lottery funds used for parks and recreation services and capital improvement.

At December 31, 2024, unassigned fund balance in the General Fund was \$572,379. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 131% and total fund balance represents 137% of total General fund expenditures. The fund balance of the Town's General fund increased by \$150,852 for the year ended December 31, 2024. General fund revenues decreased by \$82,915 compared to the prior year mainly due to decreases intergovernmental revenues.

At December 31, 2024, restricted fund balance in the Conservation Trust Fund was \$40,863. The fund balance of the Town's Conservation Trust Fund increased by \$11,273 for the year ended December 31, 2024. Parks and recreation costs had no expenses, but intergovernmental revenue of \$11,273.

**Proprietary funds:** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and changes in net position for the year-ended December 31, 2024 for the Town's two enterprise funds (Water and Sewer) are as follows:

	Water	Sewer	Total
Unrestricted net position	\$ 85,239	\$ 127,012	\$ 212,251
Total net position	2,714,188	1,411,697	4,125,885
Change in net position	(113,272)	14,882	(98,390)

## **Budgetary Highlights**

General fund revenues of \$588,123 were less than budgeted revenues by \$18,857. The most significant factor contributing to this decrease is related to sales tax revenues which were less than budget by \$52,669. Actual expenditures were \$165,789 less than appropriations.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of 2024, net capital assets of the government activities totaled \$1.41 million and the net capital assets of the business-type activities totaled \$4.57 million. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 7 to the financial statements.)

### **Debt**

At year-end, the Town did not have governmental type debt, and \$851,283 in proprietary debt. During the current fiscal year, the Town had no new debt. Debt was decreased by the amount of payments. See note 8 for more information.

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for fiscal year 2024, the Town Board of Trustees and management were cautious as to the growth of revenues and expenditures due to a slow economy. Overall General Fund operating expenditures were budgeted to maintain the current level of service at an increased cost mostly due to additional public work projects.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: Town Clerk, 513 Aspen Street, Hot Sulphur Springs, Colorado 80451.

**BASIC FINANCIAL STATEMENTS**

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Statement of Net Position**  
**December 31, 2024**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 613,046	\$ 43,438	\$ 656,484
Receivables (net of allowance)	209,440	241,291	450,731
Deposits	-	7,898	7,898
Temporarily restricted assets:			
Cash and cash equivalents	-	191,816	191,816
Capital assets (net of accumulated depreciation):			
Land	606,812	55,900	662,712
Buildings	16,946	-	16,946
Improvements	667,843	-	667,843
System improvements	-	4,425,173	4,425,173
Furniture, equipment & vehicles	37,531	92,028	129,559
Infrastructure/Roads	82,640	-	82,640
Total assets	<u>2,234,258</u>	<u>5,057,544</u>	<u>7,291,802</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	16,850	76,624	93,474
Interest payable	-	1,616	1,616
Noncurrent liabilities:			
Due within one year	2,160	110,396	112,556
Due in more than one year	-	743,023	743,023
Total liabilities	<u>19,010</u>	<u>931,659</u>	<u>950,669</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue-property taxes	<u>164,471</u>	<u>-</u>	<u>164,471</u>
<b>Net Position</b>			
Net investment in capital assets	1,411,772	3,721,818	5,133,590
Restricted for:			
Emergencies	27,923	-	27,923
Parks and recreation	40,863	-	40,863
Debt service	-	191,816	191,816
Unrestricted	<u>570,219</u>	<u>212,251</u>	<u>782,470</u>
Total Net Position	<u>\$ 2,050,777</u>	<u>\$ 4,125,885</u>	<u>\$ 6,176,662</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Statement of Activities**  
**For the Year Ended December 31, 2024**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 165,829	\$ 39,012	\$ 3,275	\$ -	\$ (123,542)	\$ -	\$ (123,542)
Public safety	15,428	3,454	-	-	(11,974)	-	(11,974)
Public works/Streets	236,578	3,760	37,437	-	(195,381)	-	(195,381)
Parks and recreation	91,668	8,186	11,474	-	(72,008)	-	(72,008)
Total governmental activities	509,503	54,412	52,186	-	(402,905)	-	(402,905)
Business-type activities:							
Water	640,975	437,430	-	75,011	-	(128,534)	(128,534)
Sewer	439,270	401,727	-	48,250	-	10,707	10,707
Total business-type activities	1,080,245	839,157	-	123,261	-	(117,827)	(117,827)
Total Primary Government	1,589,748	893,569	52,186	123,261	(402,905)	(117,827)	(520,732)
General Revenues:							
Taxes:							
Property tax					178,547	-	178,547
Sales tax					247,331	-	247,331
Other taxes					12,760	-	12,760
Franchise tax					36,910	-	36,910
Unrestricted investment earnings					17,252	19,437	36,689
Total general revenues & transfers					492,800	19,437	512,237
Change in net position					89,895	(98,390)	(8,495)
Net position - beginning					1,960,882	4,224,275	6,185,157
Net position - ending					\$ 2,050,777	\$ 4,125,885	\$ 6,176,662

The accompanying notes are an integral part of the financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**

**Balance Sheet  
Governmental Funds  
December 31, 2024**

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<b>Assets</b>	<u>General Fund</u>	<u>Non-major Conservation Trust Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 572,183	\$ 40,863	\$ 613,046
Receivables, net:			
Taxes receivable	164,471	-	164,471
Intergovernmental	<u>44,969</u>	<u>-</u>	<u>44,969</u>
Total Assets	<u>\$ 781,623</u>	<u>\$ 40,863</u>	<u>\$ 822,486</u>
 <b>Liabilities</b>			
Accounts payable	\$ 3,664	\$ -	\$ 3,664
Accrued wages	5,957	-	5,957
Accrued liabilities	<u>7,229</u>	<u>-</u>	<u>7,229</u>
Total Liabilities	<u>16,850</u>	<u>-</u>	<u>16,850</u>
 <b>Deferred Inflows of Resources</b>			
Deferred revenue-property taxes	<u>164,471</u>	<u>-</u>	<u>164,471</u>
 <b>Fund Balances:</b>			
Restricted for:			
Parks and recreation	-	40,863	40,863
Emergencies	27,923	-	27,923
Unassigned	<u>572,379</u>	<u>-</u>	<u>572,379</u>
Total fund balances	<u>600,302</u>	<u>40,863</u>	<u>641,165</u>
Total Liabilities, deferred inflows of resources, and fund balances	<u>\$ 781,623</u>	<u>\$ 40,863</u>	<u>\$ 822,486</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2024**

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Total fund balances - governmental funds		\$ 641,165
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Governmental capital assets	2,185,476		
Accumulated depreciation	<u>(773,704)</u>		1,411,772

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(2,160)
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Total net position - governmental activities		<u><u>\$ 2,050,777</u></u>
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The accompanying notes are an integral part of the financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended December 31, 2024**

<b>REVENUES</b>	<u>General Fund</u>	<u>Non-major Conservation Trust Fund</u>	<u>Total Governmental Funds</u>
Taxes	\$ 475,548	\$ -	\$ 475,548
Licenses and permits	9,118	-	9,118
Intergovernmental	40,712	11,273	51,985
Interest revenue	17,252	-	17,252
Other revenues	45,493	-	45,493
Total Revenues	<u>588,123</u>	<u>11,273</u>	<u>599,396</u>
<b>EXPENDITURES</b>			
Current:			
General government	164,338	-	164,338
Public safety	15,428	-	15,428
Public works/streets	201,755	-	201,755
Parks and recreation	55,750	-	55,750
Total Expenditures	<u>437,271</u>	<u>-</u>	<u>437,271</u>
Excess of Revenues Over Expenditures	<u>150,852</u>	<u>11,273</u>	<u>162,125</u>
Net change in fund balances	150,852	11,273	162,125
Fund balances, beginning of year	<u>449,450</u>	<u>29,590</u>	<u>479,040</u>
Fund balances, end of year	<u>\$ 600,302</u>	<u>\$ 40,863</u>	<u>\$ 641,165</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**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, 2024**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 162,125
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation and capital outlays in the current period.</p>		
Capital outlay	-	
Depreciation expense	<u>(72,230)</u>	(72,230)
		<u>                    </u>
Change in net position of governmental activities		<u><u>\$ 89,895</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2024**

	Water Fund	Sewer Fund	Combined Total
<b>Assets</b>			
Current Assets:			
Cash	\$ 19,400	\$ 24,038	\$ 43,438
Receivables (net of allowance)	130,012	111,279	241,291
Deposits	3,949	3,949	7,898
Total current assets	<u>153,361</u>	<u>139,266</u>	<u>292,627</u>
Noncurrent assets:			
Restricted cash and investments	106,924	84,892	191,816
Land	40,345	15,555	55,900
Utility systems and improvements	5,207,686	2,760,908	7,968,594
Machinery, equipment and vehicles	1,265,215	18,022	1,283,237
Accumulated depreciation	(3,456,397)	(1,278,233)	(4,734,630)
Total noncurrent assets	<u>3,163,773</u>	<u>1,601,144</u>	<u>4,764,917</u>
<b>Total Assets</b>	<u><u>\$ 3,317,134</u></u>	<u><u>\$ 1,740,410</u></u>	<u><u>\$ 5,057,544</u></u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	\$ 61,997	\$ 6,200	\$ 68,197
Accrued Wages and Benefits	4,423	4,004	8,427
Interest payable	-	1,616	1,616
Loans payable - current	71,403	36,857	108,260
Compensated absences - current	1,702	434	2,136
Total current liabilities	<u>139,525</u>	<u>49,111</u>	<u>188,636</u>
Noncurrent liabilities:			
Loans payable, net of current portion	<u>463,421</u>	<u>279,602</u>	<u>743,023</u>
Total long-term debt	<u>463,421</u>	<u>279,602</u>	<u>743,023</u>
<b>Total Liabilities</b>	<u>602,946</u>	<u>328,713</u>	<u>931,659</u>
<b>Net Position</b>			
Net investment in capital assets	2,522,025	1,199,793	3,721,818
Restricted	106,924	84,892	191,816
Unrestricted	85,239	127,012	212,251
Total net position	<u><u>\$ 2,714,188</u></u>	<u><u>\$ 1,411,697</u></u>	<u><u>\$ 4,125,885</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Statement Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2024**

	Water Fund	Sewer Fund	Combined Total
<b>Operating Revenues</b>			
Charges for services	\$ 418,638	\$ 401,427	\$ 820,065
Other revenues	18,792	300	19,092
Total Operating Revenues	<u>437,430</u>	<u>401,727</u>	<u>839,157</u>
<b>Operating Expenses</b>			
Salaries	148,550	139,967	288,517
Employee benefits	33,108	28,595	61,703
Outside services	58,563	29,623	88,186
Repairs and maintenance	96,475	117,297	213,772
Supplies	27,977	5,588	33,565
Utilities	28,360	23,217	51,577
Miscellaneous	34,276	29,853	64,129
Depreciation	212,755	58,258	271,013
Total Operating Expenses	<u>640,064</u>	<u>432,398</u>	<u>1,072,462</u>
Operating Income (Loss)	<u>(202,634)</u>	<u>(30,671)</u>	<u>(233,305)</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest income	15,262	4,175	19,437
Interest expense and fiscal charges	(911)	(6,872)	(7,783)
Grant revenue	26,761	-	26,761
Connection and tap fees	48,250	48,250	96,500
Total Non-Operating Revenue (Expense)	<u>89,362</u>	<u>45,553</u>	<u>134,915</u>
<b>Income (loss) before contributions and transfers</b>	<u>(113,272)</u>	<u>14,882</u>	<u>(98,390)</u>
<b>Change in net position</b>	<u>(113,272)</u>	<u>14,882</u>	<u>(98,390)</u>
Net position, beginning of year	<u>2,827,460</u>	<u>1,396,815</u>	<u>4,224,275</u>
<b>Net position, end of year</b>	<u>\$ 2,714,188</u>	<u>\$ 1,411,697</u>	<u>\$ 4,125,885</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2024**

	Water Fund	Sewer Fund	Combined Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers, service fees	\$ 496,558	\$ 382,436	\$ 878,994
Cash received from customers, other	18,792	300	19,092
Cash paid to suppliers	(237,871)	(195,374)	(433,245)
Cash paid to employees	(190,633)	(181,743)	(372,376)
Net cash flows from operating activities	<u>86,846</u>	<u>5,619</u>	<u>92,465</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Net cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Principal paid on long-term debt	(71,371)	(36,131)	(107,502)
Interest paid	(911)	(6,872)	(7,783)
Capital grants	26,761	-	26,761
Connection and tap fees	48,250	48,250	96,500
Net cash flows from capital and related financing activities	<u>(99,960)</u>	<u>5,247</u>	<u>(94,713)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest on investments	15,262	4,175	19,437
Net change in cash and cash equivalents	2,148	15,041	17,189
Cash and cash equivalents, beginning of year	<u>124,176</u>	<u>93,889</u>	<u>218,065</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 126,324</u>	<u>\$ 108,930</u>	<u>\$ 235,254</u>
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income/(loss)	\$ (202,634)	\$ (30,671)	\$ (233,305)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation/amortization	212,755	58,258	271,013
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	77,920	(18,991)	58,929
Increase/(decrease) in payables	7,780	10,204	17,984
Increase/(decrease) in accrued liabilities & deposits	(8,975)	(13,181)	(22,156)
Net cash flows from operating activities	<u>\$ 86,846</u>	<u>\$ 5,619</u>	<u>\$ 92,465</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1.           Summary of Significant Accounting Policies**

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**Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

The government is a statutory municipality with a mayor – board form of government with seven elected board members. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. However, there are no blended or discretely presented component units that are applicable in defining the Town’s reporting entity.

**Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government’s funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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The Town reports the following major governmental fund:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The **Water Fund** accounts for the activities related to the Town's water wells, treatment facilities and distribution operations.

The **Sewer Fund** accounts for the activities related to the Town's sewer collection and treatment operations.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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The 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, other taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Deposits and Investments***

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

***Receivables and Payables***

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds. All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectible accounts. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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*Inventories*

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories for business type activities consist of various parts and supplies and are valued at cost using the first-in/first-out (FIFO) method. However, the total cost of inventory on hand is deemed immaterial and has not been recorded in the financial statements.

*Capital Assets*

Capital assets, which include; property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	25 to 40 years
Utility systems and improvements	20 to 40 years
Furniture, equipment and vehicles	3 to 15 years
Infrastructure - Streets and sidewalks	15 to 25 years

*Deferred outflows/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 a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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*Net position flow assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund balance flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Town Manager is authorized to assign amounts to a specific purpose in accordance with the Town’s budget policy. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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**Revenues and expenditures/expenses**

***Program revenues***

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes levied in the current year and not collected within 60 days of year-end are not deemed available to pay current liabilities and therefore the receivable is recorded as deferred revenue in the governmental funds. Property taxes for the current year are levied by the County and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The County also levies various personal property taxes during the year.

***Compensated Absences***

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

***Proprietary funds operating and nonoperating revenues and expenses***

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. The principal operating revenues of the proprietary are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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**Note 2.           Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and the net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation as listed in the table of contents.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation as listed in the table of contents.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 3. Stewardship, Compliance, and Accountability**

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Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

**Budgets and Budgetary Accounting**

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

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

Budget amounts included in the financial statements report both the original and final amended budget. There were no revisions made to the original budget during the year.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 3. Stewardship, Compliance, and Accountability, Continued**

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Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for long-term receivables and advances and capital lease financing which are budgeted when liquidated rather than when the receivable/liability is incurred. Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.

**Expenditures over Appropriations**

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Town Board. The Board by Resolution has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The budgetary results for all of the Town's fund are reported in the individual Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual reports as listed in the table of contents.

**Tax, Spending and Debt Limitations**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, excluding "enterprises."

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending (excluding bonded debt service). A portion of the General Fund's fund balance is classified as restricted for emergencies as required by the Amendment. The Town is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations in the Amendment's language in order to determine its compliance.

**Debt Covenants**

See supplementary information as listed in the table of contents for compliance with debt covenants.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

**Note 4. Deposits and Investments**

A summary of cash and investments as shown on the statement of net position follows:

Cash on hand	\$	320
Cash in bank		107,836
Colorado Trust		<u>740,144</u>
Total cash and investments	\$	<u><u>848,300</u></u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government’s deposit may not be returned to it. The City does not have a formal policy for custodial credit risk; however, the Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2024 cash on hand was \$320 and the carrying amount of the Town’s deposits was \$851,084. As of December 31, 2024 the bank balance of the Town’s deposits was \$880,517 of which \$140,372 was insured by federal depository insurance and \$730,144 was collateralized by the PDPA as noted above.

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers’ acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The Town’s investment policy follows Colorado statutes. At December 31, 2024 the Town’s investments included certificates of deposit and funds held in the Colorado Government Liquid Asset Trust (COLOTRUST).

The COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 4. Deposits and Investments, Continued**

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The custodian's internal records identify the investments owned by COLOTRUST. These pools are not required to and are not registered with the SEC.

As of December 31, 2024, the Town had \$740,144 invested in the COLOTRUST with a fair market value of \$740,144 and maturities of less than one year. The COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which limits investment in commercial paper and corporate bonds to the top ratings issued by at least two nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

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**Note 5. Restricted Assets**

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The Town has set aside funds for the Operation and Maintenance Reserve Fund as required by the Colorado Water Resources and Power Development Authority Loan Agreement. The water fund reserve at year-end is \$106,924 and is equal to the \$106,924 required for three months of operations and maintenance excluding depreciation, of the system as set forth in the Town's annual budget. The sewer fund reserve at year-end is \$84,892 and is equal to the \$84,892 required three months of operations and maintenance excluding depreciation, of the system as set forth in the Town's annual budget.

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**Note 6. Segment Information – Enterprise Funds**

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The Town maintains two enterprise funds which provide water and sewer utility services to its citizens. Since both of the utility funds are major funds, detailed or segment information for the funds are provided in the basic financial statements.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 7. Capital Assets**

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The following table summarizes the changes to capital assets for governmental activities during the year.

<b>Governmental Activities:</b>	<b>Balance 12/31/23</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/24</b>
Capital assets, not being depreciated:				
Land	\$ 606,812	\$ -	\$ -	\$ 606,812
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>606,812</u>	<u>-</u>	<u>-</u>	<u>606,812</u>
Capital assets, being depreciated:				
Buildings	32,204	-	-	32,204
Improvements	1,022,542	-	-	1,022,542
Furniture, equipment & vehicles	257,096	-	-	257,096
Infrastructure	<u>266,822</u>	<u>-</u>	<u>-</u>	<u>266,822</u>
Total capital assets, being depreciated	<u>1,578,664</u>	<u>-</u>	<u>-</u>	<u>1,578,664</u>
Less accumulated depreciation for:				
Buildings	(14,558)	(699)	-	(15,257)
Improvements	(306,731)	(47,968)	-	(354,699)
Furniture, equipment & vehicles	(210,192)	(9,373)	-	(219,565)
Infrastructure	<u>(169,993)</u>	<u>(14,189)</u>	<u>-</u>	<u>(184,182)</u>
Total accumulated depreciation	<u>(701,474)</u>	<u>(72,229)</u>	<u>-</u>	<u>(773,703)</u>
Total capital assets, being depreciated, net	<u>877,190</u>	<u>(72,229)</u>	<u>-</u>	<u>804,961</u>
Governmental activities capital assets, net	<u>\$ 1,484,002</u>	<u>\$ (72,229)</u>	<u>\$ -</u>	<u>\$ 1,411,773</u>

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

<b>Governmental Activities:</b>	
General government	\$ 1,490
Public works/streets	34,822
Parks & recreation	<u>35,917</u>
Total depreciation expense - governmental activities	<u>\$ 72,229</u>

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 7. Capital Assets, Continued**

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The following table summarizes the changes to capital assets for business-type activities during the year.

<b>Business Type Activities:</b>	<b>Balance 12/31/23</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/24</b>
Capital assets not being depreciated:				
Land and water rights	\$ 55,900	\$ -	\$ -	\$ 55,900
Total capital assets, not being depreciated	<u>55,900</u>	<u>-</u>	<u>-</u>	<u>55,900</u>
Capital assets being depreciated:				
Water system and improvements	5,104,997	102,689	-	5,207,686
Sewer system and improvements	2,760,908	-	-	2,760,908
Furniture, equipment & vehicles	<u>1,283,237</u>	<u>-</u>	<u>-</u>	<u>1,283,237</u>
Total capital assets, being depreciated	<u>9,149,142</u>	<u>102,689</u>	<u>-</u>	<u>9,251,831</u>
Less accumulated depreciation for:				
Water system and improvements	(2,148,649)	(134,561)	-	(2,283,210)
Sewer system and improvements	(1,201,953)	(58,258)	-	(1,260,211)
Furniture, equipment & vehicles	<u>(1,113,015)</u>	<u>(78,194)</u>	<u>-</u>	<u>(1,191,209)</u>
Total accumulated depreciation	<u>(4,463,617)</u>	<u>(271,013)</u>	<u>-</u>	<u>(4,734,630)</u>
Total capital assets, being depreciated, net	<u>4,685,525</u>	<u>(168,324)</u>	<u>-</u>	<u>4,517,201</u>
Business-type activities capital assets, net	<u>\$ 4,741,425</u>	<u>\$ (168,324)</u>	<u>\$ -</u>	<u>\$ 4,573,101</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 212,755
Sewer	58,258
Total depreciation expense - business-type activities	<u>\$ 271,013</u>

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

**Note 8. Long-Term Debt**

The following is a summary of changes in long-term obligations for the year ended December 31, 2024:

	Balance 12/31/23	Additions	Retirements	Balance 12/31/24	Current Portion
<b>Governmental Activities:</b>					
Compensated absences	\$ 2,160	\$ -	\$ -	\$ 2,160	\$ 2,160
Total Governmental activity					
Long-term liabilities	<u>\$ 2,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,160</u>	<u>\$ 2,160</u>
<b>Business-Type Activities:</b>					
<b>Direct Borrowings:</b>					
Loan Payable - Sewer - CWRPDA	\$ 352,590	\$ -	\$ (36,131)	\$ 316,459	\$ 36,857
Loan Payable - Water - 2020 CWRPDA	183,695		(6,371)	177,324	6,403
Loan Payable - Water - CWRPDA	422,500	-	(65,000)	357,500	65,000
Total direct borrowings	<u>958,785</u>	<u>-</u>	<u>(107,502)</u>	<u>851,283</u>	<u>108,260</u>
Other long-term liabilities					
Compensated absences	2,136		-	2,136	2,136
Total Business-type activity					
Long-term liabilities	<u>\$ 960,921</u>	<u>\$ -</u>	<u>\$ (107,502)</u>	<u>\$ 853,419</u>	<u>\$ 110,396</u>

The following is a listing of Loans and Notes Payable outstanding as of December 31, 2024:

**Direct Borrowings**

Loan payable to Colorado Water Resources and Power Development Authority, secured by net system revenue, bearing interest at 2%, due in semi-annual principal installments of \$21,502, maturing November 1, 2032. This loan was approved in September 2012 with a maximum principal balance of \$706,000. \$ 316,459

Loan payable to Colorado Water Resources and Power Development Authority, secured by net system revenue, bearing interest at 0.5%, due in semi-annual principal installments of \$3,641, maturing November 1, 2050. This loan was approved in November 2020 with a maximum principal balance of \$200,000. 177,324

Loan payable to Colorado Water Resources and Power Development Authority, secured by net system revenue, bearing interest at 0%, due in semi-annual principal installments of \$32,500, maturing May 1, 2030. This loan was approved in September 2009 with a maximum principal balance of \$3,300,000. On the date of the loan closing, \$2 million of the principal amount of the loan was forgiven by the Authority in the form of a grant to the Town. 357,500

Total Loans and Notes Payable \$ 851,283

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 8. Long-Term Debt, Continued**

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Note payable debt service maturities are as follows:

Years ending June 30:	Business-Type Activities	
	Principal	Interest
2025	108,260	7,025
2026	109,033	6,252
2027	109,821	5,464
2028	110,625	4,660
2029	111,443	3,842
2030-2034	190,269	7,650
2035-2039	33,993	2,417
2040-2044	34,852	1,558
2045-2049	35,733	677
2050-2054	7,254	28
	\$ 851,283	\$ 39,573

The Town has no unused lines of credit as of December 31, 2024

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**Note 9. Retirement and Pension Plans**

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The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457B. The plan, available to all full-time permanent employees of the Town at their option, permits participants to defer a portion of their salary until future years. The Town contributes 8% of covered salaries to the plan and eligible employees can match up to the Town's contribution. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

None of the amounts of compensation deferred under the plan, none of the property and rights purchased with those amounts, and none of the income attributable to those amounts, property or rights are the property of the Town, subject to the claims of the Town's general creditors.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 10. Risk Management**

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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. Claims have not exceeded coverage in any of the last three fiscal years.

The Town is insured by Workers Compensation for potential worker related accidents.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by an intergovernmental agreement by member municipalities pursuant to the provision of 24-10-1155, Colorado Revised Statutes (1982 Replacement Volume) and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverage's and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers.

All Colorado municipalities who are members of the Colorado Municipal League and own property, are eligible to participate. The general objectives of the Agency are to provide member municipalities defined liability and property coverage through joint self-insurance and to assists members in loss prevention measures. Any member may withdraw from the Agency by giving written notice to the Board of Directors of the prospective effective date of its withdrawal.

The Town recognizes an expense for coverage for the amount paid to CIRSA annually for these coverage's. Contingent liability claims for the coverage have not been recognized to date after reviewing claim history and the remoteness of potential loss in excess of actual contributions by the Town. 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 liability or 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 coverage's at reasonable costs. All income and assets of CIRSA shall at all times be 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 CIRSA. The Board of Directors of the Agency is composed of seven directors elected by the members at the annual meeting to be scheduled in December each year.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 11. Contingencies and Commitments**

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The Town is involved with various matters of litigation from year to year. The Town and the Colorado Department of Public Health and Environment are engaged in negotiations to solve various waste water and water quality control issues and regulations. It is the opinion of Town officials that this issue and any other potential cases will either be handled by the Town's insurance coverage or that they will not have a material effect on the Town's financial condition.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town does not anticipate any such amounts.

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**Note 12. Expenditures Under Investigation from Previous Audits**

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In 2022 and 2023, there were several Town expenditures that were under investigation. The Colorado Bureau of Investigation has been reviewing the transactions and the parties involved. Although the final ruling is pending, the defendant has been charged with three felonies, one misdemeanor and embezzlement of an estimated \$54,000. The outcome of the investigation is still uncertain as of the date of the financial statements.

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**TOWN OF HOT SULPHUR SPRINGS, COLORADO**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULES**

**FOR THE FOLLOWING MAJOR FUNDS:**

**General Fund – Detail Budget and Actual**

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended December 31, 2024**

<b>REVENUES:</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Taxes:</b>				
Property tax	\$ 162,969	\$ 162,969	\$ 178,547	\$ 15,578
Sales tax	300,000	300,000	247,331	(52,669)
Other taxes	19,350	19,350	12,760	(6,590)
Franchise tax	42,031	42,031	36,910	(5,121)
Total Taxes	<u>524,350</u>	<u>524,350</u>	<u>475,548</u>	<u>(48,802)</u>
<b>Licenses, Permits and Fees:</b>				
Licenses, permits and fees	1,730	1,730	5,458	3,728
Building permits	2,000	2,000	3,660	1,660
Total Licenses, Permits and Fees	<u>3,730</u>	<u>3,730</u>	<u>9,118</u>	<u>5,388</u>
<b>Intergovernmental:</b>				
Highway users tax	30,000	30,000	37,437	7,437
Grant revenues	25,000	25,000	3,275	(21,725)
Total Intergovernmental	<u>55,000</u>	<u>55,000</u>	<u>40,712</u>	<u>(14,288)</u>
<b>Interest:</b>				
Interest revenue	600	600	17,252	16,652
Total Interest	<u>600</u>	<u>600</u>	<u>17,252</u>	<u>16,652</u>
<b>Other Revenues:</b>				
HSS special events	21,500	21,500	17,225	(4,275)
Misc. revenue	1,800	1,800	28,268	26,468
Total Other Revenues	<u>23,300</u>	<u>23,300</u>	<u>45,493</u>	<u>22,193</u>
<b>TOTAL REVENUES</b>	<u>\$ 606,980</u>	<u>\$ 606,980</u>	<u>\$ 588,123</u>	<u>\$ (18,857)</u>

(continued)

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual (Continued)**  
**For the Year Ended December 31, 2024**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>General Government:</b>				
Professional services	\$ 83,500	\$ 83,500	\$ 90,809	\$ (7,309)
Administrative	95,667	95,667	73,529	22,138
Total General Government	<u>179,167</u>	<u>179,167</u>	<u>164,338</u>	<u>14,829</u>
<b>Public Safety:</b>				
Communication center/dispatch	37,000	37,000	15,428	21,572
Total Public Safety	<u>37,000</u>	<u>37,000</u>	<u>15,428</u>	<u>21,572</u>
<b>Public Works:</b>				
Buildings	17,560	17,560	21,280	(3,720)
Streets	282,900	282,900	180,475	102,425
Total Public Works	<u>300,460</u>	<u>300,460</u>	<u>201,755</u>	<u>98,705</u>
<b>Parks and Recreation:</b>				
Donations/community support	4,000	4,000	6,006	(2,006)
Town park	73,633	73,633	39,716	33,917
Pioneer park	8,800	8,800	10,028	(1,228)
Total Parks & Recreation	<u>86,433</u>	<u>86,433</u>	<u>55,750</u>	<u>30,683</u>
TOTAL EXPENDITURES	<u>603,060</u>	<u>603,060</u>	<u>437,271</u>	<u>165,789</u>
Excess of Revenues Over (Under) Expenditures	<u>3,920</u>	<u>3,920</u>	<u>150,852</u>	<u>146,932</u>
Net change in fund balance	3,920	3,920	150,852	146,932
Fund balance, beginning of year	<u>449,450</u>	<u>449,450</u>	<u>449,450</u>	<u>-</u>
Fund balance, end of year	<u>\$ 453,370</u>	<u>\$ 453,370</u>	<u>\$ 600,302</u>	<u>\$ 146,932</u>

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**SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULES**  
**FOR THE FOLLOWING FUNDS:**

**Non-major Special Revenue Fund**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- The **Conservation Trust Fund** is used to account for State of Colorado lottery funds to be used for parks and recreation services and capital improvement.

**Major Enterprise Funds**

Enterprise Funds are used to 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. The budgets for the enterprise funds have been prepared and presented on a modified accrual basis which is an accounting basis other than GAAP for enterprise funds.

- The **Water Fund** is used to account for the Town's water wells, treatment facilities and distribution system.
- The **Sewer Fund** is used to account for the Town's sewer collection and treatment services.

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Conservation Trust Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue:				
State lottery	\$ 2,000	\$ 2,000	\$ 11,273	\$ 9,273
Total intergovernmental revenue	<u>2,000</u>	<u>2,000</u>	<u>11,273</u>	<u>9,273</u>
Total revenue	<u>2,000</u>	<u>2,000</u>	<u>11,273</u>	<u>9,273</u>
<b>EXPENDITURES:</b>				
Parks and recreation	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>11,273</u>	<u>11,273</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>11,273</u>	<u>11,273</u>
Fund balance (deficit), beginning of year	<u>29,590</u>	<u>29,590</u>	<u>29,590</u>	<u>-</u>
Fund balance, end of year	<u>\$ 29,590</u>	<u>\$ 29,590</u>	<u>\$ 40,863</u>	<u>\$ 11,273</u>

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Schedule of Revenues, Expenses and Changes in Available Resources**  
**Water Fund**  
**Budget and Actual**  
**For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Operating Revenues</b>				
Charges for services	\$ 440,000	\$ 440,000	\$ 418,638	\$ (21,362)
Other revenues	3,250	3,250	18,792	15,542
<b>Total Operating Revenues</b>	<b>443,250</b>	<b>443,250</b>	<b>437,430</b>	<b>(5,820)</b>
<b>Operating Expenses</b>				
Salaries	134,673	134,673	148,550	(13,877)
Employee benefits	39,199	39,199	33,108	6,091
Outside services	57,360	57,360	58,563	(1,203)
Repairs and maintenance	112,970	112,970	96,475	16,495
Supplies	38,600	38,600	27,977	10,623
Utilities	22,994	22,994	28,360	(5,366)
Miscellaneous	21,900	21,900	34,276	(12,376)
<b>Total Operating Expenses</b>	<b>427,696</b>	<b>427,696</b>	<b>427,309</b>	<b>387</b>
Operating Income (loss) excluding depreciation	15,554	15,554	10,121	(5,433)
<b>Non-operating Revenues (Expenses)</b>				
Interest income	-	-	15,262	15,262
Grant revenue	19,500	19,500	26,761	7,261
Connection and tap fees	40,000	40,000	48,250	8,250
<b>Total Non-Operating Revenue (Expense)</b>	<b>59,500</b>	<b>59,500</b>	<b>90,273</b>	<b>30,773</b>
<b>Income (loss) before contributions, transfers and capital and related financing activities</b>	<b>75,054</b>	<b>75,054</b>	<b>100,394</b>	<b>25,340</b>
Contributions, Transfers and Capital and Related Financing Activities:				
Debt service	(72,282)	(72,282)	(72,282)	-
<b>Change in available resources</b>	<b>2,772</b>	<b>2,772</b>	<b>(74,577)</b>	<b>(77,349)</b>
Available resources, beginning of year	266,740	266,740	266,740	-
<b>Available resources, end of year</b>	<b>\$ 269,512</b>	<b>\$ 269,512</b>	<b>\$ 192,163</b>	<b>\$ (77,349)</b>

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**  
**Schedule of Revenues, Expenses and Changes in Available Resources**  
**Sewer Fund**  
**Budget and Actual**  
**For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Operating Revenues</b>				
Charges for services	\$ 393,741	\$ 393,741	\$ 401,427	\$ 7,686
Other revenues	250	250	300	50
<b>Total Operating Revenues</b>	<u>393,991</u>	<u>393,991</u>	<u>401,727</u>	<u>7,736</u>
<b>Operating Expenses</b>				
Salaries	135,623	135,623	139,967	(4,344)
Employee benefits	39,326	39,326	28,595	10,731
Outside services	12,000	12,000	29,623	(17,623)
Repairs and maintenance	97,470	97,470	117,297	(19,827)
Supplies	7,500	7,500	5,588	1,912
Utilities	29,250	29,250	23,217	6,033
Miscellaneous	18,400	18,400	29,853	(11,453)
<b>Total Operating Expenses</b>	<u>339,569</u>	<u>339,569</u>	<u>374,140</u>	<u>(34,571)</u>
Operating Income excluding depreciation	<u>54,422</u>	<u>54,422</u>	<u>27,587</u>	<u>(26,835)</u>
<b>Non-operating Revenues (Expenses)</b>				
Interest income	-	-	4,175	4,175
Connection and tap fees	40,000	40,000	48,250	8,250
<b>Total Non-Operating Revenue (Expense)</b>	<u>40,000</u>	<u>40,000</u>	<u>52,425</u>	<u>12,425</u>
<b>Income (loss) before contributions, transfers and capital and related financing activities</b>	94,422	94,422	80,012	(14,410)
Contributions, Transfers and Capital and Related Financing Activities:				
Debt service	(43,003)	(43,003)	(43,003)	-
<b>Change in available resources</b>	51,419	51,419	37,009	(14,410)
Available resources, beginning of year	174,895	174,895	174,895	-
<b>Available resources, end of year</b>	<u>\$ 226,314</u>	<u>\$ 226,314</u>	<u>\$ 211,904</u>	<u>\$ (14,410)</u>

**TOWN OF HOT SULPHUR SPRINGS, COLORADO**

**SUPPLEMENTARY INFORMATION**

**COLORADO WATER RESOURCES AND  
POWER DEVELOPMENT AUTHORITY  
LOAN COVENANTS AND REQUIREMENTS**

The Colorado Water Resources and Power Development Authority Loan Agreement set forth certain covenants and restrictions. As of December 31, 2024, the Town appears to be in compliance in the Water Fund with all covenants and restrictions as set forth in Exhibit F, Additional Covenants and Requirements. See footnote 8 for details on the loan. The following are additional disclosures required by the loan agreement.

- **Rate Covenant:** The Town shall establish and collect such rates, fees, and charges for the use or the sale of the products and services of the System as, together with other moneys available therefore, are expected to produce Gross revenue for each calendar year that will be at least sufficient for such calendar year to pay the sum of estimated operation and maintenance expenses, 110% of the debt service coming due on the bond during the calendar year and other debt service requirements. Gross revenue as defined in Para (3) of Exhibit A to the Loan Agreement is all income and revenues directly or indirectly derived by the government agency for the operation and use of the system, including investment income, but excluding, property taxes and grants received for capital improvements.

<b>Summary of 2021 Gross Revenue Requirement</b>	<b>Water</b>	<b>Sewer</b>
Total Gross Revenue requirement	\$ 506,088	\$ 421,444
Total water fund revenues, excluding capital grants	\$ 500,942	\$ 454,152
Excess (deficiency) of gross revenues	\$ (5,146)	\$ 32,708
 <b>Rate covenant calculation</b>		
Net revenue (Exp) before depreciation and interest expense	73,635	80,012
Debt service	65,000	43,003
Percentage of net revenue to debt svc	113.28%	186.06%

- **Lien Representation:** Except for the debt service on any bonds, notes or other evidence of indebtedness of the Town issued, or contractual obligations incurred, having a lien on the Pledged Property equal or superior to the lien and charge on the Pledged Property of the Governmental Agency Bond that have been disclosed in writing to the Authority, the Pledged Property, after the payment of all costs of operating and maintaining the System, is free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto, prior to, or of equal rank with, the obligation of the Governmental Agency Bond.
- **Operations and Maintenance Reserve Fund Covenant:** It appears the Town has set aside sufficient funds to meet the Reserve Fund covenants for the Water and Sewer Funds. See footnote 5 for more details regarding the reserve fund amounts.

**SUPPLEMENTARY INFORMATION**  
**LOCAL HIGHWAY FINANCE REPORT**

Section 43-2-132 of the Colorado Revised Statutes requires municipalities receiving Highway User Tax Funds to include a schedule of highway receipts and expenditures with the audit report. The said report is presented on the following two pages.

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Hot Sulphur Springs, CO
	YEAR ENDING : December 2024

Prepared By: Katie LaDrig, Town Clerk  
Phone: 970-725-3933

**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				

<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES</b>	<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES</b>
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ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	50,142
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	143,038	b. Snow and ice removal	20,681
3. Other local imposts (from page 2)	0	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	20,681
5. Transfers from toll facilities		4. General administration & miscellaneous	109,652
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	180,475
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	143,038	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	37,437	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	180,475	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	180,475

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

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>				0
1. Bonds (Refunding Portion)				
<b>B. Notes (Total)</b>				0

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		180,475	180,475		0

**Notes and Comments:**

<b>LOCAL HIGHWAY FINANCE REPORT</b>	STATE: Colorado
	YEAR ENDING (mm/yy): December 2024

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	0	h. Other - Road and Bridge	0
c. Total (a. + b.)	0	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	37,437	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	0	d. Federal Transit Admin	
d. Other (Specify) - WQCD Grants	0	e. U.S. Corps of Engineers	0
e. Other (Specify)-		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	37,437	3. Total (1. + 2.g)	
			(Carry forward to page 1)

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL**

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		0	0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

**Notes and Comments:**



**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and Board  
Hot Sulphur Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hot Sulphur Springs, Colorado, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 18, 2025.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Hot Sulphur Springs, Colorado's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hot Sulphur Springs, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hot Sulphur Springs, Colorado's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the separate schedule of findings and recommendations letter dated July 18, 2025, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Hot Sulphur Springs financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the separate schedule of findings and recommendations letter dated July 18, 2025, as item 2009-002 to be a material weakness.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the separate schedule of findings and recommendations letter dated July 18, 2025, as item 2009-001 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the Town in a separate letter dated July 18, 2025.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HintonBurdick, PLLC*

St. George, Utah

July 18, 2025